


# Strategic Integration of ESG Principles: An Analysis of Sustainable Business Practice at NWP Property

Adrian Pratama<sup>1</sup>, Jerry Heikal<sup>2</sup>  
Universitas Bakrie, Jakarta, Indonesia<sup>1,2</sup>

Article Info	ABSTRACT
<b>Keywords:</b> Strategic, Integration, ESG Principles, Sustainable Business	<p>Currently, environmental, social, and governance (ESG) principles have become guideline for companies in the pursuit of sustainable business practices, taking into consideration their impact on the environment, society, and the implementation of good corporate governance. ESG principles are then integrated into a company's business activities and are no longer merely an option in their implementation. The objective of this research is to analyse the strategies for integrating ESG principles into the business practices of commercial real estate companies. This study was employed a qualitative methodology to understand and comprehend the conditions of a company as the research subject. The research sample consists of the Head of Research and ESG, Supervisor of the Energy and Sustainability team, and Head of Operations across all malls owned by NWP Property. The Grounded Theory approach is utilized in this research to derive research answers from data collected through interviews with the respondents, followed by a transcription stage to identify codes, categories, and themes. Based on the research findings, three themes are identified to address the research question. First, "Global Trends and Markets" as the key drivers for integration of ESG principles within the company. Second, "Company innovation" as the core strategy employed to integrate ESG principles into the company's business activities. Third, 'Sustainable Business' as an opportunity that can be achieved for the company after the integration of ESG principles.</p>
<p>This is an open access article under the <a href="#">CC BY-NC</a> license</p> 	<p><b>Corresponding Author:</b> Adrian Pratama Universitas Bakrie, Jakarta, Indonesia <a href="mailto:adrian.pratama92@gmail.com">adrian.pratama92@gmail.com</a></p>

## INTRODUCTION

ESG, an acronym representing Environmental, Social, and Governance factors, made its initial appearance in 2004. This significant milestone was marked by the publication of the "Who Cares Wins" report by the United Nations Global Compact, a collaborative effort involving twenty financial institutions. The primary objective of this report was to provide recommendations to the financial industry, aiming to enhance the incorporation of ESG principles into the domains of analysis, asset management, securities brokerage (UN Global Impact, 2004). Investors and banks as the subject of financial industry also implement it through responsible investment which involves considering environmental, social, and governance (ESG) issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship (UNPRI, 2017). It is worth

acknowledging that the financial sector can be credited with pioneering one of the earliest proposals related to ESG, consequently laying the foundation for its subsequent diffusion across diverse industries, commercial real estate sector.

Commercial real estate companies employed funding strategies to facilitate business expansion through investment relationships with investors or banks. Both parties can provide financial loans to the company under mutual agreements that encompass responsible investment. The funds can be used to develop business activities while still considering their impact on the environment, society, and maintaining good corporate governance. The results of fund utilization will be periodically reported by the company to the investor/bank as a form of corporate accountability. This condition describes the relations between commercial real estate companies and investors/banks regarding the implementation of ESG principles in their business activities.

Nirvana Wastu Pratama (NWP Property) is a commercial real estate company in Indonesia that was established in 2015 as a joint venture company between PT. City Retail Development Tbk. (NIRO) and Warburg Pincus, a leading global growth investor. NWP Property has expanded its footprints by ~7x in 7 years (from 4 projects in mid – 2015 to 30 projects in October 2023) through development and acquisition. The significant increase in the company's asset portfolio is certainly supported by a strong source of funding. The funding process involves investors and various private and international banks. In 2018, the company established an energy and sustainability team as an initial step in integrating ESG principles into the company. This situation has become a defining moment for NWP as a commercial real estate company in Indonesia committed to conducting its business activities while still considering the impact on the environment, society, and good corporate governance.

The company's awareness to integrate ESG principles into its business activities is also evidenced by the fact that 60% of the respondents to CBRE's 2021 Global Investor Intentions Survey have already adopted ESG criteria as part of their investment strategies, with the Americas, EMEA, and Asia Pacific all showing a stronger focus on ESG issues than in previous years (CBRE, 2021). The CBRE survey conducted in 2022 on 500 commercial real estate companies in US, Europe and Asia Pacific stated that 67% of all respondents increased their focus on ESG (CBRE, 2022). Based on survey results, it can be described that there is a growth of awareness and emphasis on the integration of ESG principles within business activities among commercial real estate companies. This condition encourages research with the aim of to analyse the strategies for integrating ESG principles into the business practices of commercial real estate companies, with NWP Property as the research subject.

## METHOD

The method used in this research is qualitative with a grounded theory approach. Qualitative research is an effort to explore and understand the meaning that individuals or groups ascribe to social or human problems (Creswell, 2007). The grounded theory approach is used by researchers to derive a general, abstract theory of a process, action, or interaction based on the views of participants (Charmaz, 2006). Through the interview

process with research participants, primary data in the form of verbatim transcripts is obtained. Based on the transcription of verbatim, researchers need to identify codes that indicate similarity or consistency in frequency so it can be classified into categories and progress toward thematic, conceptual, and theoretical understanding (Saldana, 2016).

The subject of research is NWP Property, a commercial real estate company in Indonesia. Interviews were conducted with three research sample as a direct participant in the company's business processes. These participants consist of The Head of Research and Energy Sustainability, Supervisor of the Energy Sustainability team, and Head of Operation for all operating assets at NWP Property. Data collection was conducted through in-depth interviews, both in person and online, to accommodate the specific conditions of each research participant. The recorded results were then transcribed to obtain codes, categories, and themes that would be used to answer the research questions.

In the interview implementation process, the research questions were divided into three open-ended sub-questions with the aim of obtaining comprehensive answers to depict the company's overall condition. These three questions were posed to all research participants and encompassed the following: First, what drives NWP Property to integrate ESG Principles within the company? Second, what strategies are employed to integrate ESG principles within the company's business activities? Third, what opportunities the company has in integrating ESG principles into its business activities?

The first question in the research generated 19 codes, forming 7 categories, and resulting in 3 themes. The second question generated 21 codes, forming 10 categories, and resulting in 3 themes. In the third question, 28 codes were identified, forming 12 categories, and develop of 3 themes. All three research questions were effectively addressed through the grounded theory approach, resulting in a theory based on the process of codes, categories, and themes. Thus, the use of the qualitative method with a grounded theory approach can be considered appropriate for this research.

## RESULT AND DISCUSSION

To answer the first research question regarding "What drives NWP Property to integrate ESG Principles within the company?", author need to obtain codes based on the verbatim transcriptions of the 3 research samples, which will then form categories and themes. This process will be described in the table below

**Table 1.** Coding Process of research question 1

Coding	Category						
	Company Reputation	Company Responsibility	Consumers Trend	Energy Efficiency	Investor Preference	Reducing Operational Cost	Sustainable Operations
Helps the company image and acceptance in community where the malls are present; To make NWP as sustainable company and a market leader in the retail industry in Indonesia and globally	2						
As social responsibility of a global institutionally company; Corporate responsibility		2					
Changing consumer behaviour; Anticipating future trends where ESG is becoming a requirement; To make NWP as an agile company that responds to all global changes			3				
Improve energy efficiency				1			
Changing investor preference globally; The emergence of the green loan trend; The recognition of the importance of ESG values is growing among investors; The way property can attract investor; Investors' perspective on the implementation of ESG principles in business					6		
Reduce operational cost by increasing energy efficiency; Focus on reducing utility costs, specifically electricity and water expenses in all of assets; Reduce future operational cost significantly; To reducing operation cost						4	
To be more environmentally friendly, greener, and sustainably operational within NWP property malls.							1
<b>Total Frequency</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>6</b>	<b>4</b>	<b>1</b>

Source: interview

Author obtained 19 codes based on interviews with 3 research samples. The formation of categories was accomplished by developing a rule for inclusion in the form of a propositional statement, coupled with sample data, resulting in 7 categories consisting of company reputation, company responsibility, consumer trends, energy efficiency, investor preference, reducing operational costs, and sustainable operations. From these 7 categories, 3 themes were successfully formed, namely global and market trends, corporate social responsibility, and sustainable development. The theme "Global and Market Trends" had a frequency of 9 point, formed from 2 categories: consumer trends and investor preference. The highest frequency obtained compared to the other two themes, which can be concluded that "Global and Market Trends" drove NWP Property to integrate ESG Principles within the company.

**Table 2.** Category and Themes of research question 1

Category	Frequency	Themes		
		Global and Market Trends	Corporate Social Responsibility	Sustainable Development
Company Reputation	2		2	
Company Responsibility	2		2	
Consumers Trend	3	3		
Energy Efficiency	1			1
Investor Preference	6	6		
Reducing Operational Cost	4			4
Sustainable Operations	1			1
<b>Total</b>	<b>19</b>	<b>9</b>	<b>4</b>	<b>6</b>

Source: Interview

Global and market trends directly drive NWP Property to integrate ESG principles into the company. This is related to the changing perspective of investors in their investment plans within the framework of responsible investment, where investors will invest in companies that have adopted ESG principles in their business activities. With the integration of ESG principles, investors feel that the investment risk will be reduced due to the impact of business activities on the environment and society. NWP Property needs to be agile and anticipate future changes related to various regulations associated with ESG principles.

In the second research question regarding "What strategies were employed to integrate ESG principles within the company's business activities?", 21 codes were obtained, which then formed 10 categories and resulted in 3 themes (tables 3 and 4). The category with the highest frequency was data-driven approach with a score of 7. To answer the research question, these categories needed to be connected to form the themes.

**Table 3.** Coding Process of research question 2

Coding	Category									
	Coordination among department	Hire New People	Collaborating with among department	Comparison Study	Team Experiments	Data Driven Approach	Communication among department	Team Training	Implementing New System	Studying New Technology
Hire new people; Recruiting new employees who possess an optimistic mind-set and a strong commitment to implementing ESG principles		2								
Coordinating with different teams	1									
Trial and error experiments					1					
Data driven approach; Making business case based on limited data; Identify the right cause and effect in case of operational problems based on data collection; Data collection process; Correcting inaccurate data findings; Team is relying in data driven; Data analysis process						7				
Training staff in operating assets; Educate and direct the site team to consistently provide regular reports								2		
Collaborating with different department; Energy Sustainable division work with Operation team to implement sustainable program			2							
Comparing some global green building standards as reference to identified best practice				1						
Communication with different department							1			
Integrate data directly to the cloud system; Upgrading NWP's systems and technology									2	
Focus on several studies related technology; Enhance knowledge before implement new technologies effectively										2
Total Frequency	1	2	2	1	1	7	1	2	2	2

Source: interview

The 3 themes obtained after connecting all the categories consist of company innovation, interdepartmental, and organizational development. The theme with the highest frequency is "Company Innovation" with a score of 13 points. This theme comprises 4 categories, including a comparison study, team experiments, a data-driven approach, studying new technology, and implementing a new system. Based on the data obtained, "Company Innovation" is the core strategy employed to integrate ESG principles into the company's business activities.



**Table 4.** Category and Themes of research question 2

Category	Frequency	Themes		
		Company Innovation	Interdepartmental	Organizational Development
Coordination among department	1		1	
Hire new people	2			2
Collaborating with among department	2		2	
Comparison Study	1	1		
Team Experiments	1	1		
Data Driven Approach	7	7		
Communication among department	1		1	
Team Training	2			2
Implementing new system	2	2		
Studying new technology	2	2		
<b>Total</b>	<b>21</b>	<b>13</b>	<b>4</b>	<b>4</b>

Source: Interview

NWP Property is innovating the company as a strategy to integrate ESG principles into its business activities. A data-driven approach is the dominant step shaping the company's innovation. The process involves a case study using data, following the prior collection and correction of inaccurate data findings. Additionally, updating technology with renewable technologies is another innovative step for the company, based on the results of a study regarding new technology. Furthermore, the innovation process has involved various comparative studies and trial-and-error experiments to complement it. As a result, the company has gone through a series of processes that have led to innovations used to integrate ESG principles into the company.

In the discussion of the third research question regarding "What opportunities the company has in integrating ESG principles into its business activities?", author obtained 28 codes that formed 12 categories. Based on the categories that were formed, "Implementing Sustainable Operations" was identified as the category with the highest frequency, which amounted to 5 points (Table 5).

Table 5. Coding Process of research question 3

Coding	Category											Value Added to attract international tenants
	Improve Energy Efficiency	Become Industry Leader	Certifying Asset as Green Building	Implementing New Technology	Carbon Credit Initiative	Shaping community engagement	Open Investment Access	Upgrading Report Standard	Implementing Sustainable Operations	Promoting environmental safety	Implementing ESG Policy	
Improve energy efficiency; Reduction in energy efficiency from base-line levels specially for new malls; Improve mall efficiency in energy; Energy efficiency	4											
Become industry leader		1										
Certify most of operating assets with green-building certifications; Processing of green building certification for the asset			2									
Install renewable energy sources such as solar panels in near terms; Implementation of new technology for long-term profitability; Reducing operational cost by implement new technology; Initial investment in technology				4								
Engaging in carbon credit initiatives to mitigate environmental impact and more eco - friendly					1							
Make company business model increasingly sustainable; Make mall operations more sustainable; Sustainable in operations; Eco-Friendly and sustainable in operations; Wastewater management for operational sustainability									5			
Participating in Green reporting and striving for green reporting standards; Initiatives for green reporting standards								2				
Easier access to incentives or investment; Green loan program; To attract investors to reinvest in company							3					
Build awareness among visitors and local communities; Initiatives promoting sustainability related activities						2						
Adding value of NWP Property to attract international tenant class to join												1
Implement better wastewater management in line with the ESG policy; Implement the entire ESG policy in all of NWP's operating and new development asset											2	
Promoting safety for the environment										1		
Total Frequency	4	1	2	4	1	2	3	2	5	1	2	1

Source: interview

The themes derived from those categories generated funding, sustainable business, and global market leader. Among these themes, "Sustainable Business" emerges as the one with the highest frequency, with a score of 23 points. "Sustainable Business" consists of 9 interrelated categories that can be consolidated into a single theme. Based on this data, "Sustainable Business" is an opportunity that can be achieved for the company after the integration of ESG principles.



**Table 6.** Category and Themes of research question 3

Category	Frequency	Themes		
		Funding	Sustainable Business	Global Market Leader
Improve Energy Efficiency	4		4	
Become Industry Leader	1			1
Certifying Asset as green building	2		2	
Implementing New Technology	4		4	
Carbon Credit Initiative	1		1	
Shaping community engagement	2		2	
Open Investment Access	3	3		
Upgrading Report Standard	2		2	
Implementing Sustainable Operations	5		5	
Promoting enviromental safety	1		1	
Implementing ESG Policy	2		2	
Value Added to attract international tenants	1			1
<b>Total</b>	<b>28</b>	<b>3</b>	<b>23</b>	<b>2</b>

Source: interview

NWP Property seizes the opportunity to integrate ESG principles into the company's business activities as part of sustainable development. Sustainable development involves aligning the company's business with environmental, social, and governance aspects. Sustainable development encompasses efforts related to operations, such as improving energy efficiency, certifying assets as green buildings, implementing renewable technologies, and enhancing relationships with stakeholders, whether in the community or through efforts to improve corporate performance reporting standards.

## CONCLUSION

Based on the analysis of the research conducted on NWP Property as the subject, using a qualitative method and grounded theory approach, conclusions were drawn. First, global and market trends drove NWP Property to integrate ESG Principles within the company, including consumer trends and investor preferences. Second, company innovation served as the core strategy employed to integrate ESG principles into the company's business activities. This was achieved through various company activities such as comparison studies, team experiments, a data-driven approach, the study of new technology, and the implementation of new systems. Third, sustainable business was identified as an opportunity that could be achieved for the company after the integration of ESG principles

through various initiatives, including improving energy efficiency, certifying assets as green buildings, implementing new technology, engaging in carbon credit initiatives, shaping community engagement, implementing sustainable operations, promoting environmental safety, implementing ESG policies, attracting international tenants, and upgrading reporting standards.

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