ENVIRONMENTAL, SOCIAL, & GOVERNANCE REPORTING IN TRAVEL & TOURISM:

1. BACKGROUND ON SUSTAINABILITY REPORTING
1 BACKGROUND ON SUSTAINABILITY REPORTING

INTRODUCTION

Transparent, public reporting of an organisation’s approach and performance toward relevant Environmental, Social, and Governance (ESG) issues has emerged as one of the common practices of large companies globally across all sectors, including those within Travel & Tourism. Reports communicating ESG content address the convergence of real business risks, government and market regulation, and increased stakeholder interest. Investors want to know how a company is managing the risks affecting its business such as climate change, human rights, and resource scarcity. Stock exchanges and governments have realised the importance of these disclosures to investors, with dozens now mandating that companies report, or explain why they do not. Corporate customers request similar information as part of their own commitments and evaluation of supply chain risks. Increasingly, and especially with the millennial workforce, employees often seek out companies with purpose and that demonstrate commitments to environmental protection and human well-being. For companies seeking to be recognised as leaders in corporate responsibility, public reporting serves as the primary medium for comparison.

Sustainability reporting also has been shown to add great benefit to companies in providing the frameworks to categorise and evaluate the various ESG topics, and to identify gaps in their platforms and areas for improvement. The common language summarises information accessible to internal audiences, and reporting's tenet of identifying and measuring quantifiable indicators has helped bring the subject of sustainable development to the boardrooms and other managerial discussions of mainstream business.

Sustainability reporting was mainly confined to large, publicly traded companies receiving requests from shareholders and fellow large-company customers. While many of the largest, well-known Travel & Tourism companies in hotels, airlines, and cruise lines have been reporting for years, the majority of the sector’s value chain has not been reporting. However, as the concept and success of reporting becomes more well-known and reporting becomes more commonplace, it is beginning to spread beyond the largest, publicly traded companies, into smaller companies and even Small- and Medium-sized Enterprises (SMEs), as well as privately held entities. Reporting will vary depending on the type of organisation, its sector, its size, its location, and its intended audiences. Overall, however, sustainability reporting as a concept also implies a journey of sustainable development, whereby organisations can and eventually will follow the best-practice path. This research updates the trends and tangible guidance for Travel & Tourism organisations to get value out of their sustainability reporting, inclusive of the beginners, mainstream players, and leaders.

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1 FUNDAMENTAL CONCEPTS

What Does ‘ESG’ Really Mean?

How Does It Relate to Sustainability Reporting?

The term ESG is prevalent among the investment community, reflecting the view that managing environmental and social topics is a governance issue for organisations, a proxy for the quality of their management teams, and a process to assess whether they are positioned for long-term success. The combining of these three terms also provides a more tangible and easily understood set of concepts that does not carry any other connotations currently held for the terms sustainability or corporate responsibility. However, the term sustainability reporting is by far still the most common for all stakeholders; and, within this research, is used to encompass public disclosures that may use other terms such as ESG report, corporate responsibility report, corporate social responsibility (CSR) report, corporate citizenship report, responsible business report, creating shared value report, environmental report, or the reporting of non-financial information. Here, ESG is the term used to encompass the use of related information resulting from sustainability reports, as well as related data collected through desktop research, surveying, or questionnaires for ESG data, ratings, rankings, or indexes.

Varied Approaches, Same Fundamental Concepts

Of the 250 largest global companies, more than 90% reported on ESG performance in 2015. Sustainability reporting is a global trend with 79%, 77%, and 74% reporting rates among the 100 largest companies by revenue in Asia Pacific, the Americas, Europe, and Middle East-Africa respectively.

In growing markets, the number of companies reporting continues to increase with four emerging economies – India, Indonesia, Malaysia, and South Africa – having the highest sustainability reporting rates in the world. More companies now report on sustainability in Asia Pacific than in any other region; however, sustainability reporting from Europe is considered of the highest quality globally, based on the findings of KPMG’s 2015 Survey of Corporate Responsibility Reporting.

A ripple effect is also created from the predominance and institutionalisation of sustainability reporting among the world’s largest companies. They increasingly require ESG data and disclosures from the thousands of smaller, often privately held companies in their supply chains. As a result, a greater swath of companies report beyond the titans and leaders of industries.

Companies report via standalone sustainability reports, integrated annual financial reports, and dedicated corporate websites that house additional information that includes statements of purpose, policies, progress against targets, and interactive content designed to engage stakeholders around key issues and align to the company’s brand.

Every Organisation Has A Sustainability Strategy, Whether They Realise It Or Not

Regardless of revenue, employee count, or geographic reach, every organisation has a sustainability strategy – whether they realise it or not. Parts of the sustainability strategy include actions already undertaken to meet compliance requirements, such as those related to employment practices. Other parts of the strategy are common sense; good business practices already in place, such as engaging with guests, suppliers, and communities; and identifying process efficiency measures that have corollary environmental benefits. Often, the pre-existing sustainability strategy is also an outgrowth of the company’s culture and the beliefs of its founders.

Whether referred to as ESG or sustainability, and regardless of whether using formal reporting systems, companies of all sizes – and both public and private – have a story they can tell and communicate on responsible practices that benefit their stakeholders. Reporting enables companies and their corporate responsibility and sustainability departments to connect the dots among various activities across the organisation, and create continuous improvement opportunities. Some benefits of reporting that have been cited include:

- Identifying key stakeholders and topics of greatest importance;
- Building trust through transparency;
- Consolidating data and information;
- Creating a repository to direct stakeholders to accurate, credible, self-published information streamlining responses to varied requests on sustainability topics;
- Explaining an organisation’s views and approach to topics of greatest importance;
- Supporting customer evaluations prior to purchasing;
- Explaining what makes an organisation unique;
- Providing stories and examples to highlight proud accomplishments, and;
- Utilising results for recruitment purposes.

Who Are the Market Makers Driving the Practice of Sustainability Reporting?

Sustainability reporting has myriad players involved that play different roles, some of them wearing multiple hats within the market. To better understand this landscape, sustainability reporting can be viewed as a series of market makers who influence what is reported and elevate its importance. Reporting regulations, including the EU Non-Financial Reporting Directive update in 20144, further spur demand and reference and/or align with the standards that have been established prior to this by these ESG market makers.

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4 http://ec.europa.eu/finance/company-reporting/non-financial_reporting/index_en.htm
Commitment Formers (Creating Demand)

Sustainability reporting is driven in large part by entities that set forth a series of commitments for which organisations become members and signatories. Within these commitments, self-reporting on sustainability and requesting sustainability reporting from entities within your value chain is often included. A leading set of commitments among investors is the UN Principles for Responsible Investment (PRI) with over 1,600 global signatories from over 50 countries. UN PRI signatories collectively manage more than US$6.0 trillion in assets in management. PRI signatories include some of the largest pension funds in the United States, Europe, South America, and Australia. Two of the six Principles are to “seek appropriate disclosure on ESG issues by the entities” in which they invest; and to “report on [responsible investment] activities and progress toward implementing the Principles.”

For lenders, financial institutions commit to the Equator Principles (EPs) to manage environmental and social risks in project financing. As of 2017, nearly 90 financial institutions across 37 countries, including Bank of America, Citigroup, HSBC, and J.P. Morgan, have officially adopted the EPs, estimated to cover more than 75% of international project finance debt in emerging markets. Other ESG commitments formed by the financial sector and banking industry include the Carbon Principles and The Climate Group. Additionally, the Ceres Coalition is comprised of more than 130 investors, advocacy groups, and other public interest organisations working to “mobilise investor and business leadership to reduce environmental and social risks.”

As mechanisms to value and protect “natural capital” become increasingly important, many organisations are transforming their approach to ESG risk management. Insurers have also formed their own commitments to proactively address ESG risks through the UN Principles for Sustainable Insurance. More than 80 entities — including insurers representing approximately 20% of world premium volume and US$34 trillion in assets under management — have adopted the Principles.

The UN Principles for Sustainable Insurance are also part of the insurance industry criteria for two leading ESG investor indexes: Dow Jones Sustainability Indices (DJSI) and FTSE4Good.

For companies, a leading commitment is the UN Global Compact (UNGC), wherein companies commit to align their operations and strategies with ten principles in the areas of human rights, labour, environment, and anti-corruption. To maintain active participation, companies must communicate on progress towards implementing the ten principles annually, and often do so by publishing an annual sustainability report. In 2016, more than 9,000 businesses and other signatories across 170 countries in the UNGC. Participants include global leaders across sectors, such as AccorHotels, Air France, Hilton Worldwide, United Airlines, Shangri-La International Hotel Management Ltd., and InterContinental Hotels Group. WTTC is a signatory in the global business association category.

UNGC participants commit to “enact within the sphere of their influence” for each of ten principles. As a result, UNGC participants often set forth supplier standards and request data from suppliers, including corporate travel providers, on ESG topics and performance.

As part of its long-term strategy, the UNGC aim to “drive business awareness and action in support of” the UN Sustainable Development Goals (SDGs) for 2030. Although having no formal commitment or signatory structure, the UN SDGs have gained a lot of traction among companies. A 2016 survey conducted by the UNGC found that 87% of Chief Executive Officers believe the SDGs “provide an opportunity to rethink approaches to sustainable value creation.” Companies across sectors are integrating the SDGs into their sustainability reporting, particularly in the context of strategies, goals, and focus areas.

Similarly, a set of commitments have been formed to support the landmark 2015 Paris climate change agreement. Within the new Commit to Action platform (affiliated with the We Mean Business coalition), over 100 companies so far — and growing — have committed to a series of actions including (1) adopt a science-based emissions reduction target, (2) price 100% of electricity from renewable sources, (3) remove commodity-driven deforestation from all supply chains, and (4) place an internal price on carbon.

These commitments support the Science-Based Targets Initiative (with over 200 companies having approved targets) and RE 100 (where nearly 90 companies including Coca-Cola, Goldman Sachs, Google, H&M, London Gatwick Airport, and Tata Motors have committed to 100% renewable power).

The financial power behind these commitment-forming global investors, lenders, and corporations has created demand for sustainability reporting among the thousands of companies in their supply chain (both large and small as well as public and privately held), and creates a mechanism by which the practice of sustainability reporting is becoming institutionalised.
While commitment formers assist in creating demand for sustainability reporting, a group of non-profit organisations create the structure, frameworks, guidelines, and standards for it.

The Global Reporting Initiative (GRI), established in 1997, is often referred to as the de facto guideline for sustainability reporting in the absence of mandated reporting. In 2015, 60% of sustainability reporters referenced GRI guidelines in their disclosures.23 At least partial reporting in alignment with GRI guidelines or standards, or an explanation for non-reporting, is embedded with the Investor Listing Standards Proposal issued by the Investor Initiative for Sustainable Exchanges. In 2016, GRI introduced new standards24, which are designed to be updated more frequently with oversight from GRI’s newly created Global Sustainability Standards Board.25

CDP, formerly known as the Carbon Disclosure Project and established in 2000, is an independent body that develops and distributes annual information requests on behalf of 827 investors representing US$30 trillion in capital and approximately 89 purchasing organisations, including Walmart.26 Initially distributing a singular questionnaire on climate change, CDP now also offers Water, Forest, and Supply Chain disclosure programmes. CDP also engages with cities, governments, and policymakers. In 2016, more than 5,600 companies responded to one of CDP disclosure programmes. More than 500 cities also disclosed environmental information to CDP.27

As the practice of sustainability reporting matures and the perception increases that sustainability-related externalities are material to the financial success of companies, standards are now also under development for sustainability reporting within investor filings and annual investor reports. Globally, the Climate Disclosure Standards Board (CDSB) – a consortium including the CDP, Ceres, The Climate Group, the World Business Council for Sustainable Development, the World Economic Forum, and the World Resources Institute (WRI) – has developed two frameworks for disclosures in mainstream financial reports. The first CDSB framework is focused on climate change disclosures. The second CDSB framework has expanded beyond climate change to include environmental and natural capital information, namely water and forest commodities.28

In the USA the Sustainability Accounting Standards Board (SASB) is currently developing standards for material sustainability issues designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC) such as Form 10-K and 20-F.29 As part of its partnership with CDP, SASB receives technical assistance in referencing CDSB protocols for disclosure of carbon emissions.30 While not yet adopted in the marketplace or endorsed by regulators, SASB continues to evolve with an update to its governance and conceptual framework published in 2017.31

Additionally, the International Integrated Reporting Council (IIRC) is an entity consisting of international regulators, investors, companies, standards providers, accountants, and non-governmental organisations, whose mission is to enable integrated sustainability reporting to become a mainstream practice in both the public and private sectors.32 More than 35 investor organisations and 150 companies, including Unilever, Clorox, Marks and Spencer, Microsoft, and Tata, participated in the IIRC Pilot Programme.33 IIRC’s partners include GRI, CDP, and SASB.34 Companies in Travel & Tourism that currently utilise integrated sustainability reporting practices include Cinnamon Hotels & Resorts, HSH Group, IHG, Meliá Hotels International, and TUI Group.

Sector-specific framework providers are also gaining market influence. For example, the Global Real Estate Sustainability Benchmark (GRESB) distributes a survey on behalf of 250 members (including 60 pension funds and their fiduciaries).35 In 2016, 759 real estate companies, including those owning Travel & Tourism assets, responded to the survey.36 The GRESB survey covers both environmental and social topics with questions about supply chain standards and monitoring. GRESB is now part of the Green Building Certification Institute, the partner organisation of the US Green Building Council that focuses on technical advancement of certification across various components of buildings and real estate. Commitment formers may also provide their own ESG frameworks, as in the case of the UNGC, which has guidelines for its signatories to issue a Communication of Progress (CP) on its progress toward applying the ten principles.

Similarly, the SDGs have become an unofficial reporting framework, as companies seek to map their sustainability strategies and programmes to the 17 SDGs, 169 targets and global indicators for these targets. To support this trend, GRI has also aligned with the SDGs, helping to produce the ‘SDG Compass’, a guide for business action on the SDGs. This is in collaboration with the UNGC and World Business Council for Sustainable Development, and is also used as a linkage document between the SDGs and the GRI framework.40 The UNGC has also published an ‘SDG Industry Matrix’, which provides industry-specific examples and ideas for corporate action related to the SDGs.41 Similarly, the World Business Council for Sustainable Development has produced an online ‘SDG Business Hub’ to facilitate information sharing.42

In fact, the momentum behind the SDGs is so strong that the GreenBiz 2016 State of Green Business Report opined that they ‘could become a de facto standard against which companies will be judged going forward. No doubt they will become the basis for benchmarks, scorecards and ratings by activists, investors and media seeking to identify leaders and laggards.’43

http://www.globalethics.org/sustainability/standards/responsibility/accounting/
http://www.cdsb.net/about-cdsb4
http://www.sasb.org/approach/key-relationships/
http://www.wri.org/greenbuildingscience/greenbuildingcouncil/leadership-in-energy-and-environmental-design-
http://www.cdp.net/en-US/Pages/About-Us.aspx
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ESG RANKINGS, RATINGS, AND INDEXES (COMPARING AND BENCHMARKING)

With the proliferation of public ESG data and increased interest in using it to inform decision-making, many organisations rate and rank companies based on their ESG information. These include broad-based, holistic ESG rankings, such as the DJSI, FTSE4Good Indexes, and the Global 100 Most Sustainable Companies. Additionally, there are targeted environmental rankings, including the Newsweek Green Rankings and the CDP Leadership Index, in addition to social responsibility rankings, such as Ethisphere’s World’s Most Ethical Companies. Additionally, regional, local, and industry rankings, such as Brazil’s Most Sustainable Companies ranking, exist.

Goldman Sachs’ GS SUSTAIN platform has expanded its analysis to nearly 3,300 companies globally, which includes the collection and analysis of thousands of ESG data points from publicly available sources. GS SUSTAIN is described as a ‘global, long-term investment research strategy designed to generate sustainable alpha by integrating analysis of global themes, company fundamentals, and governance and stakeholder factors, including environmental and social considerations’.

Notably, S&P Global Ratings announced plans in 2016 to launch ESG evaluation tools, separate from its credit rating, to assess risks to sustainability at both the individual project and corporate entity level. The ESG Assessment will aim to rank issuers on a five-point sustainability scale based on the degree of an issuer’s exposure to ESG risk factors. The ESG Assessment will be assessed. These principles include transparency, impartiality, developed 12 principles from which the quality of ratings can be assessed. These principles include transparency, impartiality, continuous improvement, and assurability.

To assist organisations in navigating the numerous publicly available ESG rankings, ratings, and indexes, The Global Initiative for Sustainability Ratings (GISR) has been established and has developed 12 principles from which the quality of ratings can be assessed. These principles include transparency, impartiality, continuous improvement, and assurability.

ESG AGGREGATORS AND DISSEMINATORS

In the background behind many leading ESG rankings, ratings, and indexes, a set of specialised ESG research providers develop and apply the methodologies in addition to providing support and research products to investors and stakeholders. Leading ESG research providers include Sustainalytics (supporting the DJSI, MSCI with a series of its own ESG Indexes), Sustainalytics (supporting seven investment indexes including the UNGC 100 Index and STOXX Global ESG Leaders Index), Trucost (supporting the Newsweek Green Rankings), and IW Financial (supporting Corporate Responsibility Magazine’s annual 110 Best Corporate Citizens list) to determine how they rank in terms of sustainability, as is the case of oekom research (developing proprietary country, sector, and corporate ratings in addition to publishing annual Corporate Responsibility Review reports).

Another by-product of sustainability reporting is the aggregation and dissemination of information across platforms. Examples include CSRHub, which houses data from more than 100 data sources and nearly 17,000 companies across 133 countries, and the Corporate Register, which is an online registry of sustainability reports. Additionally, ESG frameworks, including the GRI, CDP, UN PRI, and UNGC provide repository for accessing sustainability reports. Other third-party disseminators of information include Google, where companies’ CDP Climate Change scores are posted as ‘key statistics’ on public companies’ Google Finance pages.

Bloomberg's ESG products provide data on more than 120 indicators for approximately 1,000 publicly listed companies globally, based primarily on public disclosures, and are increasing coverage every day. Bloomberg’s products include scoring based on quantity of disclosure (not the quality of disclosure or the organisation’s ESG performance), robust customised screening and other portfolio optimisation tools. Additionally, Bloomberg’s ESG platform provides investors with access to scores from ESG researchers including Sustainalytics.

Thomson Reuters also provides ESG data to its customers, leveraging its database of more than 60,000 companies and 400 metrics.

CONSULTANTS, AUDITORS, AND DATA MANAGEMENT PROVIDERS

Consultants, auditors, and data management providers also play an important role in shaping markets. Consulting firms, including McKinsey, Bain, and SustainAbility, regularly publish research that emphasises the strategic importance of ESG issues and conduct studies to elucidate the business case and potential financial implications. Large accounting firms, including PwC, Deloitte, KPMG, and Ernst & Young, actively engage with standard providers to promote and emphasise the emerging practice of having ESG data assured.

Data management providers, including SAP, CreditSights, CSRHub, and OneReport, also work to streamline and promote the practice of sustainability reporting.
Who Are the Audiences for Sustainability Reporting and ESG Information?

Within the Travel & Tourism sector, the primary audiences for ESG information are often corporate customers, investors, and employees. Additional audiences include customers, communities, advocacy groups and media, regulators and government agencies, suppliers and business partners, and ESG raters and analysts.

When preparing sustainability disclosures, a best practice is to understand the market dynamics among sustainability reporting audiences:

Corporate Customers

Large corporate purchasers across nearly every sector now ask their suppliers to provide information on ESG policies, performance, and commitments. Notable examples include Walmart, which has expanded its sustainability questionnaires for suppliers from 50 to 100 questions, and Microsoft, which is specifically requesting that its Tier 1 suppliers produce DRI reports. Other large corporate purchasers that issue sustainability surveys to suppliers include IBM, Airbus, Siemens, Marathon Oil, British Telecom, Boeing, Volvo, BMW, and Johnson Controls.

As with investors, corporate purchasers are also using specialised research providers such as EcoVadis, which conducts a survey and grades suppliers on sustainability to inform decision-making and manage their value chain risks. More than 150 companies, including Accor, Air France-KLM, Coca-Cola, ING Bank, and Michelin, use EcoVadis’s supplier scorecards.

Of particular interest to corporate customers are the environmental attributes of products and services, and mechanisms to ensure responsible labour and human rights practices within the supply chain.

Investors and Lenders

Investors are an important audience for sustainability reporting with the market size for “sustainable investments” estimated at 30% of professionally managed assets globally.

Within the investment community there has been a shift from ‘negative’ to ‘positive’ screening on sustainability performance. Originally, this community would seek to divest from companies or investments based on negative market perceptions. Currently, certain investors specifically seek companies with a positive reputation with some portfolios and indices focusing on positive screening. ESG is perceived as a framework for managing risks and achieving above-average returns. Mainstream investors use ESG principles to achieve above-average financial returns. For the sizable yet niche group of ‘socially responsibility investing’ (SRI) firms and funds, the role of ESG is evaluated. These entities aim to be socially conscious firstr and foremost, with secondary goals to achieve positive financial returns as well as positive social and environmental impacts.

Among investors, institutional investors and pension funds are an important audience, as many – notably CalPERS, CalSTRS, TIAA-CREF, and RobecoSAM – have committed to incorporate ESG into investment decisions. Additional investor audiences include niche SRI firms, such as Calvert and Generation Investment Management, where ESG is central to fund selection. Mainstream firms, such as Morningstar, have begun to provide ESG ratings for specific funds for both institutional and retail investors.

Investors are particularly interested in governance practices, value creation opportunities, and quality of management approaches. Some investors will seek specific ESG-related criteria as part of their investment evaluations.

Lenders are also increasingly interested in ESG factors, particularly for project financing, as evidenced by the growth of the Equator Principles as well as the growing demand to invest in green bonds and pending S&P ESG assessment ratings.

The degree to which investors utilise and value the information will vary as well. Some investors have signed the UN PRI and request information as a best practice while others have more rigorous screening processes and evaluation criteria. In addition to the commitment from lenders, investor groups have entered into association with each other around the concepts of screening and evaluation, including the US Forum for Sustainable and Responsible Investment (US SIF), and the Global Sustainable Investment Alliance (GSIA), which is a consortium of national-level investment forums.

Investors are also informed by ESG raters and analysts producing reports based on the assessment of a company’s sustainability report and public disclosures. As such, some companies target investors by considering ESG raters and analysts as well. ESG raters and analysts typically seek to easily find information on policies, programmes, and performance metrics to support integration within their methodologies for developing rankings, ratings, indices, and other products.

Sustainability is also now a leading topic of interest among the newest generation of employees entering the workforce, with research indicating that 96% of millennials look for an employer that is environmentally aware, and employees who are proud of their organisation’s socially responsible activities are more engaged, confident, and likely to stay with the company.

These trends are also highly prevalent among millennials with more than 50% of millennials indicating that they would be willing to take a pay cut to find work that matches their values, and 90% wanting to use their skills for good.

Community Audiences

Community audiences are generally interested in knowing an organisation’s socially responsible activities, and employees entering the workforce, with research indicating that 96% of millennials look for an employer that is environmentally aware, and employees who are proud of their organisation’s socially responsible activities are more engaged, confident, and likely to stay with the company. These trends are also highly prevalent among millennials with more than 50% of millennials indicating that they would be willing to take a pay cut to find work that matches their values, and 90% wanting to use their skills for good. These trends exist among Generation Z (or post-millennials). Research has indicated that 30% of Generation Z consumers have boycotted a company that they perceived as following unsustainable practices.

Sustainability reports are used as an engagement and recruiting tool. In addition to environmental programmes, reporting on workforce and community engagement is of particular importance to employee audiences (both current and prospective).

Travellers

Travellers are also a potential audience for sustainability reporting and are typically most interested in topics that are the most material to them, such as the environmental attributes of products and services, safety and sustainability of food, and measures to protect customer data privacy. Though few will read a full sustainability report, much of the related content can be directed toward travellers.

For travellers, companies also host sustainability reports on branded corporate responsibility websites. Examples include Hilton’s Travel with Purpose, Hyatt Thrive, Marriott’s Serve Our World, and United Airlines Eco-Skies.

Advocacy Groups and Media

Advocacy groups (including non-governmental organisations) and media are also important audiences because their assessments of organisations can create a multiplier effect that influences guest and other stakeholder perceptions, and overall reputation. These audiences generally seek to easily find information on management approaches to the economic, environmental, and social topics about which they care the most.

Because reporting is prevalent across sectors, campaign-focused advocacy groups are often able to engage in sector-wide comparisons regarding key issues utilising sustainability reports as a resource. Examples include Friends of the Earth and Greenpeace, who publish regular advocacy reports, such as “How Dirty is ‘Your Data’?”

Increasingly, leading non-governmental organisations, such as WRI, World Wildlife Fund (WWF) and The Nature Conservancy also review companies’ sustainability reports with a focus less on “criticism campaigns” and more on identifying collaboration and partnership opportunities based on sector practices.

Media, both mainstream and specialised, can refer to sustainability reports when developing content for mass consumption. For example, Skift – an online tourism industry news and research firm – publishes stories on environmental and social practices in the industry.

Regulators and Government Agencies

Companies in Travel & Tourism, particularly cruise lines and aviation, often identify regulators and government agencies – at the local and national levels – as a prioritised audience for the sustainability report. A company’s sustainability report provides the opportunity to demonstrate their commitment to compliance with laws and responsible business practices, and also to describe their management approach in addition to key actions and/or investments to comply with laws and regulations. A company’s sustainability report also provides the opportunity to explain any challenges that the organisation has experienced with regard to compliance.

Additionally, when entering new geographic markets, a sustainability report can be shared with local and national regulators to demonstrate a company’s ‘social licence to operate’. Furthermore, the sustainability report can explain the organisation’s economic, social, and environmental practices to assist in addressing any potential concerns and/or differentiate an organisation from other potential entrants in a market.

It is worth noting that regulators and government agencies are also purchasers of travel services. As with corporate customers, they consider ESG practices in purchasing decision-making. For example, the US General Services Administration has encouraged potential vendors to disclose their environmental performance through sustainability reports or other mechanisms66.

Through sustainability reporting, organisations can communicate their expectations of suppliers and business partners, and in numerous instances, where shared values and focus areas exist.

When reporting on sustainability, organisations should be aware that it is very likely that industry peers and influencers will view the information for competitive benchmarking purposes. Through sustainability reporting, organisations have the opportunity to highlight leading-edge practices and innovative approaches to industry challenges.

Other Uses of Sustainability Reporting Information

As more organisations begin reporting routinely, the amount of ESG-related content allows for deeper analysis and comparison across sectors and within sectors. Researchers can examine quantitative and qualitative disclosure across main issues to produce findings for purposes other than rating or ranking companies. In addition to analysing the content for ESG ratings, rankings, and indices, a current trend is to assess the quality and quantity of information reported. The Biennial KPMG Survey of Corporate Responsibility Reporting produces results on the frequency of reporting among large companies, major sectors, and countries59. The report dissects trends in what type of information is being reported, use of third-party assurance, reporting content and processes, and the quality of reporting. The study does not highlight Travel & Tourism specifically, though related macro sectors such as transport, trade and retail, and food and beverage are evaluated. Another annual exercise that tracks the pulse of reporting is the annual State of Green Business Report, a general comparison of reporting trends in the USA and globally, published by GreenBiz. The State of Green Business Report also examines sectors. The ‘travel and leisure’ sector in 2017 was noted for aggregate has been listed as the second-worst-performing sector for being above a fair share greenhouse gas (GHG) threshold (calculated by GreenBiz Group Inc. State of Green Business 2014 pp. 36, 70).

The reporting frequency of ESG-related content within large companies and sectors has been extensively researched59. The report dissects trends on what type of information is being reported, use of third-party assurance, reporting content and processes, and the quality of reporting. The study does not highlight Travel & Tourism specifically, though related macro sectors such as transport, trade and retail, and food and beverage are evaluated. Another annual exercise that tracks the pulse of reporting is the annual State of Green Business Report, a general comparison of reporting trends in the USA and globally, published by GreenBiz. The State of Green Business Report also examines sectors. The ‘travel and leisure’ sector in 2017 was noted for aggregate has been listed as the second-worst-performing sector for being above a fair share greenhouse gas (GHG) threshold (calculated by GreenBiz Group Inc. State of Green Business 2014 pp. 36, 70).

Moreover, an increasing number of studies are being published which compare groupings of companies that strategically address sustainability (where the information is obtained through reports), and demonstrate that they are out-performing those that do not62. An abundance of corporate reports also collectively enable researching specific topics that are commonly reported among companies59 for analysing reporting trends within specific countries62. Within Travel & Tourism, content analysis research has been published in peer-reviewed journals where researchers leverage sustainability reports as source documents to compare companies and arrive at generalised conclusions about their respective industries. Such research has been published for cruise lines and hotels65.
2 EVOLUTION OF SUSTAINABILITY REPORTING REGULATION

Sustainability reporting as a concept has evolved in the past decade from a voluntary, good-practice exercise to reach varying levels of regulation. Key contributions to this trajectory are discussed in this section, which offer context and examples towards the current direction and outlook of reporting.

Most stock exchange or government-led reporting initiatives emerged as voluntary exercises.

Even though there is a need to demonstrate to investors in disclosures, the concern has been described as ‘report-or-explain, comply-or-explain, or apply-or-explain,’ which creates a soft mandate for companies to either report, or explain why they do not report, without specific consequence for not reporting.

In theory, a company can simply explain why they are not reporting due to insufficient data, proprietary and confidential information, a lack of clear guidance on reporting parameters by the initiatives governing body, and so forth. Some of the earliest examples of stock exchange reporting, BM&FBOVESPA in Brazil and the Johannesburg Stock Exchange in South Africa, both followed the report-or-explain concept. However, it should be noted that the report-or-explain concept serves the dual purpose of initiating discussions toward mandated requirements, while giving companies the opportunity to prepare for forthcoming requirements. One noteworthy example is in India, where the Government of India’s Ministry of Corporate Affairs put forth voluntary apply-or-explain guidelines on social, environmental, and economic responsibilities of business that contained a sustainability reporting component along with approaches to social responsibility. After years of discussion, India expanded the apply-or-explain concept whereby companies of a certain income threshold will need to spend at least 2% of their profit net profits on CSR initiatives or report a reason for not complying.

National reporting initiatives varied in scope, and provided varying levels of guidance available for reporters.

On one end of the spectrum, countries have put forth prescriptive stipulations with comprehensive guidance documents. Canada issued a Start-Up’s Guide to Sustainability Reporting73, and the Government of India’s Voluntary Guidelines on Social, Environmental and Economic Accountability (‘India Guide’) were developed in combination with the reporting framework with comprehensive guidelines and resources74. In 2012, Hong Kong Exchanges and Clearing Limited (HKEx) published its first ESG guide, covering the four areas of workplace quality, environmental protection, operating practices, and community involvement. The guide was strengthened in 2015 in its Listing Rules to upgrade the disclosure obligation of the ESG guide. The main changes include amending the Rules to require issuers to report if they have complied with the ‘comply or explain’ principle, revising the introduction to align better with international standards, rearranging the guide into two areas, Environmental and Social, and upgrading the Key Performance Indicators (KPIs) in the Environmental area to ‘comply or explain’.75 In 2012, the Stock Exchange of Thailand also issued a guidance document to include the principles, theory, and implementation of CSR.76 Bursa Malaysia issued a voluntary sustainability reporting guide to assist issuers with reporting, which is also supplemented by six sustainability toolskits on establishing governance for sustainability, performing materiality assessment, and identifying and engaging with stakeholders. In 2017, the London Stock Exchange Group (LSE Group) launched a new guide to sustainability reporting, as part of its 2015 pledge to produce ESG guidance for the global guidance campaign.77 Prior to this, the UK government published a document designed to help companies comply with mandatory GHG emissions reporting for all companies listed on the LSE.78

The European Economic Area market or whose shares are dealing on the New York Stock Exchange or NASDAQ.79 However, some initiatives may have simply encouraged reporting as a first step, then the carrying-out of subsequent plans developing any guidelines or reference documentation.

Within this trend, an important nuance to reporting to be noted is that there is a move from voluntary reporting that utilises frameworks and guidelines from third-party organisations such as GRI and CDP, to reporting according to guidelines or standards directly from government authorities, policymakers, or market regulators. A handful of frameworks and guidelines have been put forth to influence reporting at a country level. Additionally, the IIRC released its ‘International Integrated Framework’, with the purpose of establishing guiding principles and content for producing an integrated report.70 The investor initiative for Sustainable Exchanges, an initiative of the

Disclosure of individual topics, notably climate change and human rights topics, served as examples of regulated reporting on specific topics and supported the overall concept of sustainability reporting.

The umbrella of topics covered under ESG is vast enough to encompass any new disclosure requirement. Some countries placed stringent reporting requirements on a specific topic or topics.

In the United Kingdom, carbon reduction and energy efficiency had been the ESG focus, first through the country’s Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, which aimed to incentivise energy efficiency and lower carbon emissions for large energy users in both the public and private sectors.71 To directly address this directive, the government launched the Energy Savings Opportunity Scheme (ESOS), where all audits had to take place by 5 December 2015 with follow-up audits every four years. The UK government also has its Modern Slavery Act with sustainability reporting regulation in Section 14 entitled ‘Transparency in supply chains’. The legislation applies to companies (private or public) with global revenue in excess of £36 million that conduct business in any part of the UK. Under the legislation, companies are required to disclose the steps, if any, taken to prevent slavery and human trafficking from taking place within operations or supply chains. In 2017, the French National Assembly adopted the Corporate Duty of Vigilance Law, which states that companies should establish mechanisms to prevent human rights violations and environmental damages throughout their supply chain. The

75 The CRC supported the Government of an 80% reduction in carbon emissions by 2050. The scheme was broken down into two phases. Phase one ran from 1 April 2013 to 3 March 2018 and phase two from April 2018 to April 2023. The cap and trade system currently has over 1,500 participating, following the end of phase one, the government will make the CRC scheme to incentivise the business energy mix landscape, and replace it with the Climate Change Levy. Furthermore Article 6 of the UK Energy Efficiency Directive requires that over 2030, the government will put in place the CRC scheme to incentivise the business energy mix landscape, and replace it with the Climate Change Levy. For further details of the UK Energy Efficiency Directive on How to achieve Better 2030, please visit the website, energy efficiency targets are mandatory for large entities.
78 http://www.lsegroup.org.uk/assets/2005/12/content arrests
Stock exchanges united on sustainability reporting practices.

On the side of market regulators, the SSE initiative has a slightly longer history, created in 2009 by several entities under the United Nations as a voluntary commitment whereby, among other activities, stock exchanges endorsed the following statement: “We voluntarily commit, through dialogue with investors, companies, and regulators, to promoting long-term sustainable investment and improved environmental, social, and corporate governance disclosure and performance among companies listed on our exchange”86.

The SSE campaign started with the goal of having member exchanges provide listed companies with guidance on sustainability reporting87. To date, 33 exchanges have engaged in the campaign to make the public commitment of providing guidance. This group placed specific emphasis on sustainability reporting through a presence at the Rio+20 conference and was influential in the inclusion of paragraph 47 itself85. At the time of publication, 60 exchanges (representing more than 70% of listed equity markets)91 had become partner exchanges on the SSE. A feedback loop has begun to emerge, with some stock exchanges such as those in Johannesburg and São Paulo themselves becoming signatories of the UN PRI.

In addition, the World Federation of Exchanges (WFE) launched a Sustainability Working Group (SWG) also published its own ESG Recommendations and Guidance document92, which includes 33 key ESG performance indicators for exchanges to consider in relation to sustainability disclosure in their own markets. Furthermore, research also indicates that most of the world’s largest stock exchanges are either considering or have developed some form of ESG disclosure93.

Law applies to multinational firms carrying out at least some part of their activity on French territory and large French companies operating in full or in part on French territory with at least 5,000 employees when their head office is located in France, or 10,000 employees when their head office is located abroad94.

Additionally, China’s National Development and Reform Commission has mandated GHG reporting for more than 20,000 companies and organisations95. The mandate aligns with China’s accord with the USA on climate change wherein China has committed to peak carbon emissions and generate 20% of total energy production from renewable energy sources by 203096.

In February 2017, WFE submitted a response on the Climate-related Financial Disclosures Report Consultation to the Financial Stability Board (FSB) Task Force. The WFE response was prepared with consultation from members of the WFE SWG. The WFE made four overarching suggestions on the recommendations, including:

1. Place climate-related disclosures within the context of broader ESG disclosure.
2. Allow for a phased approach to implementation of the recommendations.
3. Make the case more clear to the preparers of disclosure information.
4. Articulate the scope of the recommendations, and the cost-benefit challenge more clearly97.

The main goal of these WFE recommendations (above) is to enhance the quality and availability of climate-related disclosure.

Finally, stock exchanges in Hong Kong and Singapore developed guidelines on sustainability reporting, though neither have officially joined the SSE, GII, or WFE SWG. Moreover, several have either begun or will begin offering sustainability-related indices for investment, with the most prevalent example of the DJSI. Several studies have been conducted and made available as resources for understanding sustainability reporting requirements by country98. These are constantly changing as new initiatives are being proposed.

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86 http://www.sseinitiative.org/engagement/esg-guidance/
95 http://www.jdsupra.com/legalnews/french-national-assembly-adopts-12371/
97 http://www.sseinitiative.org/engagement/esg-guidance/