



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

4. REPORTING GUIDANCE FOR TRAVEL & TOURISM BUSINESSES



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INTRODUCTION

REPORTING GUIDANCE FOR TRAVEL & TOURISM BUSINESSES

This research's benchmarking exercise reveals the steadily increasing, yet still relatively low prevalence of sustainability reporting among Travel & Tourism companies. At the same time, the research demonstrates that regulatory and market pressures will continue to increase the need for reporting prevalence, depth, and quality.

When an organisation begins down a path of sustainability reporting, the task might seem daunting when examining leading reports from Fortune 100 companies with over a decade of reporting experience and sizeable reporting budgets. However, a few key points should be considered:

- First, larger companies with more historical reporting records tend to have higher stakeholder pressures to address and be accountable for the environmental and social impacts caused by their business models. Therefore, Travel & Tourism's relatively nascent reporting state is also in part due to lesser external pressure to do so, and such robust reporting may not be expected by key stakeholders. This is particularly true for smaller organisations and those that are privately held.
- Second, at present a multitude of resources exist for helping organisations report. Frameworks are now much more developed and include guidance and reference documentation. Thousands of peer reports are available for benchmarking their content, design, metrics, and disclosures. Research on various facets of reporting exists to help companies understand concepts. And collaborative peer efforts to address reporting have taken hold in several places.
- Finally, even though some of the processes or indicators used by the frameworks such as GRI may not apply to smaller organisations, the overall approach, and the categorisation of topics, can be applied and adapted for an organisation of any size.

It is equally understood that reporting is a long-term process and that first-time reporters are not held to the same level of scrutiny in report quality as established reporters. Often first-time reporters or respondents to sustainability frameworks will cite the benefits of the reporting process.

Understanding the relationship among sustainability reporting frameworks and guidelines

To begin or continue sustainability reporting, it is necessary to understand the frameworks and guidelines, how they align, and which issues are most pressing for a company. The table below highlights the key differences and similarities among reporting frameworks, and overall help companies to make informed decisions around the preservation of resources, whether environmental, social, or financial.

For large, publicly traded companies, the GRI, CDP, and EU Non-Financial Reporting Directive are most likely to arise (and SASB as currently intended for listed US companies). For smaller and privately held organisations, GRI is generally the first framework with universally applicable resources.

Although there are variations among the sustainability reporting frameworks, there are connections to ensure the uptake of reporting globally. The main sustainability reporting frameworks all touch on critical issues for companies. Additionally, many frameworks connect among themselves in order to provide companies with better resources, tools, and reporting guidance. By aligning areas of these reporting frameworks, consistency as well as better data can help accelerate towards a less resource intensive economy. Regulatory guidelines, such as the EU Reporting Directives, often correspond or align with sustainability reporting frameworks.

LEADING STANDARDS, GUIDANCE, & FRAMEWORKS	GRI	CDP	IIRC <IR> FRAMEWORK	EU REPORTING DIRECTIVE	INVESTOR LISTING STANDARDS PROPOSAL ¹	SASB
DISCLOSURE CONTENT	Self-Defined	Sector-Defined (in specific instances)	Self-Defined	Self-Defined (including 'Comply or Explain' option)	Self-Defined (based on 'Report or Explain' model)	Sector-Defined
DISCLOSURE CONTENT	Voluntary Report (Stand-Alone or Annual)	Information Request	Annual Report	Investor Filings and 'Comply or Explain' ESG Disclosure	Separate Disclosure (Or Integrated into Stand-Alone Sustainability Report, Annual Report, or Investor Filings)	Investor Filings
SCOPE OF USE	Global, tailored towards large companies	Global, targeted towards Fortune 500 companies	Global, companies currently producing annual financial reports	Global, listed companies on stock exchanges	Companies with more than 500 employees	United States, publicly traded companies filing with the SEC
TOPICS COVERED	Disclosures on management approach and indicators across six categories: Economic, Environmental, Labour Practices and Decent Work, Human Rights, Society, and Product Responsibility	In-depth reporting on strategy, governance, risks, opportunities and performance in targeted climate change, water and forests information requests	Discussion on value creation over time to protect and generate financial, manufactured, intellectual, human, social and relationship, and natural capital	Materiality assessment disclosed in annual financial filings, specific ESG disclosure, on a 'comply or explain' basis, on 10 key ESG topics	Environmental matters, social and employee aspects, respect for human rights, anti-corruption and bribery issues, and diversity in boards of directors	Disclosures on industry-defined risks and performance indicators
DEFINITION OF MATERIALITY	Information that 'may reasonably be considered important for reflecting the organisation's economic, environmental, and social impacts, or influencing the decisions of stakeholders'	Materiality concept is implicit through the information requests and instead requests disclosures on predefined risks and opportunities that have the 'potential to generate a substantive change in a business's operations, revenue, or expenditure'	'A matter is material if it is of such relevance and importance that it could substantively influence the assessments of providers of financial capital with regard to the organisation's ability to create value over the short, medium and long term'	Topics that 'have a direct or indirect impact on an organisation's ability to create, preserve, or erode economic, environmental, and social value for itself, its stakeholders, and society at large' ²	Topics are predefined in the directive. Similar to the GRI framework, disclosures on management approach should include: (1) Policies, (2) Outcomes, (3) Risks (4) Information on Implemented Due Diligence Progress, and (5) Information on Supply Chain and Contractors	Information is material if 'a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available'

LEADING STANDARDS, GUIDANCE, & FRAMEWORKS	GRI	CDP	IIRC <IR> FRAMEWORK	EU REPORTING DIRECTIVE	INVESTOR LISTING STANDARDS PROPOSAL ¹	SASB
SECTOR DISTINCTIONS	Sector may inform list of material aspects disclosed in the GRI Index; Sector supplements developed for use when applicable	Sector-Defined (in specific instances)	Sector may inform content reported but philosophy is more principles-based than rules-based, and thus not prescriptive based on sector classification	Sector-based initiatives may inform results of materiality assessment and disclosures provided in GRI or equivalent content indexes	Distinction in reporting guidelines are based on company size rather than sector distinction	Sector-based reporting is predetermined by Standards development by Industry Working Groups representing all sectors in SASB's classification system

The variations in approach, scope, and reporting mechanisms found across emerging sustainability reporting frameworks as well as from different countries and market regulators will inhibit the global adoption of one singular, all-encompassing framework as is currently held de facto by the GRI. This in turn creates an opportunity for sustainability reporting frameworks to link together, and for other relevant and related initiatives to ensure validity and viability. Over the past few years, several examples of major linkages and MOUs have been put forth by various reporting frameworks. These connections are seen through the below examples:

- The GRI and CDP aligned to collaborate in the development of sector supplements and feedback on each other's guidelines and questionnaires. This leads to a more efficient reporting process³.
- The GRI and UNGC aligned their work to advance corporate responsibility and transparency, and support an increasing number of companies and stakeholders⁴.
- The GRI and IIRC have signed an MOU to collaborate on the continued mission of integrated reporting and sustainability reporting. They understand the complementary role both frameworks play in increased reporting transparency⁵.
- SASB and IIRC aligned work to advance the development of corporate disclosure and communicate value to investors⁶.
- SASB and CDP signed an MOU to increase support for standards relating to climate change disclosure and to support the determination of material topics involving climate change⁷.
- The IIRC and CDP aligned to help accelerate advancement towards a resource-efficient economy⁸.
- The GRI has put forth linkage documents for helping organisations relate the specific reporting criteria to that of the CDP and UNGC. In addition, the GRI has aligned and put forth similar linkage documents with ISO 26000 and the OECD Guidelines for Multinational Organisations⁹.
- The GRI is one of the first sustainability reporting frameworks to introduce tagging sustainability reports with XBRL taxonomy. This tagging allows for easier access to information and provides more efficient means of analysing reports¹⁰.
- IASB and IIRC signed an MOU that recognises the support from both organisations on the importance between integrated reporting from all facets, including financial, governance, and sustainability reporting¹¹.
- IIRC and IFAC signed an MOU where both organisations recognise the collaboration between accountants and integrated reporting essential in the success of increasing participation¹².
- IIRC and GISR signed an MOU that both organisations agree on the continued collaboration between reporting and ratings standards among reporting frameworks¹³.

1 Adapted from Ceres Investor Network on Climate Risk. Investor Listing Standards Proposal: Recommendations for Stock Exchange Requirements on Corporate Sustainability Reporting. March 2014
 2 See Global Reporting Initiative. 'Materiality in the Context of the GRI Reporting Framework.' Available online at <https://www.globalreporting.org/reporting/G3andG3-1/guidelines-linking-up-gri-and-cdp/>
 3 'Linking up GRI and CDP.' CDP. Np. nd. Web. 28 Mar 2014. <<https://www.cdp.net/en-US/WhatWeDo/CDPNewsArticlePages/linking-up-gri-and-cdp.aspx>>
 4 'UNGC and GRI Partnership.' CDP. Np. nd. Web. 28 Mar 2014. <<https://www.globalreporting.org/information/about-gri/alliances-and-synergies/Pages/UNGC-and-GRI.aspx>>
 5 'Integrated Reporting.' Integrated Reporting. Np. nd. Web. 31 Mar 2014. <<https://www.globalreporting.org/information/current-priorities/integrated-reporting/Pages/default.aspx>>
 6 'SASB and IIRC Announce Memorandum of Understanding.' The IIRC. Np. nd. Web. 28 Mar 2014. <www.theiirc.org/2014/01/16/sasb-and-iirc-announce-memorandum-of-understanding/>
 7 www.sasb.org/approach/key-relationships/
 8 'CDP, CDSB and IIRC Announce Collaboration to Accelerate Integrated Reporting.' The IIRC. Np. nd. Web. 30 Mar 2014. <www.theiirc.org/2013/07/18/cdp-cdsb-and-iirc-announce-collaboration-to-accelerate-integrated-reporting/>
 9 Working Together for a More Transparent Future: An Update on GRI Linkage Documents'. GRI. nd. Web. 09 Apr 2014. <<https://www.globalreporting.org/information/news-and-press-center/Pages/Working-together-for-a-more-transparent-future-An-update-on-GRI-linkage-documents-.aspx>>
 10 XBRL. GRI. nd. Web. 09 Apr 2014. <<https://www.globalreporting.org/reporting/reporting-support/xbrl/Pages/default.aspx>>
 11 'IASB and IIRC to Cooperate on Integrated Reporting.' Accountancy Live. 8 Feb 2013. Web. 09 Apr 2014. <<https://www.accountancylive.com/iasb-and-iirc-cooperate-integrated-reporting>>
 12 'IFAC and the IIRC Sign MOU on Cooperation, Collaboration for IR | IFAC.' Press Releases/News Alerts. IFAC, 17 Oct 2012. Web. 09 Apr 2014. <www.ifac.org/news-events/2012-10/ifac-and-iirc-sign-mou-cooperation-collaboration-ir>
 13 'IIRC and GISR Agree to Cooperate on Corporate Reporting and Ratings Frameworks.' IAS Plus. Deloitte. 1 Apr 2014. Web. 9 Apr 2014. <www.iasplus.com/en/news/2014/04/iirc-gisr>

While the UN Sustainable Development Goals (SDGs) are not an official reporting framework, entities including the GRI and UN Global Compact seek to align their frameworks with the SDGs to maintain relevance considering their popularity. The GRI helped to produce the 'SDG Compass', a guide for business action on the SDGs, in collaboration with the UN Global Compact and World Business Council for Sustainable Development, as well as a linkage document between the SDGs and the GRI framework¹⁴. The UN Global Compact has also published an 'SDG Industry Matrix', which provides industry-specific examples and ideas for corporate action related to the SDGs¹⁵.

The web of linkages between the various sustainability reporting frameworks collectively catch all issues, performance indicators, and reporting methods that are, or will be, mandated across the world. Likewise, further prescriptive guidance on disclosure of approaches and performance to relevant issues and key topics will unfold in the short term. Given these trends, the fundamental recommendation for companies to address sustainability reporting is to first focus on the premises and concepts of reporting, including the data collection systems and internal content development/maintenance processes per the key ESG issues that affect their business.

1 12 STEPS TO ESG REPORTING

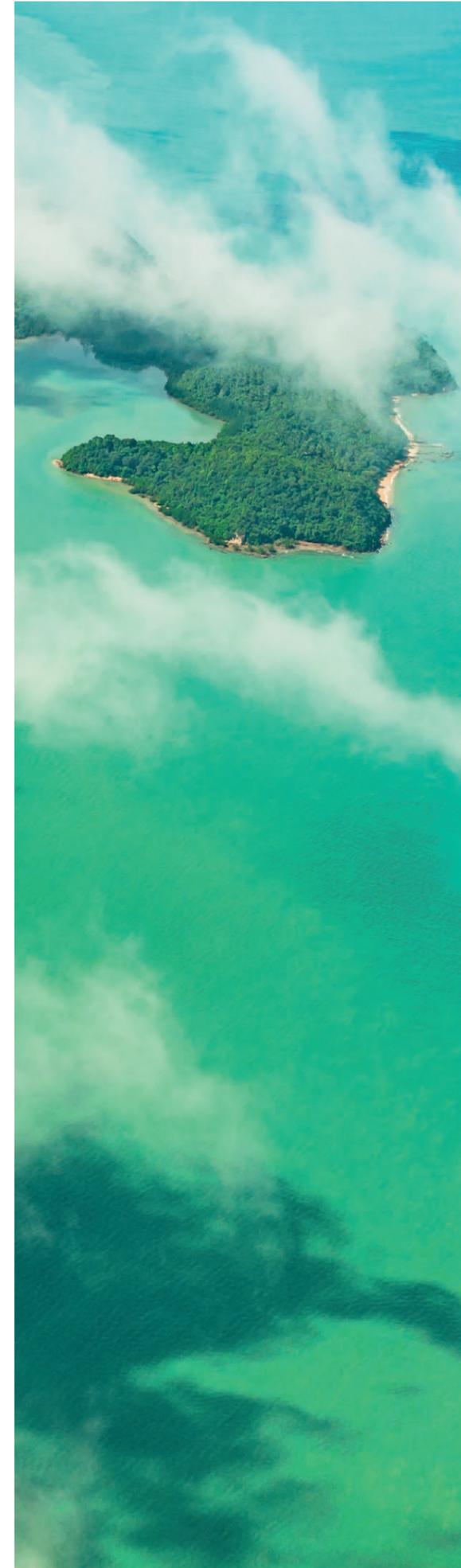
1. Read Reports and Responses

The most basic and simple step to reporting is to read the reports and ESG-related responses of peer companies and key clients. This will serve several purposes. First, showing these reports to other internal audiences can help build awareness of the overall trend as well as the specific type of information being reported. This will help overcome the barriers of a general stigma on business transparency that pervades many corners of business. Within companies, some departments may be unaware that workforce data is commonly reported publicly, and some may even be hesitant to report on carbon emissions out of fear of admitting that climate change exists. However, seeing that a company's top ten largest customers are themselves all reporting training and injury data, as well as describing a management approach to climate change, can quickly bring entire organisations up to speed on the relevance and prevalence of this information.

Reading customer reports can shed light on risks and opportunities as well. For example, in the past few years several businesses, including Unilever, PwC, Siemens, Timberland, and Microsoft, have indicated in sustainability reports their achievements in lowering carbon emissions from reducing business travel, or intentions to reduce business travel as a management approach to reducing greenhouse gas (GHG) emissions and increasing employee well-being. Some organisations even set goals inversely related to demonstrate that less travel is better triple bottom-line performance. This type of public disclosure can be invaluable to Travel & Tourism to better understand the pulse of views on business travel and ESG.

¹⁴ https://www.globalreporting.org/standards/resource-download-center?dm_i=1VZV4R3X0,CSW5GM,HUAX41

¹⁵ <https://www.unglobalcompact.org/library/3111>



Finally, reading other reports can help an organisation understand its relative positioning, including its strengths and weaknesses. However, subsequent reporting processes first and foremost should be introspective, based on the organisation's unique positioning, business model, and approaches to ESG topics.

2. Develop Internal Reporting Processes

Reporters should strive to make the reporting process as efficient and value-added as possible. A critical step is to assemble a core team and start to identify content owners and subject matter experts. Given the nature of ESG topics, a cross-functional effort is required. It is recommended to identify and engage champions in Operations, Human Resources, Supply Chain, Finance, Legal, Marketing/Customer Relationship Management, and other critical functions. Leadership should be engaged at the highest level possible as well. Often, CEOs and boards of directors are more aware of the concepts of ESG than are the executives directly below them.

It should be considered and made known to all that reporting is an ongoing process and not a one-time project. Internal processes for data collection, content compilation, stakeholder engagement, and topic discussion will add value and spread out the project's time commitments if done on a routine basis throughout the year, rather than once a year.

3. Evaluate the Types and Degree of Reporting

In defining the degree in which to report, reporters should consider where ESG requests are coming from and report in alignment with an organisation's size and available resources. Are stakeholders asking for specific frameworks to use and levels of application? May other frameworks be substituted to satisfy the requests?

Regardless of specificity of requests, as a starting point the GRI framework and any country-specific reporting guidelines should be evaluated. Though many of their components may not be relevant or applicable, they will serve as a base for understanding the key concepts.

In addition to evaluating the actual frameworks, questionnaires, or guidance, peer reports and responses can be evaluated as well to help better understand what reporting looks like in practice.

4. Identify Stakeholders and Forms of Engagement

Identifying stakeholders is essentially asking a fundamental question: What groups are impacted and influenced by an organisation's business model? First the groups should be identified; then it is a matter of engaging them to understand what topics are important to them, and what information they would like to see the organisation disclose.

Common stakeholder identification is a straightforward process. However, through the reporting process, companies have the opportunity to look introspectively into the specific culture of the organisation, the stakeholders served, and nuances and interdependencies among stakeholder groups. In the previous WTTC ESG Trends & Guidance publication, the following analysis was performed among reporters as a reference for the types of stakeholder groups identified in 2014.

Figure 1: Previous WTTC Frequency of Stakeholder Groups Identified in Travel & Tourism Sustainability Reports through 2014

STAKEHOLDER GROUP	AIRLINES	HOTELS	CRUISE LINES	TOUR OPERATORS	GDS/TECH
Employees/Associates/Colleagues/Team Members	63%	71%	80%	50%	100%
Supply Chain/Suppliers	41%	50%	60%	50%	100%
Guests/Customers/Corporate Clients/Passengers/Consumers	66%	57%	80%	50%	50%
Shareholders	41%	32%	40%	33%	50%
Investors	53%	25%	40%	33%	-
(Property) Owners and Franchisees	-	29%	-	-	-
Business Organisations/Industry-Specific Organisations/Peers/Industry and Trade Associations	22%	18%	20%	17%	50%
Government(s)/Governmental Organisations	41%	4%	80%	33%	50%
Business Partners	13%	18%	-	17%	-
Communities/Community Organisations	38%	32%	40%	17%	-
Local Communities/Home or Destination Ports	-	7%	-	-	-
Regulators	9%	4%	-	17%	-
The Media	13%	7%	60%	17%	50%
Global Partners/Strategic Partners	-	7%	-	-	-
Academic Institutions/Universities	9%	4%	-	17%	50%
NGOs/Non-Profits (Including International Organisations Relating to Sustainability, Environmental, Humanitarian, and Development Issues)	38%	25%	80%	50%	-
Authorities	19%	4%	-	-	50%
Society/The Public	16%	4%	-	17%	100%

STAKEHOLDER GROUP	AIRLINES	HOTELS	CRUISE LINES	TOUR OPERATORS	GDS/TECH
Environment	6%	11%	-	-	100%
Travel Professionals/Travel Agents	-	-	20%	-	-
Distributors	3%	4%	20%	-	-
Licences	-	-	20%	-	-
Factories	-	-	20%	-	-
Retailers	-	-	20%	-	-
Contract Workers/Contractors	3%	4%	20%	-	-
Researchers & Rating Agencies	6%	4%	20%	-	-
Science & Research/Scientific Community and Research Experts	9%	-	20%	-	-
Trade Unions	13%	4%	-	-	-
Financial Analysts	-	-	-	17%	-

OTHER STAKEHOLDER GROUPS IDENTIFIED BUT FOUND IN LESS THAN 5% OF REPORTS INCLUDE:

Lenders, Tenants, Tourists, Restaurants, Sporting Bodies, Venue Operators and Visitors, Professional Associations and Bodies, Certification Authorities, Airports, Air Navigation Service Providers, Business and Leisure Travellers, National and Industrial Representations, Auditing Bodies, Farmers, Provincial Authorities, Gaming Boards, Liquor Boards, Rating Agencies, Competitors, Local Government Representatives/Elected Officials, and Timeshare Owners. Also note that Airlines, Hotels, and Tour Operators were also found, as various Travel & Tourism industries can be stakeholders among one another.

Every company is already practising some form of stakeholder engagement. Customer satisfaction surveys, investor calls, and various employee engagement exercises are common. Thus, two components should be considered: first, how can stakeholders be engaged specifically regarding their views on ESG topics and reporting? And second, how can current stakeholder engagement mechanisms be leveraged, and where will new engagement need to take place? One example of a company mapping, leveraging, and enhancing its stakeholder engagement mechanisms for ESG is Royal Caribbean Cruises (RCL), as can be shown from the graphic on the following page.

At RCL, we serve a varied group of stakeholders, which include shareholders, guests, employees, suppliers, destination communities, policymakers, shoreside communities, travel agents, industry associations, non-governmental organisations, and research institutions.

We prioritise and engage with our stakeholders in consideration of our respective economic, environmental, and social impacts and dependencies. We utilise a variety of mechanisms to solicit feedback and respond to key topics and concerns from our stakeholders¹⁶.



When stakeholders request sustainability reporting of organisations, an immediate engagement opportunity is afforded. In addition to asking the technical aspects of the request, organisations can utilise the opportunity to seek to understand why the stakeholders are requesting the information in the first place to align with expectations and better understand the uses of sustainability reporting.

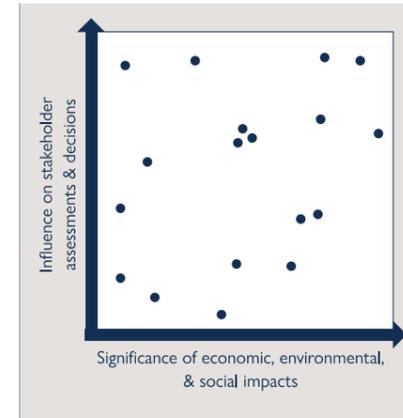
5. Identify Key Topics to Report

To start, key topics and categories can be found from the major reporting frameworks (and reports from peers) as outlined in the beginning of this section. While it is likely that the key topics within Travel & Tourism will be further predefined by country-specific reporting frameworks such as SASB and others, stakeholder engagement (via materiality assessment) and competitive benchmarking are still useful, ongoing exercises. For example, through stakeholder engagement, companies are increasingly identifying the opportunity to report more deeply on issues.

To apply the GRI's materiality process, an organisation must consider, for each ESG topic, both:

- Significance of its impacts (actual or potential) (eg, business model, operations, etc)
- Level of stakeholder concern (actual or potential) (eg, substantive influence on perceptions and decision-making regarding the organisation)

Figure 2: GRI Visual Representation of Prioritisation as a Part of Materiality Assessment¹⁷



The GRI sets forth a four-step process that is intended to be iterative and support continuous improvement:

GRI MATERIALITY PROCESS STEPS	KEY OUTCOMES
Identification	Define the boundary for the materiality assessment: What stakeholders, topics, and entities (ie multiple divisions, subsidiaries, or joint ventures) to consider? Note: Organisations often use the GRI aspects to develop the list of topics to assess for materiality, but further customise based on their industry.
Prioritisation	Conduct internal assessment of most material topics to organisation based on levels of impact and stakeholder concern (both actual and potential).
Validation	Engage with stakeholders and senior leadership to validate findings to ensure that the ESG reporting provides a reasonable and balanced representation of the organisation's sustainability performance, including both its positive and negative impacts.
Review	After reports are published, organisation focuses on material topics and considers stakeholder feedback to inform future reporting, strategies, and programmes.

To be 'in accordance' with the GRI Standards, a materiality assessment is central to ESG report structure. GRI reporters will need to (1) provide a thorough description of why each aspect or topic is material (both internally and externally), (2) provide a full description of the approach to managing the issues surrounding the material aspect/topic, and (3) report on at least one performance indicator related to each material aspect.

As part of the 'disclosures on management approach' for material aspects, the GRI recommends that organisations describe associated policies, commitments, goals and targets, responsibilities, resources, and specific actions (including stakeholder engagement) for each material topic. Additionally, the GRI recommends the companies report on how the effectiveness of the management approach is evaluated. It is worth noting that the results of past materiality assessments are often embedded in a set of strategic ESG priorities that are also communicated.

More simplified approaches to defining key topics can be undertaken as a starting point. One example is from Wyndham Worldwide, which mapped its core issues to its impact on key stakeholder groups in a direct/indirect format.

¹⁶ <http://sustainability.rclcorporate.com/>

¹⁷ Consolidated Set of GRI Sustainability Reporting Standards, 2016, p. 11

Figure 3: Wyndham Worldwide Core Issues Table¹⁸

CORE ISSUES	KEY STAKEHOLDER GROUPS			
	● DIRECT IMPACT		○ INDIRECT/PARTIAL IMPACT	
	ASSOCIATES	SHAREHOLDERS	CUSTOMERS*	GLOBAL PARTNERS
DRIVING FINANCIAL CAPITAL				
Ethical Conduct	●	●	○	○
Human Rights	●	●	○	○
Corporate Governance	●	●	○	○
Corporate Financial Performance	●	●	●	○
DRIVING NATURAL CAPITAL (WYNDHAM GREEN)				
Climate Change Strategy	●	○	●	●
Environmental/Resource Management	●	○	●	○
Regulatory Compliance	●	●	●	○
Supply Chain Evolution/Management	●	●	●	●
DRIVING HUMAN CAPITAL				
Be Well Programme/Employee Wellness	●	○	○	○
Wyndham Diversity	●	○	●	●
Professional Growth/Training	●	○	●	●
Work-Life Balance	●	○	○	○
Philanthropy/Wishes By Wyndham	●	○	○	●

6. Set Boundaries

Sustainability reporting carries a greater need for defining one's boundaries for what information will be reported. Boundaries are delineated primarily based on where impacts occur and where the organisation has control. For example, should a company report the energy usage of its franchised operations? As impacts occur throughout the procurement and disposal of products and services procured by companies, best practice leans towards recognising and understanding impacts across a life cycle, though the reported information may only have an operational boundary.

Boundaries also refer to time, as each reporting cycle should define the boundary of data. For example, a calendar year or a fiscal year can be set in alignment with a company's financial reporting. Some ESG frameworks will provide requirements or guidelines on time boundaries. Time also should be considered when determining and disclosing what data to exclude due to incomplete reporting during the defined time boundary or baseline/target years.

Finally, boundary definition should be documented clearly for the benefit of internal processes. Often different data or topics may have different boundaries due to impacts or data constraints. These should be noted for each item reported.

7. Begin Documenting Management Approaches

Sustainability reporting encourages organisations to provide transparency on their management approach to relevant topics. Through reporting, companies describe policies and practices, commitments, goals, and targets (short, medium, and long-term), defined organisational responsibility, governance and accountability structure, training and resources, and stakeholder engagement mechanisms.

As a starting point, every company's current corporate responsibility platform and specific programmes will form part of its management approach and should have some documentation available to some degree. The important step is to evaluate this information from an ESG lens. Is the information overly boastful? Does it indicate why the programmes were developed, why they are relevant, and how they are related to the organisation's business model? What other management approaches are involved that may not be disclosed? What topics are not covered that will require further documentation?

Management approach reporting can also serve to provide context around performance indicators in addition to explaining challenges or decisions not to engage in certain practices.

8. Evaluate ESG-related Risks

The practice of defining the scope of sustainability reporting is usually guided by an assessment of each organisation's greatest risks and opportunities. Sustainability reporting can be used to complement current processes to evaluate risks. While risks and opportunities may vary across market participants, common industry risks and opportunities emerge for Travel & Tourism:

TYPES OF EXTERNALITIES	INDUSTRY RISKS	INDUSTRY OPPORTUNITIES
Economic	<ul style="list-style-type: none"> Income inequality Geopolitical risk Rising materials costs 	<ul style="list-style-type: none"> Innovation Process efficiency Social enterprise Infrastructure
Environmental	<ul style="list-style-type: none"> Extreme weather events Water and resource scarcity Air pollution 	<ul style="list-style-type: none"> Climate change adaptation and mitigation¹⁹ Sustainable tourism Guest and employee engagement
Social	<ul style="list-style-type: none"> Child labour and forced labour Human trafficking and sex tourism Cultural and heritage protection 	<ul style="list-style-type: none"> Community investment Human capital development Supply chain partnership Industry partnership

¹⁸ Wyndham Worldwide 2015-2016 Sustainability Report.

¹⁹ Adaptation: 'Initiatives and measures to reduce the vulnerability of natural and human systems against actual or expected climate change effects'; Mitigation: 'Measures or actions to reduce global warming [itself]' Source: International Panel on Climate Change (IPCC).



Within specific industries, risk and opportunity profiles vary as well. Furthermore, critical issues may shift over time based on current political events, natural disasters, and other disruptions. In 2017, WTTC published a report highlighting five critical issues among five industries within Travel & Tourism²⁰:

AIRLINES	CAR HIRE	DESTINATIONS	HOTELS	TOUR OPERATORS
Safety & security preparedness & response	Safety & security preparedness and response	Relationships with local communities	Reduced travel to destinations affected by public health crises	Reduced travel to destinations affected by public health crises
Cybersecurity & the quality, and robustness of customer data privacy	Disruptive innovation & new business models	Reduced travel to destinations affected by public health crises	Safety & security preparedness and response	Climate change on the attractiveness and feasibility of destinations
Investment in infrastructure	Governance and ethics	Compliance with regulatory requirements	Cybersecurity & the quality, and robustness of customer data privacy	Preservation of local heritage culture at destinations
Public perception of health risks in unaffected destinations	Compliance with regulatory requirements	Operational waste & pollution to land and water	Compliance with regulatory requirements	Safety and security preparedness & response
Reduced travel to destinations affected by public health crises	Corruption & anti-competitive behaviour	Climate change on the attractiveness and feasibility of destinations	Attracting, developing, & retaining a skilled workforce	Child exploitation

The CDP Climate Change questionnaire also contains a prescriptive section on disclosing risks and opportunities relating to climate change according to ordinal scales, which can help organisations better understand ESG risk disclosure. Types of risk categories include physical, regulatory, and other ('business' risks).

Table 4: CDP Climate Change Risk Categories

CDP CLIMATE CHANGE RISK CATEGORIES	DISCLOSURE OPTIONS
Physical	<ul style="list-style-type: none"> Change in mean (average) temperature Change in temperature extremes Change in mean (average) precipitation Change in precipitation pattern Change in precipitation extremes and droughts Snow and ice Tropical cyclones (hurricanes and typhoons) Induced changes in natural resources Uncertainty of physical risks
Regulatory	<ul style="list-style-type: none"> International agreements Air pollution limits Carbon taxes Cap and trade schemes Emission reporting obligations Fuel/energy taxes and regulations Product efficiency regulations and standards Product labelling regulations and standards Voluntary agreements General environmental regulations, including planning Renewable energy regulation Uncertainty surrounding new regulation Lack of regulation
Business (Other)	<ul style="list-style-type: none"> Reputation Changing consumer behaviour Induced changes in human and cultural environment Fluctuating socioeconomic conditions Uncertainty in social drivers Uncertainty in market signals

In addition, CDP reporters must explain: (1) What level of board and executive oversight exists to manage these issues? (2) How does the company manage associated risks within overarching risk management practices? (3) Is the company able to quantify the potential financial implications on specific risks and opportunities associated with the topic? (4) How is the company engaging with a supply chain to manage these risks? (5) Does the company engage with policymakers to address these risks, and if so, what does the engagement address? and (6) What role does the company play to address these risks through affiliations with industry associations?

Often ESG-related risks are already being disclosed and embedded in an organisation's existing risk management procedures. However, they will have different terminology or not be viewed as ESG-related. A discussion with risk management can be first focused on relating current risks.

²⁰ WTTC, Understanding the Critical Issues for the Future of Travel & Tourism, March 2017: <https://www.wttc.org/-/media/files/reports/special-and-periodic-reports/understanding-the-critical-issues-for-the-future-of-travel-tourism-report-final.pdf>

9. Define Performance Indicators to Report

Performance-based reporting for material topics is necessary for credible, value-added sustainability reporting. Nearly all sustainability reports include available environmental data relating to energy and water. Social data include injury rates, workforce diversity, and percentages of employees receiving performance reviews. Economic data include community investments such as monetary donations, and in-kind and volunteer contributions.

When reporting performance indicators, it is important to include footnotes to explain any exclusions to the boundary in addition to any relevant assumptions used to calculate data. Normalising data is also a helpful tool to help audiences better understand the data.

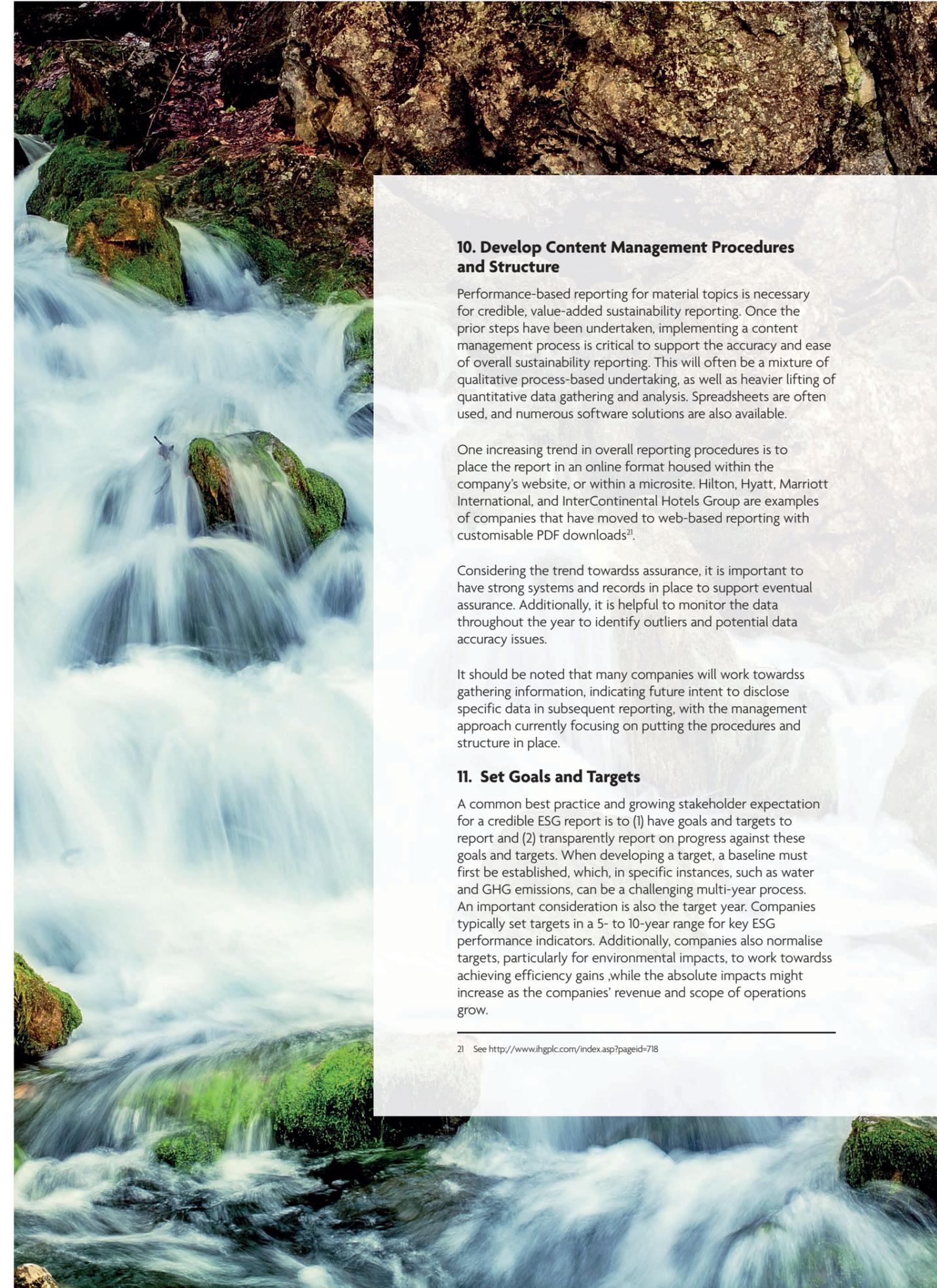
Performance indicators add congruence to an organisation's corporate responsibility and sustainability programmes. If an organisation has a heavy focus on community giving, then an ESG lens would find it logical that performance indicators on community giving should be tracked as part of the organisation's management approach. If certain data constraints or confidentiality issues exist, then those can be documented as well.

For Travel & Tourism organisations, local or industry context is important to consider when identifying performance indicators. Water, for example, is a scarce resource in some parts of the world but not others.

An organisation's operations in highly stressed areas may merit further indicators and management approach disclosure. Likewise, in some countries, employment actions to ensure ethnic diversity may be important, while in others, the hiring of national or local workforce may have a more important context.

When identifying performance indicators, it is recommended that the metrics on organisational performance, including those set forth in the GRI Standards and other frameworks, be referenced. Metrics on organisational performance may include energy consumption, water consumption, employee turnover, and health and safety performance. Metrics that demonstrate the impact and progress achieved for material topics can also be identified. These are often referred to as 'impact metrics', as they pertain to specific programmes and initiatives. Examples of impact metrics include the number of people reached through programmes and initiatives, or the extent of how responsible or sustainable practices are embedded into operations.

If using the GRI Standards, companies can produce a GRI Content Index (a type of appendix to a report referencing or linking the specific location of each GRI disclosure and indicator) where readers can locate common performance indicators that are reported across industries.



10. Develop Content Management Procedures and Structure

Performance-based reporting for material topics is necessary for credible, value-added sustainability reporting. Once the prior steps have been undertaken, implementing a content management process is critical to support the accuracy and ease of overall sustainability reporting. This will often be a mixture of qualitative process-based undertaking, as well as heavier lifting of quantitative data gathering and analysis. Spreadsheets are often used, and numerous software solutions are also available.

One increasing trend in overall reporting procedures is to place the report in an online format housed within the company's website, or within a microsite. Hilton, Hyatt, Marriott International, and InterContinental Hotels Group are examples of companies that have moved to web-based reporting with customisable PDF downloads²¹.

Considering the trend towards assurance, it is important to have strong systems and records in place to support eventual assurance. Additionally, it is helpful to monitor the data throughout the year to identify outliers and potential data accuracy issues.

It should be noted that many companies will work towards gathering information, indicating future intent to disclose specific data in subsequent reporting, with the management approach currently focusing on putting the procedures and structure in place.

11. Set Goals and Targets

A common best practice and growing stakeholder expectation for a credible ESG report is to (1) have goals and targets to report and (2) transparently report on progress against these goals and targets. When developing a target, a baseline must first be established, which, in specific instances, such as water and GHG emissions, can be a challenging multi-year process. An important consideration is also the target year. Companies typically set targets in a 5- to 10-year range for key ESG performance indicators. Additionally, companies also normalise targets, particularly for environmental impacts, to work towards achieving efficiency gains, while the absolute impacts might increase as the companies' revenue and scope of operations grow.

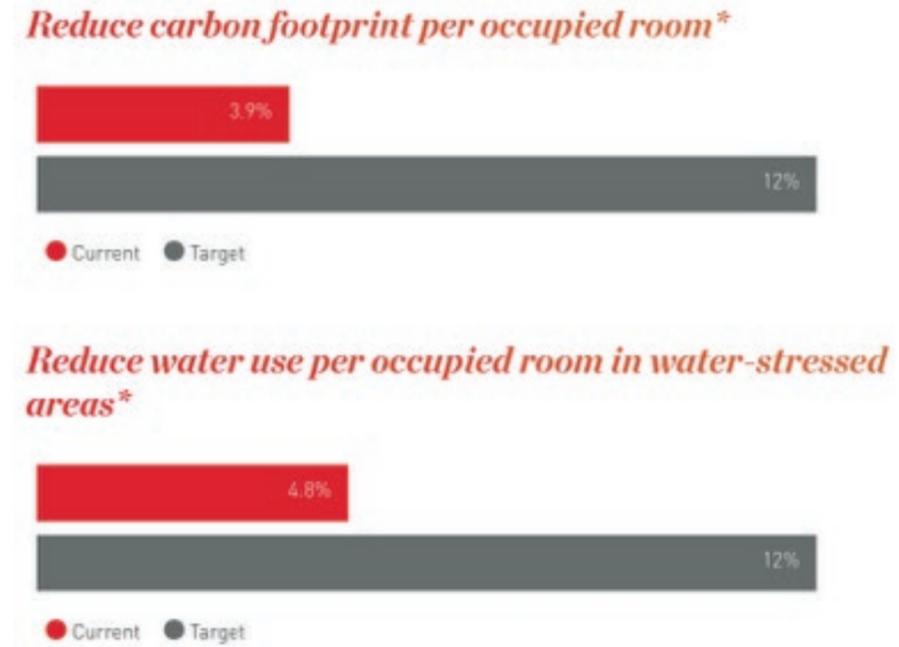
²¹ See <http://www.ihgplc.com/index.asp?pageid=718>

Figure 5: Accor Positive Hospitality Commitments



Figure 6: InterContinental Hotel Group: Process Towards Energy and Water Goals²²

Having robust measurements in place is part of our commitment to responsible business. Below we set out progress against our 2013-2017 targets.



Some goals may be used as aspirational approaches, but add less credibility to current management. For example, it is unlikely that current management will be in place in 2050 to be held accountable for meeting or missing a target in that year.

Likewise, the feasibility of achieving the target should not be taken lightly. One premise of a target is to increase accountability and demonstrate the competency of the management approach to achieve the target. If targets are missed, then the perceptions of these can diminish an organisation's reputation. Thus, target-setting should come after several other steps have been taken within the reporting process.

12. Seek Collaboration Opportunities with Peers

Though corporate responsibility and sustainability have certain components that support strategic advantage, there are several issues that organisations do not compete around and can benefit from collaboration. These include common performance measurement, topic identification, stakeholder engagement, and advocacy efforts. Additionally, in alignment with the best practice of regularly assessing the materiality of ESG topics, collaboration with stakeholders can provide the opportunity to refine and improve the effectiveness and usefulness of sustainability reporting each year.

Industry-specific and cross-industry working groups have been formed around specific topics as well as sustainability reporting in general. Existing trade associations can be leveraged to support ESG topics and reporting. The frameworks themselves often have continuous collaboration opportunities. As sustainability reporting can be a common thread among customers and suppliers, further opportunities may be sought within those linkages as well. Collaboration does not need to be formalised in every instance. Ad hoc partnerships, support, and cross-referencing opportunities will often emerge among various entities.

With the increasing uptake of the UN SDGs, companies are increasingly leveraging partnerships to accelerate progress towards prioritised SDGs: from biodiversity and climate change to human rights and youth employment.

²² <https://www.ihgplc.com/en/responsible-business/our-targets>

2 ISSUE BRIEFS

To date, regardless of the final terminology, categorisation, prioritisation, or performance measurement methods, a handful of broad issues have emerged as important across all of Travel & Tourism in ESG reporting.

Comprehensive issue briefs on eight of these topics (Climate Change; Community; Energy; Governance, Risk, and Compliance; Supply Chain; Waste Generation and Diversion; Water; and Workforce) are provided below. Each brief examines the associated business risks, commonly reported metrics, and their relation to the available reporting frameworks, as well as resources and further reading.

ISSUE BRIEF: CLIMATE CHANGE

Climate change is a concept that encompasses myriad topics and associated strategies, approaches, risks, impacts, and indicators. Climate change is also an issue discussed and debated on several levels, as it may pertain to specific impacts of a product, all the way to the planetary survival of humanity.

Climate change has two distinct sides in sustainability reporting. The first side is what an organisation is doing to reduce its contribution to climate change (its direct GHG emissions or 'carbon footprint,' as well as activities within operations or supply chain that indirectly contribute to GHG emissions or climate change). The second side is how an organisation is managing and mitigating the risks to its operations and supply chain associated with climate change, as well as how it is adapting to current or foreseen climate change impacts.

Inspired by the Paris climate agreement, the emerging best practice is to set a science-based target, which is a quantified, time-bound goal to reduce GHG emissions consistent with the global scientific community's recommended consensus on what is required to avert 'catastrophic' climate change impacts. A science-based target is also an important symbolic commitment to corporate responsibility, proactive risk management practices, and industry leadership.

The science underlying corporate science-based targets is based on the findings of the Intergovernmental Panel on Climate Change's (IPCC's) Fifth Assessment Report. The Fifth Assessment Report outlined a scenario to avoid 'catastrophic climate change impacts' by limiting the rise in global temperatures to no more than 2° Celsius compared to pre-industrial temperatures²³. This would require a 50-80% emissions reduction by 2050 from 2000 levels. (Under current scenarios, the IPCC concluded that global temperatures are expected to rise by 6° Celsius.)

²³ This scenario is known as the RCP 2.6 Scenario in the report; for more information see <http://www.ipcc.ch/report/ar5/>



The response to this research has elevated the importance of addressing climate change and informed the establishment of targets consistent with the level of decarbonisation required by science to limit global warming to less than 2° Celsius compared to pre-industrial temperatures.

To date, more than 200 companies including Caesars Entertainment, Coca-Cola, Carrefour, Colgate Palmolive, H&M, Hewlett Packard, Honda, Host Hotels & Resorts, Ikea, L'Oréal, Mars, Pepsi, Nestlé, Sony, Sodexo, Toyota, Unilever, and Wal-Mart have committed to science-based targets²⁴.

These companies have aligned themselves with the 195 countries that, as part of the Paris Agreement, have committed in consensus to curb global temperature rises based on the recommendations of the scientific community and take actions to reach zero carbon emissions this century²⁵. As part of the agreement, each country – not unlike corporate ESG reporters – will be producing five-year plans and reporting on progress. These plans will likely include a set of national regulations and renewable energy incentives. Also addressed in the agreement is adaptation to protect vulnerable communities and climate finance (with \$1 trillion in solar investments targeted).

Traditionally, climate change's leading cause, carbon emissions, has been the focus of attention for the sector and analysts. However, as supply chain analysis improves and further impacts of climate change are adequately quantified, increasing attention has been given to the impacts of food, particularly livestock, on climate change as a result of the associated emissions from deforestation (both for animals and feedstock), cultivation, processing, and transportation. For Travel & Tourism operations containing significant F&B components, attention to menus could be a growing focus. Likewise, GHG emissions result from life cycles of other materials procured, and waste generation.

Despite the Paris Agreement, climate change also continues to carry some political debate, and related sustainability frameworks have incorporated content on an organisation's advocacy or lobbying efforts to influence climate change discussions. Some even screen whether a company will include the term 'climate change' in any part of its stock exchange disclosure.

Airlines have received the most attention within the sector for contributions to climate change. According to the International Civil Aviation Organization (ICAO), international and domestic aviation accounts for about 2% of global emissions, and international aviation alone accounts for 1.3% of global emissions²⁶. Carbon emissions from aeroplanes also receive more attention and heavier weighting for the concept of radiative forcing, since the emissions are released much higher up in the earth's atmosphere. Through the United Nations Framework Convention on Climate Change and the Paris Agreement, nations can reduce GHG emissions from all domestic sources, including domestic aviation. However, it is the responsibility of the ICAO and its members to reduce emissions from international aviation.

²⁴ <http://sciencebasedtargets.org/companies-taking-action/>

²⁵ <http://www.wri.org/blog/2015/12/paris-agreement-turning-point-climate-solution>

²⁶ http://www.icao.int/environmental-protection/Pages/A39_CORSA_FAQI.aspx

To reduce emissions from international air travel, the ICAO has set goals, which include a 2% annual efficiency improvement in fuel, and carbon neutral growth from 2020. To meet these goals, the 39th ICAO assembly agreed on a market-based measure (MBM), the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), to assist in achieving the carbon neutral goal²⁷. CORSIA was designed to incorporate a phased-in implementation. States' participation in the first phase (2021-26) is voluntary: from 2027-35, all states with an individual share of international aviation activities in RTKs in 2018 above 0.5% of total RTKs, or whose cumulative share reached 90% of total RTKs, must participate in the scheme. Least developed countries, small developing island states, and landlocked developing countries are exempted from participating.

CORSIA is based on travel routes, meaning only emissions from international flights between two states where both origins and destinations are included in CORSIA are part of the scheme. Once the emissions from origins to destinations are determined, ICAO calculates the offset requirements each operator must report in their CO₂ data to the state. ICAO then collects all data and estimates the sectoral growth factor of emissions, and each operator calculates their offsetting requirements and purchases emissions units. To ensure transparency in the scheme, ICAO is developing rules and regulations for monitoring reporting and verification systems, criteria for emission units to be purchased by the operator, and registries.

Alongside the momentum towards science-based targets, there is increased focus on climate adaptation and resiliency efforts. Adaptation and resiliency is deeply embedded within the UN SDGs framework. Numerous public-/private-sector initiatives are in place, as well as local initiatives including 100 Resilient Cities²⁸ and the CDP Cities programme²⁹. Adaptation and resiliency is becoming part of 'green building' practices as well, with LEED[®] approving three pilot credits on resiliency in design³⁰.



Risks

In the World Economic Forum (WEF) Global Risks 2017 report, climate change risk accounts for three of the top five risks in terms of likelihood and impact: extreme weather events, major natural disasters, and failure of climate change mitigation and adaptation. Extreme weather events is considered the world's top risk in terms of perceived likelihood (ahead of large-scale terrorist attacks). Per the WEF, climate change adaptation not only needs to happen at a faster pace to prevent increased global temperatures, but also will likely cost developed and developing countries hundreds of billions of dollars.

What is most interesting to note with climate change is the systemic interconnected impact it holds across societal, environmental, and social facets³¹. Among the potential 'catastrophic' climate change impacts, the IPCC has cited the following³²:

ENVIRONMENTAL IMPACTS

- Eroding coastlines
- Increasing sea levels
- Ocean acidification
- Marine life depletion

SOCIOECONOMIC IMPACTS

- Challenges to food supply
- Health problems
- Increased poverty
- Displacement of people
- Geopolitical conflicts related to energy and natural resources

As such, climate change poses significant potential risks to the global demand for and profitability of the Travel & Tourism sector. Extreme weather events, such as 2013's Typhoon Haiyan in the Philippines, lead to business interruptions and property damage in addition to having economic and supply chain ripples that last several months or years after the event. In 2016, weather and climate disasters are estimated to have caused more than \$1 billion in damage in the United States alone³³. In 2012, Superstorm Sandy in the United States was an example of an unpredictable extreme weather event impacting a heavily populated area that was previously not considered to be exposed to significant risk of hurricanes. From 1980 to 2015, weather-related loss events accounted for overall losses of \$3,200 billion globally³⁴. According to the IPCC, "widespread and consequential impacts on all continents and across the oceans", including climate change, will cause heatwaves, extreme precipitation, coastal flooding, and other extreme events to intensify. Moreover, the report notes increased extreme precipitation events year-round in northern Europe; risk of sea level rise in populous coastal cities, including Mumbai, Miami, and Shanghai; and more heatwaves in northern Africa.

Citing corollary socioeconomic risks, the IPCC has also stated "climate change impacts are projected to slow down economic growth, make poverty reduction more difficult, further erode food security, and prolong existing and create new poverty traps, the latter particularly in urban areas and emerging hot spots of hunger". Recently, there has been a large influx of immigrants to Europe and North America. In 2015, 76 million international immigrants ended up in countries across Europe, which is likely to increase significantly due to displacement caused by climate change. In Western Africa, sea levels are expected to rise by 2.5 feet by the end of the century, which has the potential to lead to mass migration due to the displacement of 31% of the population living along coastal waterways³⁵.

As climate change may impact specific regions differently, tourism is a particular area of study to understand how destinations and regions may have travel demand affected. For example, building hotels in the Caribbean may be determined infeasible due to the increased costs of insurance premiums, and tour operators as well as the rest of the value chain face risks of reduced travel demand due to increased hurricanes.

31 Global Risks 2016 Report. Rep. World Economic Forum, nd. Web. 4 Apr 2014. <reports.weforum.org/global-risks-2016/>.

32 <http://news.stanford.edu/news/2015/january/emissions-social-costs-011215.html>

33 <https://www.ncdc.noaa.gov/billions/>

34 https://www.munichre.com/site/touch-naturalhazards/get/documents_E-1125431578/mr/assetpool.shared/Documents/5_Touch/_NatCatService/Focus_analyses/Loss_events_worldwide_1980-2015.pdf

35 <https://www.wttc.org/-/media/Upload/Populism-and-protectionism-report>

27 http://www.icao.int/environmental-protection/Pages/A39_CORSIA_FAQ.aspx

28 <http://www.100resilientcities.org>

29 <https://www.cdp.net/en/cities>

30 <http://www.usgbc.org/articles/leed-pilot-credits-resilient-design-adopted>

Commonly Reported Performance Metrics

	AIRLINES	CRUISE LINES	HOTELS	TOUR OPERATORS	GDS/TECH
COMMON	<ul style="list-style-type: none"> Total GHG emissions (Scope 1, Scope 2, & Scope 1 +2) Air pollutant emissions Water pollutants 	<ul style="list-style-type: none"> Total GHG emissions (Scope 1, Scope 2, and Scope 1 +2) Ship fuel GHG emission rate GHG total for ships Ship refrigerant GHG emissions 	<ul style="list-style-type: none"> Total GHG emissions (Scope 1, Scope 2, and Scope 1 +2) GHG emissions per occupied room GHG emissions per m² or ft² 	<ul style="list-style-type: none"> Total GHG emissions (Scope 1, Scope 2, and Scope 1 +2) GHG emissions per revenue GHG emissions per passenger GHG emissions per kilometre Aircraft GHG emissions 	<ul style="list-style-type: none"> Total GHG emissions (Scope 1, Scope 2, & Scope 1 +2)

Relation to Main ESG Frameworks

UN SDGs	<p>SDG 13³⁶ (covering climate change) is very serious in tone – calling for 'urgent action to combat climate change and its impacts'. The SDG framework notes that 'climate change presents the single biggest threat to development, and its widespread, unprecedented impacts disproportionately burden the poorest and most vulnerable'.</p> <p>While SDG 7 is focused on clean, affordable energy, SDG 13 emphasises climate change mitigation and adaptation endeavours.</p> <p>Indicators that companies can support through operational practices include:</p> <ul style="list-style-type: none"> Development of risk reduction plans (that strengthen both resilience and adaptive capacity) across countries or locations of highest risk (13.1.1) <p>Indicators that companies can support through stakeholder engagement efforts include:</p> <ul style="list-style-type: none"> Education and awareness-building efforts on climate change (13.3.1) Investments to support least developed countries and small island developing states in climate change planning (focusing on women, youth, and local and marginalised communities) (13.B.1)
GRI	<p>Emissions are an aspect under Environment, with management approach disclosure on emissions included in the GRI Standards.</p> <p>Five performance indicators are related to GHG emissions:</p> <ul style="list-style-type: none"> Direct GHG emissions (Scope 1) (305-1) Energy indirect GHG emissions (Scope 2) (305-2) Other indirect GHG emissions (Scope 3) (305-3) GHG emissions intensity (305-4) Reduction of GHG emissions (305-5) <p>Climate change is also part of the GRI's Economic Performance aspect, with an indicator on:</p> <ul style="list-style-type: none"> Financial implications and other risks and opportunities for the organisation's activities due to climate change (201-2)

CDP	<p>The CDP Climate Change Information Request asks for data on:</p> <ul style="list-style-type: none"> Scope 1, 2, and 3 emissions data (including market-based Scope 2 reporting) Emissions per revenue and other selected intensity metrics Drivers behind change in annual emissions performance Targets (whether absolute, relative, and/or science based) Base year for targets Change in absolute emissions if using relative targets Estimated emissions saved by completed emissions reduction projects during the reporting period Boundary (operation control, financial control, or equity share based) Global warming potentials used Emissions factors applied Potential financial implications for each type of reported risk and opportunity Associated cost to managing each reported risk and opportunity <p>The CDP Climate Change Information Request also asks for information regarding:</p> <ul style="list-style-type: none"> Highest level of responsibility for managing climate change issues Whether climate change is part of company-wide risk management approach Whether climate change is integrated into business strategy Whether company is directly or indirectly engaging with policymakers on climate change issues Whether company's strategy has been influenced by the Paris Agreement and forward-looking scenarios (including those used to develop science-based targets) Whether company uses an internal price of carbon How company is engaging with suppliers and members of its value chain on climate change issues Whether company is reporting on climate change in other public disclosures, such as ESG Report, Annual Report, website, or financial filings
SASB	<p>SASB Provisional Standards include the reporting of Scope 1 emissions as an accounting metric for the cruise line and airline industries (as both industries are highly fuel intensive to carry passengers). Additionally, the SASB Cruise Lines and Airlines Provisional Standards include discussion and analysis on companies':</p> <ul style="list-style-type: none"> Long-term strategy or plan to reduce Scope 1 emissions Short-term strategy or plan to reduce Scope 1 emissions Emissions reduction targets Analysis of performance against emissions reduction targets <p>The SASB Hotels & Lodging Provisional Standards emphasise "climate adaptation", proposing that the companies report on the number of lodging facilities located in FEMA Special Flood Hazard Areas or foreign equivalent (SV0201-03).</p>
<IR>	<p>The <IR> Framework positions a climate change as disclosure within "significant factors affecting the external environment including aspects of the legal, commercial, social, environmental, and political context that affect the organisation's ability to create value in the short, medium, or long term".</p> <p>The <IR> Framework groups climate change with other environmental challenges, such as the loss of ecosystems and resource shortages.</p>
OTHERS	<p>The Maplecroft Climate Innovation Index questionnaire heavily emphasises innovation and adaptation, with 62.5% of its assessment criteria based on innovation of new technologies or initiatives that capitalise on climate-related opportunities (50%), and adaptation by modelling climate impacts and changing company strategy and operations (12.5%). Like the CDP, the CII questionnaire also assesses management through policies, disclosures, targets, verification, and supply chain processes (12.5%); mitigation of carbon emissions through policy responsiveness, partnerships, and efficiency (12.5%); and emissions reductions in GHG emissions by reporting scope (12.5%). Companies are evaluated using public domain disclosures, such as CDP Climate Change responses.</p>

36 <https://sustainabledevelopment.un.org/sdg13>.

Resources and Further Reading

- International Civil Aviation Organization Carbon Emissions Calculator
- Fact Sheet: Global Sectoral Approach for Addressing Aviation Carbon Emissions, IATA, December 2014
- Global Sustainable Tourism Dashboard
- Carbon Management Tool for Tour Operators
- Hotel Carbon Measurement Initiative
- Hotel Footprinting Tool
- Hotel Sustainability Benchmarking Index 2016: Energy, Water, and Carbon, Cornell Hospitality Report 16(16), 3-13
- NatCatSERVICE Loss events worldwide 1980-2015. MunichRE, March 2016
- WTTC, Travel & Tourism 2015 – Connecting Global Climate Action
- UNWTO, Climate Change and Tourism: Responding to Global Challenges, www.unwto.org/sdt/news/en/pdf/climate2008.pdf
- UNWTO, From Davos to Copenhagen and beyond: advancing tourism's response to climate change, www.unwto.org/pdf/From_Davos_to%20Copenhagen_beyond_UNWTOPaper_ElectronicVersion.pdf
- Climate Change and Tourism Policy in OECD Countries, www.oecd.org/cfe/tourism/48681944.pdf
- Intergovernmental Panel on Climate Change
- 100 Resilient Cities Project



ISSUE BRIEF: COMMUNITY

Community is perhaps the broadest overall term used in sustainability reporting for Travel & Tourism. Topics relating to community are often at the heart of an organisation's business model, as the service often involves an experience with the community.

Traditionally, community topics within sustainability reporting involved the various impacts caused by an organisation on a local community in terms of their environment, resources, economic activity, and social change. Community will be cross-cutting through other ESG topics, especially for Travel & Tourism. In addition to destination degradation, other related topics include charitable giving in communities, supply chain engagement, and water withdrawals/discharges. Furthermore, employee issues are often intertwined with community issues.

Community is also a broad issue, as communities are commonly cited stakeholder groups and engaged regularly at various levels. Community may also involve civil society and regulatory bodies, especially when it deals with the organisation's social licence to operate. In the case of community as well, tourism development topics are equally relevant as operational topics. One of the three critical issues for Travel & Tourism identified by the WTTC is destination degradation, which results from unsustainable tourism growth, overcrowding, and a loss of authentic local heritage. Major tourist destinations such as Venice, and Barcelona are starting to witness local community backlash and movements against tourism because of the negative impacts on their lives and their surroundings. As international tourism arrivals are poised to double in just a few decades of this century, the impacts of tourism on local communities will become an increasingly hot topic. Travel & Tourism companies that have tended to operate within their own operational boundary within a destination will be held more accountable for the collective impacts caused. Community issues will require further context and clarification as well, given the cross-cutting topics of local workforce and local economic activity.

Several sustainability frameworks include components of disclosing impacts on communities and community engagement. Though it is less common for Travel & Tourism companies to report this information, this is not to infer the issue to be immaterial but rather that handling community data from hundreds, even thousands, of locations (some of which are highly remote) is a daunting challenge with which the sector is grappling.

It should be noted that community may also involve the community of the organisation's corporate offices, irrespective of location of operations, as multinational companies are also a part of the communities in which they are headquartered. This is particularly interesting considering that stakeholder pressures on sustainability reporting and its related management approaches vary across the globe; therefore, the local or national community in which an organisation's corporate headquarters are located may influence the focus and robustness of its corporate responsibility platform and level of sustainability reporting.

With the rise in influence of the SDGs, companies now have the opportunity to target specific community topics and work collaboratively to drive positive and meaningful impact. For example, youth employment has been prioritised as a key community development programme among leading hotels, including Hyatt, Hilton, InterContinental Group, and Marriott International.



Risks

In addition to the critical issue of destination degradation, 'profound social instability' was named one of the most important risk interconnections among the top global risks in the WEF Global Risks 2017 report. The myriad risks, issues, and connections are also captured with the 17 UN SDGs and their 169 targets. Risks posed by community issues can impact both global demand for Travel & Tourism, and demand in local or regional markets. Travel & Tourism is expected to maximise positive community impacts and minimise negative impacts within the sphere of its influence and control. Whereas Travel & Tourism companies historically were not exposed to the same levels of community-based scrutiny and activism as sectors such as mining, oil and gas, and big box retailers, the Travel & Tourism sector's economic, environmental, and social impacts on local communities can be significant.

In many local and national economies, tourism is the largest and sometimes only major industry, directly supporting up to 80% of jobs. Additionally, business travel plays a critical role in supporting commerce in cities such as New York, London, and Hong Kong, with large, diversified local economies. Travel & Tourism companies are expected to bring positive economic impacts to the community, for which profits are derived, through local hiring and the support of local businesses.

As part of their environmental stewardship commitments, Travel & Tourism companies face risks if local environmental impacts, such as those related to local air pollution, water quality, biodiversity, and heat island effects, are adversely impacted by operations. When developing and operating sites for hotels and resorts, companies may face risks if they do not consider these types of local environmental impacts. Additionally, companies are expected to manage adverse social impacts from operations, which may include light pollution, traffic congestion, and threatening local culture and heritage sites.

Commonly Reported Topics

- Charitable giving
- Volunteer hours
- Contributions to research/conservation funds
- Investments in local infrastructure and services

Commonly Reported Performance Metrics

	AIRLINES	CRUISE LINES	HOTELS	TOUR OPERATORS	GDS/TECH
COMMON	<ul style="list-style-type: none"> • Total \$ charitable donation • Economic value generated and distributed • Employee volunteer hours 	<ul style="list-style-type: none"> • Total \$ charitable donation • Economic value generated and distributed 	<ul style="list-style-type: none"> • Employee volunteer hours 	<ul style="list-style-type: none"> • Employee volunteer hours 	<ul style="list-style-type: none"> • Total \$ charitable donation • Economic value generated and distributed

Relation to Main ESG Frameworks

UN SDGs	<p>The first five SDGs (below) are often correlated with common community activities undertaken by companies:</p> <ul style="list-style-type: none"> • SDG 1 (covering Poverty) • SDG 2 (covering Food – specifically Hunger and Nutrition) • SDG 3 (covering Health) • SDG 4 (covering Education) • SDG 5 (covering Women and Girls) <p>SDG 8 (covering Decent Work and Economic Growth) contains targets that are specific to community activities within Travel & Tourism:</p> <ul style="list-style-type: none"> • Target 8.8 aims to 'achieve full and productive employment and decent work for all women and men, including for young people'. • Target 8.9 is specifically focused on Travel & Tourism with the goal to 'devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products'. <p>Within SDG 11 (Sustainable Cities and Communities), Target 11.4 is focused on 'culture and heritage protection'. Travel & Tourism companies can support its indicator (11.4.1), which measures 'total expenditures on the preservation, protection and conservation of all cultural and natural heritage' by:</p> <ul style="list-style-type: none"> • Type of heritage (cultural, natural, mixed, and World Heritage Centre designation), • Level of government (national, regional, and local/municipal), • Type of expenditure (operating expenditure/investment), and • Type of private funding (donations in kind, private non-profit sector, and sponsorship). <p>SDG 11 also has a target relation to disaster relief (Target 11.5) with indicators (11.5.1 and 11.5.2) pertaining to number of deaths and people affected by disasters as well as economic losses from disasters.</p> <p>Among these goals, companies can align metrics and disclosures to specific targets and indicators, as well as determining their own specific 'impact metrics' to demonstrate progress from company programmes and initiatives.</p>
GRI	<p>Within its General Disclosures, the GRI Standards recommend that all organisations provide a description of their approach to stakeholder engagement (102-40, 102-42, 102-43, and 102-44), which for Travel & Tourism includes communities, in sustainability reporting. Disclosures include:</p> <ul style="list-style-type: none"> • Basis for identification and selection of stakeholders with whom to engage • Types of engagement • Frequency of engagement (for each type) • Key topics and concerns, and how the organisation has responded to those key topics and concerns (including through its reporting) <p>Within the 'Economic Performance', 'Market Presence', 'Indirect Economic Impacts', and 'Procurement Practices' aspects, voluntary indicators include:</p> <ul style="list-style-type: none"> • Community donations, taxes paid, and wages paid (101-1) • Commercial, in-kind, and pro bono investments and services supported; and expected impacts (203-1) • Ratios of standard entry-level wage by gender compared to local minimum wage at significant locations of operation (202-1) • Percentage of senior management hired from the local community at significant locations of operation (202-2) • Percentage of spending on local suppliers at significant locations of operation (204-1) • Significant indirect economic impacts (both positive and negative) including economic development in areas of high poverty and enhancing skills and knowledge in a geographic region (203-2)

GRI	<p>'Local Communities' are also an aspect with Society with two associated indicators:</p> <ul style="list-style-type: none"> • Percentage of operations with implemented local community engagement, impact assessments, and development programmes (413-1) • Operations with significant actual or potential negative impacts on local communities (413-2) <p>To robustly report on 413-2, a rigorous assessment is recommended that considers vulnerability and risk to local communities from potential impacts due to factors such as:</p> <ul style="list-style-type: none"> • Degree of physical or economic isolation of the local community • Level of socioeconomic development including the degree of gender equality within the community • State of socioeconomic infrastructure (health, education) • Proximity to operations • Level of social organisation • Strength and quality of the governance of local and national institutions around local communities. <p>Additionally, the organisations' impacts regarding the following were considered within the 413-2 assessment:</p> <ul style="list-style-type: none"> • Use of hazardous substances that impact on the environment and human health in general, and specifically reproductive health • Volume and type of pollution released • Status as major employer in the local community • Land conversion and resettlement • Natural resource consumption
CDP	<p>The CDP Climate Change Information Request embeds community needs within the assessment of risks and opportunities, which include:</p> <ul style="list-style-type: none"> • Induced changes in human and cultural environment • Increasing humanitarian demands • Fluctuating socioeconomic conditions • Changing consumer behaviour • Reputation • Uncertainty in social drivers <p>Additionally, for each risk and opportunity, 'wider social disadvantages' can be selected as a potential impact.</p> <p>As water is generally considered to be a more local issue than climate change, the CDP Water Information Request specifically asks for information regarding:</p> <ul style="list-style-type: none"> • Whether communities are factored into water risk assessments • Whether community opposition has been a detrimental impact during the reporting period • Whether community opposition is a potential risk, and if so, whether community engagement is part of the response strategy • Whether any goals are in place to increase access to safe water, sanitation, and hygiene (WASH), and to strengthen links with the community
SASB	<p>In SASB Provisional Standards, community is emphasised in the context of ecosystem protections for the hotel and lodging industry. The standards include a discussion and analysis on environmental management policies and practices to preserve ecosystem services (SV0201-05).</p> <p>Additionally, hotel and lodging companies are to report on the number of lodging facilities in or near areas of protected conservation status or endangered species habitat (SV0201-04).</p>

<IR>	<p>Within the <IR> Framework, an organisation would report on value creation efforts and annual changes in 'social and relationship capital' alongside financial capital.</p> <p>The <IR> Framework describes social and relationship capital as "the institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being". Social and relationship capital includes: (1) shared norms and common values and behaviours, (2) key stakeholder relationships, and the trust and willingness to engage that an organisation has developed and strives to build and protect with external stakeholders, and (3) intangibles associated with the brand and reputation that an organisation has developed, and (4) an organisation's social licence to operate³⁷.</p> <p>Local communities are identified as an audience and potential beneficiary for the integrated report³⁸. Specifically, the <IR> Framework states that the business creation and cost reduction opportunities regarding engagement with local communities can be relevant to the 'Financial Information and Other Information' content element³⁹.</p>
OTHERS	<p>Corporate Citizenship and Philanthropy and Stakeholder Engagement are emphasised in the Dow Jones Sustainability Index's selection methodology for Travel & Tourism, accounting directly for 11% of the overall 2016 criteria weighting⁴⁰. Within Corporate Citizenship and Philanthropy, it is asked whether a company-wide strategy is in place, what the three main priorities are within the strategy, and what key performance indicators are used to measure the business benefits in addition to the social and environmental benefits. Within Stakeholder Engagement, it is asked where the highest level of responsibility for stakeholder engagement exists in the organisation and how frequently the board is briefed on stakeholder engagement activities.</p> <p>GRESB, a sector-specific survey for real estate, asks whether community-monitoring practices are in place and if these practices include monitoring an organisation's impact on crime levels, local business revenues, local residents' well-being, and local community welfare. Additionally, GRESB asks whether companies have a community engagement programme and if the following elements are within the scope of the programme: Sustainability Education, Health and Well-being, Sustainability Enhancement Programmes for Public Spaces, Employment Creation in Local Communities, Research and Network Activities, Supporting Charities and Community Groups, and Communications and Processes to Address Community Concerns.</p> <p>In the World's Most Ethical Companies ranking, Ethisphere Magazine includes Corporate Citizenship and Responsibility as a category in its Ethics Quotient methodology, with 20% weighting. Within the category, community involvement and corporate philanthropy are included, considering the "quality and effectiveness of the initiatives are considered, in addition to stated and measurable goals, accountability and transparency"⁴¹.</p>

Resources and Further Reading

- 'Measuring Socio-Economic Impact-A WBCSD Guide for Business'. World Business Council for Sustainable Development. www.wbcsd.org/Pages/EDocument/EDocumentDetails.aspx?ID=15357&NoSearchContextKey=true
- 'Building an Inclusive Green Economy for All'. World Business Council for Sustainable Development. www.wbcsd.org/Pages/EDocument/EDocumentDetails.aspx?ID=14776&NoSearchContextKey=true
- 'Understanding Our Economic Impacts'. Unilever. www.unilever.com/sustainable-living-2014/enhancing-livelihoods/understanding-our-economic-impacts/
- *The Big Pivot*, Andrew Winston. 2014.

37 <IR> Framework, p 12 (Fundamental Concepts).

38 <IR> Framework, p 9 (Using the Framework, 1C – Purpose and Users of an Integrated Report)

39 <IR> Framework, p 17 (Guiding Principles, 3B – Connectivity of Information)

40 www.sustainability-indices.com/sustainability-assessment/corporate-sustainability-assessment.jsp

41 www.ethisphere.com/worlds-most-ethical/scoring-methodology/

ISSUE BRIEF: ENERGY

Energy is the most commonly found topic among current reporters in Travel & Tourism; however, it encompasses many aspects and relates differently to various industries. The term is used to encompass disclosure on how and where the energy is generated or sourced, the efficiency of its use, and costs involved at every stage.

Energy disclosure is heavily quantitative, and often broken down into the various types of energy used. Energy disclosure can incorporate both energy consumption figures and process-based indicators of energy management, including projects or initiatives as well as specifications of energy efficiency in products or services. As energy disclosure has significant quantitative elements, analysis of a company's energy management often includes energy-related investments and returns on those investments.

For Travel & Tourism companies, energy is the largest source of GHG emissions and central to the discussion of contributions to climate change. For cruise lines and airlines, energy issues are focused on direct burning of fuels, while energy in hotels and tourist facilities also involves electricity use.

Hotels are often cited under a subset of buildings as part of 40% of global GHG emissions. Cruise lines are criticised for burning a highly polluting form of fuel. Tour operators may have various energy challenges depending on the location of energy use needs. And as industry in general becomes more intertwined with technology and cloud computing, the increased use of appliances, equipment, and data servers also increases the focus on energy.

A growing focus on energy disclosure relates to energy procured or generated from renewable sources such as solar, wind, geothermal, and biofuels in addition to the efficient use of energy. A 2016 Advanced Energy Economy report found 71% of Fortune 100 companies have set renewable energy or sustainability targets⁴². Of the Fortune 100 companies, 22%, including Wal-Mart, Apple, Starbucks, and Nike, have committed to powering all operations with renewable energy⁴³. These 22 companies are among the nearly 90 companies committed to full use of renewable energy through the RE 100 initiative⁴⁴. Travel & Tourism companies have yet to make strong declarations regarding renewable energy compared to other sectors, notably customer products, finance, technology, and healthcare.

Drivers behind increased use of renewable energy include (1) increasing pricing parity for renewable energy⁴⁵; (2) proliferation of local, state, and national incentives; and (3) innovative methods to finance and encourage process improvements and behavioural change, such as Microsoft's 'internal price of carbon' programme – estimated to generate \$10 million in annual savings⁴⁶, and the corporate issuance of green bonds. Green bonds issued by corporations are intended to fund projects specifically relating to low-carbon, renewables, and efficiencies, among other programmes, having a positive impact on the environment. Green bonds enable a lower cost of capital to make the investments more viable. In 2016, Apple issued a \$1.5 billion green bond – the largest corporate issue to date⁴⁷. While much attention is placed on solar energy, it's worth noting that, in 2016, wind energy was the top source for corporate renewable energy procurement⁴⁸.

42 <IR> Framework, p 12 (Fundamental Concepts)

43 <IR> Framework, p 9 (Using the Framework, 1C – Purpose and Users of an Integrated Report)

44 <IR> Framework, p 17 (Guiding Principles, 3B – Connectivity of Information)

45 www.sustainability-indices.com/sustainability-assessment/corporate-sustainability-assessment.jsp

46 www.ETHSphere.com/worlds-most-ethical/scoring-methodology/

47 <http://www.reuters.com/article/us-apple-greenbonds-idUSKCN0VQ2K2>

48 <http://buyersprinciples.org/2016/10/18/corporate-renewable-energy-procurement-a-snapshot-of-key-trends-strategies-and-practices-in-2016/>



Risks

Energy risks involve potential rising costs of energy sources, which can be due to diminishing resource availability as well as regulatory implications of carbon taxes, renewable energy mandates, and other factors that would influence the price of energy or the costs of developing or retrofitting facilities to meet energy efficiency specifications. Risks can also involve energy security, depending on the type and location of operations.

While energy risk remains an interconnected global issue, in the most recent WEF Global Risks 2017 report, energy was not listed directly as one of the Top Five Global Risks of Highest Likelihood or Impact. But given that energy is imperative for the function of so many other global systems, energy issues are indirectly embedded within some of the top global risks identified, notably extreme weather events, major natural disasters, and failure of climate change mitigation and adaptation. The WEF Global Risks 2017 report also references linkages between energy generation demand and water availability, which is also linked to food production.

Industry-specific energy risks are primarily financial, because the consumption of energy makes companies vulnerable to pricing increases driven by regulations or other factors. For example, if a company spends \$10 million on energy annually, a 10% increase in the price of fuel or electricity would equal \$1 million. Additionally, the price of energy has ripple effects on the economy and may lead to increases in production and transportation costs, particularly if the price of fuel should rise. Energy-related regulations may also directly impact Travel & Tourism companies, for example by requiring significant investments to upgrade on-site equipment to be compliant with local, state, and national regulations. Also, there is a reputational factor associated with energy. Companies that are perceived to be energy inefficient or 'energy gluttonous' may not attract the corporate travel market and 'environmentally conscious' consumer market.

The WEF Global Risks 2017 report noted the following positive developments with regard to energy: global investment in renewable energy capacity in 2015 was \$266 billion, more than double the allocations to new coal and gas capacity⁴⁹. Total generation capacity of renewable energy also now exceeds coal-fired power plants for the first time, and for the past two years, GHG emissions have been decoupled from economic growth⁵⁰. The WEF Global Risks 2017 report also cited a substantial increase in net employment that could result from a global shift to clean energy.

Commonly Reported Topics

- Energy cost
- Energy usage
- Renewable energy
- Pollution resulting from use of energy
- Energy efficient products and services
- Initiatives to reduce energy consumption

49 Bloomberg New Energy Finance: Frankfurt School-UNEP Centre/BNEF 2016
50 International Energy Agency



Commonly Reported Performance Metrics

	AIRLINES	CRUISE LINES	HOTELS	TOUR OPERATORS	GDS/TECH
METRICS	<ul style="list-style-type: none"> Total energy (including renewable or low carbon) Energy per revenue ton-kilometre 	<ul style="list-style-type: none"> Total energy (including renewable or low carbon) Energy by users (ship and shore) 	<ul style="list-style-type: none"> Total energy (including renewable or low carbon) Energy per occupied room Energy per available room Energy per guest night Energy per m² or ft² 	<ul style="list-style-type: none"> Total energy Energy per guest night Energy per m² for company facilities 	<ul style="list-style-type: none"> Total energy Energy per employee Energy per 1 million transactions

Relation to Main ESG Frameworks

UN SDGs	<p>Energy is central to SDG 7⁵¹ to 'Ensure access to affordable, reliable, sustainable and modern energy for all'. In framing the goals it is noted that: "Energy is crucial for achieving almost all the SDGs, from its role in the eradication of poverty through advancements in health, education, water supply, and industrialization, to combating climate change."</p> <p>Specific indicators that companies report on their progress to support include:</p> <ul style="list-style-type: none"> Renewable energy as a percentage of total energy consumption (7.2.1) Energy intensity, particularly in terms of revenue (7.3.1) Investments in energy efficiency (7.B.1) <p>Companies can also measure the number of people provided with access to electricity (7.1.1), if this is a part of their community development programmes.</p>
GRI	<p>Energy is an aspect under Environment, with management approach disclosure on energy provided in the GRI Standards.</p> <p>Five performance indicators are related to energy:</p> <ul style="list-style-type: none"> Energy consumption within the organisation (302-1) Energy consumption outside of the organisation (302-2) Energy intensity (303-3) Reduction of energy consumption (303-4) Reductions in energy requirements of products and services (303-5)

CDP	<p>The CDP Climate Change Information Request asks for data on:</p> <ul style="list-style-type: none"> Aggregate energy consumption by source (including gases and fuels) 'Low carbon' energy purchased 'Low carbon' energy generated on-site Energy efficiency projects, which may include those related to renewable energy
SASB	<p>The SASB Provisional Standards have included energy (or fuel) as a disclosure topic for the hotel and lodging, cruise line, and airlines industries.</p> <p>For each industry, SASB accounting metrics request that energy consumption is 'broken down' into types, including renewable energy:</p> <ul style="list-style-type: none"> Hotels and lodging: Energy consumption percentage breakdown between grid electricity and renewable energy (SV0201-01) Cruise lines: Fuel consumption percentage breakdown among heavy oil, renewables, and onshore power (SV0205-03) Airlines: Renewables as a percentage of total fuel consumed (TR0201-03)
<IR>	<p>The <IR> Framework recommends that 'cost reduction or new business opportunities related to energy efficiency' is reported alongside financial information on "expected revenue growth or market share" (3.8).</p>
OTHERS	<p>GRESB, a sector-specific survey for real estate, requests information on annual performance within the 'like for like' boundary consisting over sites and impacts in boundary for two consecutive years. GRESB also requests disclosure regarding the specific percentage of renewable energy generated or purchased in relation to overall energy consumption, and energy ratings for the properties under the EU Energy Performance Certificate (EPC), the National Australian Built Environment Rating System (NABERS), and US Energy Star rating schemes.</p> <p>GRESB and the SAM Questionnaire used for the select members of the global Dow Jones Sustainability Indexes also ask what percentage of a company's revenue or operations is represented in the energy data required, in addition to whether energy data has been verified or assured.</p>

Resources and Further Reading

- Sustainable Aviation Fuel Users Group
- CRC Energy Efficiency Scheme Annual Report Publication, Rep. Environment Agency
- Energy Savings Opportunity Scheme GOV.UK. Department of Energy and Climate Change
- Corporate Renewable Energy Buyer's Principles
- Renewable Energy Buyers Alliance
- Business Renewables Centre
- GreenBiz Group Inc. State of Green Business 2017
- RE100

51 <https://sustainabledevelopment.un.org/sdg7>

ISSUE BRIEF: GOVERNANCE, RISK, AND COMPLIANCE (GRC)

Governance, Risk, and Compliance (GRC) is an emerging term to encompass the growing level of disclosures involved with sustainability reporting. Traditionally, these elements have been addressed within internal departments for specific audiences. Therefore, the GRC issue is more a focus on the integration with sustainability reporting for multiple audiences and relating to transparency, coupled with the increasing regulatory landscape emerging around various issues that now attract more investment analyst interest.

Risks

Within sustainability reporting, GRC measures and results are considered and reported in two contexts: (1) overarching corporate practices; and (2) practices that are specific and related to a company's most material ESG risks and opportunities. In fact, many of the country-level initiatives on sustainability reporting are themselves akin to GRC discussions.

Within many organisations, the concepts behind GRC are often more well-known and understood among the leadership team and board than those behind ESG. In alignment with the increasing awareness of the financial impacts that externalities present, the approach to GRC has since shifted towards adding business value through improving strategic planning and operational decision-making, and has relevance to environmental and social management approaches.

Regarding overarching corporate governance practices, maintaining the integrity of the board – through its composition, diversity, and adherence to defined corporate governance principles – is increasingly valued by the investment community. Practices regarding CEO and executive compensation are included in optional reporting disclosures with the GRI framework, and ratios between compensation of the executive leadership and average employee are specifically requested as a part of the assessment process for inclusion within the Dow Jones Sustainability family of global indexes.

Governance, risk, and compliance practices specific to climate change and water are heavily emphasised in the CDP Information Request, and are weighted significantly in the scoring methodology – which presents risks for Travel & Tourism companies with limited procedures or transparency on current practices. Within the Travel & Tourism sector, airlines and cruise lines, in particular, are subject to numerous environmental regulations. Cruise lines are governed by International Maritime Organization regulations, including the International Convention for the Prevention of Pollution from Ships (MARPOL), which contains requirements to minimise pollution by oil, sewage, garbage, and air emissions, and establishes special Emission Control Areas with limitations on sulphur and nitrogen oxide emissions in the air. Tour operator regulations are continuing to evolve and can include consumer protection and health and safety regulations⁵². Hotel companies need to address national and local building codes for new hotels or existing properties, which have been increasing globally and continuously.

Across Travel & Tourism, compliance with anti-corruption and bribery laws is an additional risk that is managed with leading regulations, such as the US Foreign Corrupt Practices Act and the UK Bribery Act, which require robust procedures and policies to be in place.

Additionally, data protection has emerged as an important ESG risk for nearly all companies. Cyber security was a prominent issue raised by WTTC Members in the consultation for key sector issues. Furthermore, in the WEF Global Risks 2017 report, a 'massive incident of data fraud or theft' was named the fifth greatest global risk in terms of likelihood. Also, the issue of human rights is an emerging ESG risk from both an operational and a supply chain perspective – particularly in light of increased interest and rigour in information requests among policymakers, regulators, and investors.

Commonly Reported Topics

- Board composition and diversity
- Board evaluations
- Remuneration policies
- Board and executive oversight over ESG issues
- Enterprise risk management
- Climate change and water risk assessments
- Anti-corruption
- Environmental compliance
- Data privacy
- Human rights

⁵² For some examples see <http://www.ectaa.org/files/cms/pm11-010-9435.pdf>, http://www.ferdamalastofa.is/static/files/ferdamalastofa/en/safety-guide-final_comb.pdf



Commonly Reported Performance Metrics

- Number of independent directors
- Number of female directors
- Estimated potential financial implications of climate change risks
- Percentage of operations subject to water risk
- Percentage of employees trained on anti-corruption policies
- Number of legal cases regarding corrupt practices
- Number or value of environmental fines
- Percentage of operations and supply chain evaluated for human rights risks
- Number of substantiated complaints regarding data privacy breaches

Commonly Reported Performance Metrics

UN SDGs	<p>The spirit of all 17 SDGs pertains to proactive forms of risk management to address global challenges as well as promoting regulatory enforcement mechanisms.</p> <p>Goal 16 (covering Peace, Justice, and Strong Institutions) has a target (16.5) focused on reducing 'corruption and bribery in all their forms' as well as a strong target (16.2) to 'end abuse, exploitation, trafficking and all forms of violence against and torture of children'.</p> <p>Because the SDGs are more of a global platform for governments as well as private sector actors, governance, risk, and compliance efforts are generally more relevant to specific material topics, such as climate change and water scarcity.</p>
GRI	<p>The GRI Standards contain 22 indicators (102-18 to 102-39) on governance for 'comprehensive' reporting, but recommend that all companies report on the following for core reporting (102-39):</p> <ul style="list-style-type: none"> • Governance structure of the organisation, including committees of the highest governance body • Any committees responsible for decision-making on economic, environmental, and social impacts <p>The GRI also recommends that key ESG risks identified be included within the content of an ESG report's statement from the organisation's most senior decision-maker.</p> <p>Additionally, GRI contains voluntary risk-related disclosures on:</p> <ul style="list-style-type: none"> • Key impacts, risks, and opportunities (102-15) • Financial implications and other risks and opportunities for the organisation's activities due to climate change (201-2) • Substantiated complaints regarding data privacy breaches (419-1) • Workers with high incidence or high risk of diseases related to their occupation (403-3) • Operations with significant actual or potential negative impacts on local communities (413-2) • Significant actual and potential negative impacts in the supply chain and actions taken regarding: <ul style="list-style-type: none"> ◊ Social impacts (414-2) ◊ Environmental impacts (308-2) • Operations and suppliers identified having significant risk regarding: <ul style="list-style-type: none"> ◊ The right to exercise freedom of association and collective bargaining (407-1) ◊ Incidents of child labour (408-1) ◊ Incidents of forced or compulsory labour (409-1) <p>For 'comprehensive' reporting, the following General Disclosures regarding compliance are reported:</p> <ul style="list-style-type: none"> • Internal and external mechanisms for seeking advice and reporting concerns regarding ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines (102-17) <p>Anti-Corruption and compliance with the Environmental, Society, and Product and Services aspects, with the following associated performance indicators:</p> <ul style="list-style-type: none"> • Total number and percentage of operations assessed for risks related to corruption and the significant risks identified (S03)

Relation to Main ESG Frameworks

GRI	<ul style="list-style-type: none"> • Communication and training on anti-corruption policies and procedures (205-1) • Confirmed incidents of corruption and actions taken (205-3) • Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations (307-1) • Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with all laws and regulations (419-1) • Total number of incidents of non-compliance with regulations and voluntary codes concerning: <ul style="list-style-type: none"> ◊ Health and safety impacts of products and services during their life cycle (416-2) ◊ Product and service information and labelling (417-2) ◊ Marketing communications, including advertising, promotion, and sponsorship (417-3)
CDP	<p>The CDP Climate Change Information Request asks for information on:</p> <ul style="list-style-type: none"> • Highest level of direct responsibility for climate change within the organisation • Whether climate change risk management findings are reported to the board • Whether organisation has identified any climate change risks or opportunities that have the potential to generate a substantive change in business operations, revenue, or expenditure • Potential financial implications, time frame, likelihood, management methods, and cost of management for each identified risk and opportunity <p>The CDP Water Information asks for information on:</p> <ul style="list-style-type: none"> • Highest level of direct responsibility for water within the organisation • How the effects of water quality and water quantity on its success are evaluated • Whether water is integrated into a comprehensive, company-wide risk assessment process incorporating both direct operations and supply chain • How frequently water risk assessments occur, what geographical scale, what factors, and how far into the future is considered • Whether organisation is exposed to water risks or opportunities that have the potential to generate a substantive change in business operations, revenue, or expenditure • Countries, river basins and number of facilities exposed to water risks • Whether organisation was subject to any penalties and/or fines for breaches of abstraction licences, discharge consents, or other water- and wastewater- related regulations in the reporting period • Description of any penalties and/or fines for breaches of abstraction licences, discharge consents, or other water- and wastewater- related regulations
SASB	<p>The SASB Provisional Standards emphasise passenger health and safety as a key governance, risk, and compliance topic for the cruise lines and airline industries.</p> <p>Cruise line companies are to report on:</p> <ul style="list-style-type: none"> • Number of alleged crime incidents involving passengers or employees • Number of serious injuries per million customers and voyages in which gastrointestinal illness count exceeded 2% • Fleet average vessel sanitation programme inspection scores, and the percentage of failed inspections <p>Airline companies are to report on:</p> <ul style="list-style-type: none"> • Number of accidents • Number of government enforcement actions of aviation safety regulations • Implementation and outcomes of safety management systems <p>For all sectors, SASB Provisional Standards reference the 'Risk Factors' section of companies' 10-K filing as a place for additional disclosures considering a company-level determination of material sustainability topics.</p>

<IR>

Within the <IR> Framework, 'Governance' and 'Risks and Opportunities' are two of the eight content elements for which states are 'fundamentally linked to each other and are not mutually exclusive'.

For 'Governance', the <IR> Framework suggests that an organisation's integrated report should answer: How does the organisation's governance structure support its ability to create value in the short, medium, and long term⁵³?

For 'Risks and Opportunities', the <IR> Framework suggests that an organisation's integrated report should answer: What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium, and long term, and how is the organisation dealing with them?⁵⁴

Unlike the GRI and CDP, the <IR> Framework is more conceptual, with fewer explicit references to compliance; however, the <IR> Framework states that "it may be relevant for the discussion of performance to include instances where regulations have a significant effect on performance (eg, a constraint on revenues as a result of regulatory rate setting) or the organisation's non-compliance with laws or regulations may significantly affect its operations"⁵⁵.

OTHERS

Governance, risk management, ethics, and anti-corruption are emphasised in the Dow Jones Sustainability Index's selection methodology for Travel & Tourism, accounting directly for 19% of the overall 2016 criteria weighting⁵⁶.

Additionally, there are a series of assessments that specifically focused on corporate governance, such as the ISS Corporate Governance Quotient and new QuickScore 2.0, which evaluates over 5,600 companies across sectors based on board structure, board shareholder composition, audit-related practices, and executive compensation⁵⁷.

In Ethisphere Magazine's World's Most Ethical Companies ranking, the Compliance and Governance categories are weighted 35%. Within the Governance category, risk management is also evaluated⁵⁸.

ISSUE BRIEF: SUPPLY CHAIN

Supply chain involves both the specifications of products and services procured by companies, and the related ESG practices of the suppliers as organisations. Supply chain also creates a need to segment out suppliers, as organisations will have several tiers depending on the product or service offered. Supply chain has gained increased focus within sustainability reporting in recent years.

Many studies have shown that most of an organisation's impacts, and even risks, fall within its supply chain. Furthermore, many opportunities exist for improvement when an organisation incentivises or pushes requests down its supply chain, given the leverage corporations hold as large paying customers. As such, supply chain goes beyond evaluation of risks and impacts to also encompass the innovation and collaboration opportunities within the supply chain when an organisation includes this type of engagement as part of the management approach.

Supply chain analysis can have parallels to life cycle assessment. However, within Travel & Tourism, supply chains are unique where companies procure thousands of finished products for furniture, fixtures, and equipment, rather than the raw materials for inputs or manufacturing suppliers for processing them. In tourism and particularly for tour operators, the supply chain often holds a central discussion around localised impacts, including local supplier labour and locally sourced products or services when involving the guest experience.

Supply chain is also a part of a larger discussion of the value chain, which goes beyond procurement to involve upstream and downstream impacts associated with the organisation's business model. In this discussion, Travel & Tourism has a long-standing example of this, given the various industries that come together, compete with, affect, and are affected by one another within travel. The value chain of tourism within a destination is itself an entire field of study.

Furthermore, the value chain of tourism itself includes natural capital, considering that a destination's biodiversity, natural resources, and attractions are often generators of demand and key components of the traveller's experience. Within the ecosystem services paradigm, recreation & ecotourism and aesthetic values of natural lands are even listed as ecosystem services⁵⁹. Also, the products and services consumed during travel may have localised impacts on natural and social capital. Thus, as supply chain is vastly encompassing, it can be broken down into further topics and explored thematically as specific to Travel & Tourism as well as within destinations themselves.



59 For some examples see <http://www.ectaa.org/files/cms/pmil-010-9435.pdf>, http://www.ferdamalastofa.is/static/files/ferdamalastofa/en/safety-guide-final_comb.pdf

53 Content Element 4.8 in <IR> Framework's Appendix: Summary of Requirements

54 Content Element 4.8 in <IR> Framework's Appendix: Summary of Requirements 53 Content Element 4.8 in <IR> Framework's Appendix: Summary of Requirements

55 <IR> Framework, p. 28 (4F, 4.33)

56 www.sustainability-indices.com/sustainability-assessment/corporate-sustainability-assessment.jsp

57 <https://www.issgovernance.com/solutions/iss-analytics/qualityscore-global-coverage/>

58 ethisphere.com/worlds-most-ethical/scoring-methodology/

Risks

Supply chain risk has the potential to be impacted across several other global risks, such as water crises and greater incidence of extreme weather events, each named within the top five risks of highest impact and likelihood in the WEF Global Risks 2017 report. These risks have the potential to halt production and transportation of goods and services globally. Take, for instance, the example of decreased global auto production as a result of the 2011 earthquake that happened in Japan, which led to the Fukushima nuclear plant catastrophe⁶⁰.

For the Travel & Tourism sector, the risks associated with the supply chain are multifaceted and pose not only economic but also environmental and social risks. Supply chain risks can be assessed from two vantage points: (1) risks from an organisation's suppliers, and (2) risks that an organisation may create for its customers as a 'supplier' of Travel & Tourism products and services. Economic risks are primarily associated with potential business interruptions and pricing volatility, both of which are tied to net income. Increases in the price of fuel, for example, usually result in ripple effects across all procurement categories due to shipping and transport cost increases. Additionally, many products are petroleum based. Extreme weather events, such as 2013's Typhoon Haiyan, can lead to supply chain delays that are often felt for several months after this type of tragic and horrific event.

Biodiversity is also a key supply chain risk that is linked with climate change and other environmental and social issues. More than 1 billion people depend on forests for their livelihoods. And forest ecosystems play a critical role in stabilising the climate, providing food, water, wood products, and vital medicines, and supporting much of the world's biodiversity. With regard to climate change, between 15 and 25% of global GHG emissions are believed to be attributable to deforestation⁶¹.

According to WRI research, 30% of global forest cover has been cleared, while another 20% has been degraded. Most of the rest has been fragmented, leaving only about 15% intact⁶². Travel & Tourism companies contribute to the trend through supply chain practices – notably the purchases of cattle, timber, soy, and palm. For this reason, the CDP has prioritised Travel & Tourism within its CDP Forests programme. The CDP has also prioritised the removal of commodity-driven deforestation from all supply chains⁶³ as part of its CDP Commit to Action programme, which supports the Paris climate agreement.

For most companies in Travel & Tourism, the environmental footprint of the products purchased is far larger than the footprint from direct operations. For this reason, Travel & Tourism companies are expected to engage with their suppliers to seek ways to minimise these shared impacts, through purchasing standards and engagement to identify environmentally preferable alternatives and reducing impacts associated with packaging, shipping, transporting, use, and end-of-life disposal. Though it may be difficult to engage across the entire life cycle of purchased products, solutions are emerging to support better decisions. One example is the use of blockchain technology to increase transparency and precision on the sourcing of materials and production of products⁶⁴.

Social risks are also very prevalent within the supply chain of Travel & Tourism, most notably the threat of child labour, forced labour, and other human rights violations with key procurement categories, such as food and apparel. Addressing human rights within supply chain (as well as operations) has been prioritised by international organisations (the UN Guiding Principles on Business and Human Rights⁶⁵ as well as the OECD Guidelines for Multinational Enterprises⁶⁶), local governments (the UK Modern Slavery Act), and investors (the Corporate Human Rights Benchmark⁶⁷).

Other products may have adverse social impacts, such as food items where animals were treated inhumanely in production or items where species that face extinction risks were exploited. Companies are increasingly expected to set forth clearly defined expectations of suppliers as they relate to human rights, labour, and social practices, such as in a Supplier Code of Conduct. Additionally, companies are expected to monitor suppliers' 'social' practices through audits and other oversight mechanisms.

Commonly Reported Topics

- Charitable giving
- Volunteer hours
- Contributions to research/conservation funds
- Investments in local infrastructure and services

⁶⁰ Global Risks 2014 Report. Rep. World Economic Forum, nd. Web. 4 Apr 2014. <reports.weforum.org/global-risks-2014/>.

⁶¹ <https://www.epa.gov/ghgemissions/global-greenhouse-gas-emissions-data>

⁶² <https://www.wri.org/our-work/topics/forests>

⁶³ <https://www.cdp.net/en/campaigns/commit-to-action/land>

⁶⁴ For an example of this opportunity see <https://hbr.org/2017/03/global-supply-chains-are-about-to-get-better-thanks-to-blockchain>

⁶⁵ http://www.ungpreporting.org/wp-content/uploads/2015/02/UNGGuidingPrinciplesReportingFramework_withimplementationguidance_Feb2015.pdf

⁶⁶ <http://www.oecd.org/corporate/mne/1922428.pdf>

⁶⁷ <https://business-humanrights.org/en/corporate-human-rights-benchmark>

Commonly Reported Performance Metrics

	AIRLINES	CRUISE LINES	HOTELS	TOUR OPERATORS	GDS/TECH
COMMON	<ul style="list-style-type: none"> • % of suppliers that have undergone human rights screening 	<ul style="list-style-type: none"> • % of suppliers that have undergone human rights screening 	<ul style="list-style-type: none"> • % of suppliers that have undergone human rights screening • % of hotels requesting supplier code of conduct 	<ul style="list-style-type: none"> • % of suppliers that have undergone human rights screening 	<ul style="list-style-type: none"> • % of suppliers that have undergone human rights screening
ALSO REPORTED	<ul style="list-style-type: none"> • Per year spend on qualifying suppliers • Per year spend on minority women-owned enterprises • % of eco-friendly purchase item and spend 		<ul style="list-style-type: none"> • % of minority suppliers • % of hotels serving organic food and/or fair-trade products 		

Relation to Main ESG Frameworks

UN SDGs	<p>Supply chain is a multifaceted topic with relevance across numerous SDGs, including:</p> <ul style="list-style-type: none"> • SDG 2 (covering Food) • SDG 3 (covering Health) • SDG 4 (covering Education) • SDG 5 (covering Women and Girls) • SDG 8 (covering Decent Work and Economic Growth) • SDG 10 (covering Inequalities) • SDG 12 (covering Responsible Consumption and Production) • SDG 14 (covering Oceans) • SDG 15 (covering Biodiversity) <p>Specific targets and indicators that companies can support through procurement activities include:</p> <ul style="list-style-type: none"> • Proportion of sustainable food or agriculture purchased (2.4.1) • Proportion and number of children engaged in child labour (8.7.1) • Proportion of population subject to discrimination or harassment (10.3.1) • Investments in least developed countries, African countries, small island developing states and landlocked developing countries (10.B.1) • Proportion of fish stocks within biologically sustainable levels (14.4.1) • Purchases from sustainable fisheries in countries (including small island developing states) (14.7.1) • Progress towards sustainable forest management and to halt deforestation (15.2.1) • Number of victims of human trafficking (16.2.2) <p>The prioritisation of specific topics within the SDG framework is often driven the nature of each company's supply chain and the location of both operations and suppliers.</p>
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GRI	<p>Within their General Standards Disclosures, the GRI Standards recommend that each organisation provides a description of its supply chain (102-9) as part of its 'Organisational Profile'.</p> <p>The GRI Standards have two new aspects pertaining to assessments of suppliers from both a social and an environmental perspective.</p> <p>Within the GRI Standards, voluntary indicators include the following:</p> <ul style="list-style-type: none"> • Percentage of new suppliers screened during the reporting year with regard to: <ul style="list-style-type: none"> ◊ Social criteria including labour and human rights practices (414-4) ◊ Environmental criteria (308-1) <p>Significant actual and potential negative impacts in the supply chain and actions taken regarding:</p> <ul style="list-style-type: none"> • Social impacts (414-2) • Environmental impacts (308-2) • Whether suppliers have been identified as having significant risk regarding: <ul style="list-style-type: none"> ◊ The right to exercise freedom of association and collective bargaining (407-1) ◊ Incidents of child labour (408-1) ◊ Incidents of forced or compulsory labour (409-1)
CDP	<p>The CDP Climate Change Information Request asks for information on:</p> <ul style="list-style-type: none"> • Whether identified risks and opportunities are indirect through supply chain • How many suppliers have been engaged on climate change issues, what impacts have been achieved through supplier engagement, and what percentage of spend is represented by these suppliers • Methods of engagement used • How engagement strategies are prioritised • How success in engagement is measured • Whether company has data on suppliers' GHG emissions and climate change strategies • Whether Scope 3 emissions from purchased goods and services are calculated <p>The CDP Water Information Request asks for information on:</p> <ul style="list-style-type: none"> • Whether supply chain is incorporated into water risk assessments • Whether organisation considers itself exposed to water risk in its supply chain that could generate a substantive change in a business, operations, revenue, or expenditure • Whether each identified risk and opportunity is a supply chain risk • Percentage of key suppliers required to report on their water use, risks and management, and the proportion of procurement spend represented • Whether water policy includes supply chain actions • Whether goals regarding engagement with suppliers to help them improve water stewardship are in place <p>The CDP Forests Information Request, which has been specifically distributed to Travel & Tourism companies, asks for information on:</p> <ul style="list-style-type: none"> • How organisation procures key commodities with deforestation risk – namely cattle, timber, soy, and palm • What procedures and requirements are incorporated into deforestation-related risk assessments with regard to forest risk commodities • Any risks and opportunities for an organisation associated with the production, marketing, or sourcing of these commodities • Total production and/or consumption volumes of forest risk commodities for the reporting period • Commitments made with regard to mitigating the impact of deforestation on climate change and sourcing sustainable forest risk commodities

SASB	<p>In comparison to the GRI and other frameworks, SASB Provision Standards for Travel & Tourism include limited disclosures on supply chain issues. However, for the airline industry, companies are to report on the 'notional amount of fuel hedged, by maturity date' (TR0201-04), but the context is more aligned to economic risk management.</p> <p>Limited, explicit supply chain disclosures for Travel & Tourism within SASB reflect the investor audience for the framework. Unlike SASB, the GRI – for example – is developed with broader multi-stakeholder input to also represent the interests of governments, academics, and civil society organisations. As such, the GRI framework places a greater emphasis on supply chain reporting.</p>
<IR>	<p>As part of the <IR> Framework, suppliers are identified as users for an integrated report, and providing benefits to suppliers is identified as one of the purposes of an integrated report⁶⁸.</p> <p>Suppliers are also referenced in the <IR> Framework's guiding principle that an "integrated report should provide insight into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account, and responds to their legitimate needs and interests"⁶⁹.</p> <p>In developing a report, the <IR> Framework recommended that the supply chain be reported on to provide the context of its competitive landscape and market positioning⁷⁰.</p> <p>Unlike the GRI and CDP, specific supply chain disclosures are not set forth; instead, the consideration of supplier dynamics is central to the entire integrated report as it relates to value creation.</p>
OTHERS	<p>The Travel & Tourism survey for the Dow Jones Sustainability Index contains detailed questions about supply chain management, including percentage of critical suppliers; percentage of Tier 1 suppliers identified as having high economic, environmental, and/or social risk; what tools are used to monitor suppliers; and what percentage of Tier 1 suppliers are audited. Additionally, the Dow Jones Sustainability Index selection criteria consider ESG capability building measures for suppliers and examples of quantitative benefits received from sustainability initiatives in its supply chain.</p> <p>GRESB, a sector-specific survey for real estate, asks whether a supplier engagement policy is in place. Additionally, GRESB asks whether suppliers and contractors are subject to sustainability-specific requirements, and how these requirements are monitored.</p>

Resources and Further Reading

- 'Palm Oil Scorecard: Ranking America's Biggest Brands on Their Commitment to Deforestation-Free Palm Oil.' Union of Concerned Scientists, 3 Mar 2014. <www.ucsusa.org/global_warming/solutions/stop-deforestation/palm-oil-scorecard.html>
- www.greenbiz.com/blog/2013/06/14/how-corporate-reporting-improved-microsofts-supply-chain
- Umias, Elizabeth, Corporate Human Rights Reporting: An Analysis of Current Trends, November 2009
- GreenBiz Group Inc. State of Green Business 2017
- Blockchain: the solution for transparency in product supply chains. 21 Nov. 2015. <https://www.provenance.org/whitepaper>

⁶⁸ <IR> Framework, p. 9 (Using the Framework, 1C – Purpose and Users of an Integrated Report)

⁶⁹ <IR> Framework p. 19 (Guiding Principles, 3C – Stakeholder Relationships)

⁷⁰ <IR> Framework, p. 25 (Content Elements – 4A, Organisational Overview and External Environment)

ISSUE BRIEF: WASTE GENERATION AND DIVERSION

Waste is a broad issue because it involves degrees of waste generation and diversion, as well as the concept of effluent waste and the downstream impacts caused. This can include persistent pollutants, eutrophication, land use change from landfills, and handling of hazardous waste. Within the SDGs, waste has been more fully contextualised within SDG 12 – Responsible Consumption & Production.

Disclosures relating to waste can be conceptualised following the traditional 'three Rs' – reduce, reuse, recycle – to first avoid waste and then divert waste from landfill or incineration. Minimising waste generated in the first place is the most important approach, considering the inputs required to produce the materials that end up being disposed. For other sectors, closed loop or circular economy aspects have influenced waste to develop products that are reusable, recyclable, or biodegradable. Though not generally the case for Travel & Tourism, the procurement of goods and materials that are better suited for reuse and recycling is growing in importance. Similarly, a growing topic within waste is the handling of electronic 'e-waste' at their end of life or replacement. The growing use of electronic devices on a mass scale brings this to attention. As Travel & Tourism businesses do not generally produce products as a core business model, the extended product responsibility issues are more related to the Travel & Tourism supply chain.

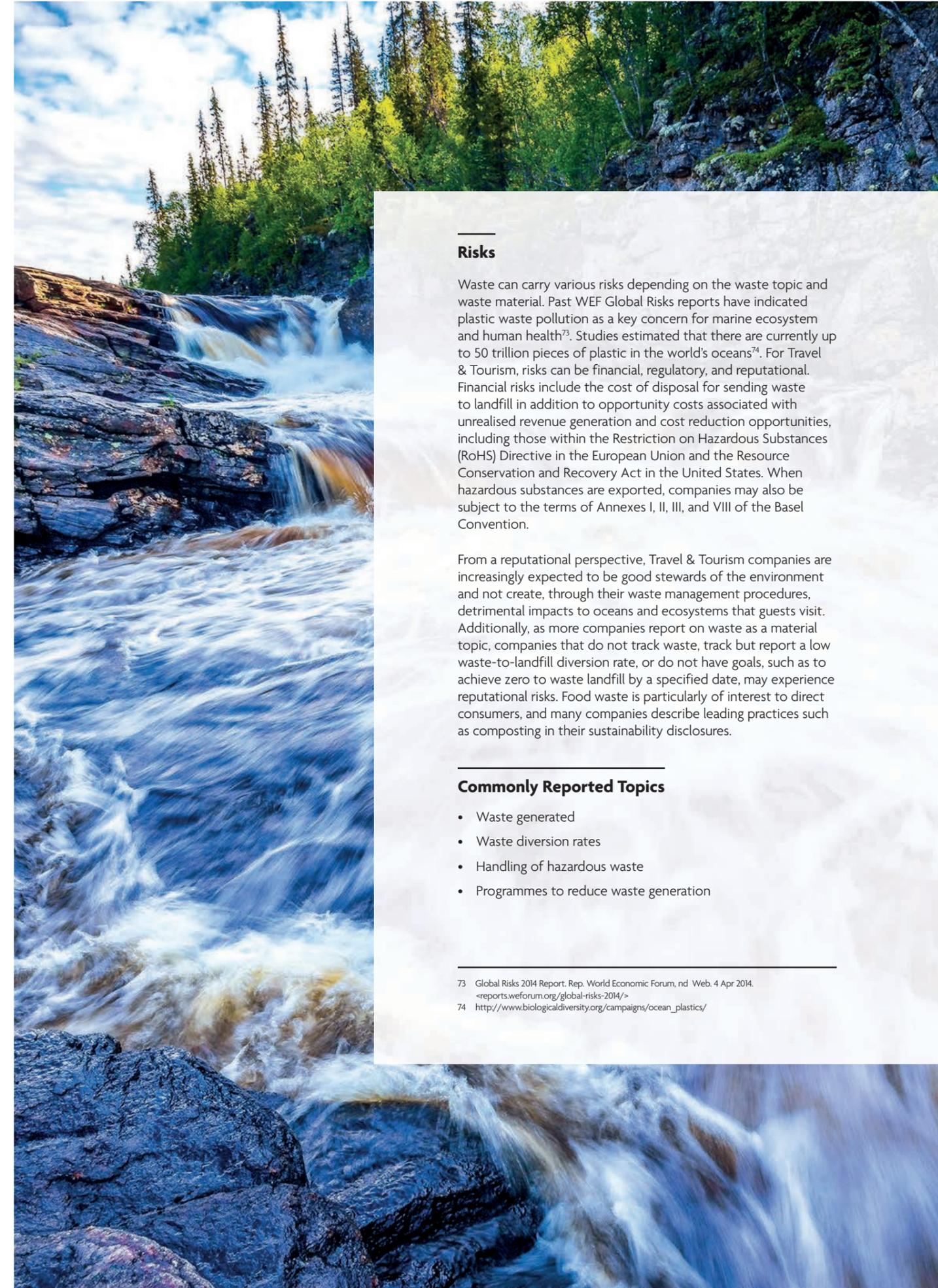
As waste becomes intertwined with energy and with natural resource inputs, management approaches to waste are now being termed 'responsible resource recovery'. Waste management is a topic of managerial application similar to energy and water; however, waste data are traditionally not as commonly measured in some instances, particularly facilities. Cruise ships have more robust reporting mechanisms for waste disposal given the risks of discharge in fragile ocean or coastal environments that have been raised by stakeholders, while hotels do not report waste from operations as consistently. Similar to cruise ships, waste generation and disposal is a more prominently reported issue in tour operators with operations in destinations lacking proper waste infrastructure.

Types of waste will also vary. Hotels generally do not have significant amounts of hazardous waste, while cruise ships and airlines handle more chemicals in association with their operations. Additionally, Travel & Tourism companies generate a significant amount of food, organic, and other forms of 'wet' waste, which presents innovative opportunities for composting and other forms of reuse and recycling. For example, HSH Group donates vegetable trimmings from kitchens to a local non-profit organisation, which cooks them to serve to the homeless and others in need⁷¹. Marriott, Starwood, Hyatt, Wyndham, IHG, Caesars, and other hospitality companies have partnered with Clean the World[®], a non-profit that collects partially used soaps and other hygiene amenities, recycles these items as source material, then manufactures and distributes new bars of soap globally to communities in need⁷².

Waste will also present data challenges since globally the waste management infrastructure has not built a common practice of accurate reporting of waste amounts, as is the case in utilities such as energy and water. Furthermore, waste streams are handled differently across the globe and harmonisation is unlikely. Thus, waste is not as frequently reported as energy or water, though this does not necessarily mean it is less material to stakeholders, but rather that data availability is currently limited.

71 HSH Group Sustainability Report 2013: <http://www.hshgroup.com/en/Corporate-Social-Responsibility/Sustainability-Reports.aspx>

72 <https://cleanttheworld.org/partners/hospitality/>



Risks

Waste can carry various risks depending on the waste topic and waste material. Past WEF Global Risks reports have indicated plastic waste pollution as a key concern for marine ecosystem and human health⁷³. Studies estimated that there are currently up to 50 trillion pieces of plastic in the world's oceans⁷⁴. For Travel & Tourism, risks can be financial, regulatory, and reputational. Financial risks include the cost of disposal for sending waste to landfill in addition to opportunity costs associated with unrealised revenue generation and cost reduction opportunities, including those within the Restriction on Hazardous Substances (RoHS) Directive in the European Union and the Resource Conservation and Recovery Act in the United States. When hazardous substances are exported, companies may also be subject to the terms of Annexes I, II, III, and VIII of the Basel Convention.

From a reputational perspective, Travel & Tourism companies are increasingly expected to be good stewards of the environment and not create, through their waste management procedures, detrimental impacts to oceans and ecosystems that guests visit. Additionally, as more companies report on waste as a material topic, companies that do not track waste, track but report a low waste-to-landfill diversion rate, or do not have goals, such as to achieve zero to waste landfill by a specified date, may experience reputational risks. Food waste is particularly of interest to direct consumers, and many companies describe leading practices such as composting in their sustainability disclosures.

Commonly Reported Topics

- Waste generated
- Waste diversion rates
- Handling of hazardous waste
- Programmes to reduce waste generation

73 Global Risks 2014 Report. Rep. World Economic Forum, nd. Web. 4 Apr 2014.

<reports.weforum.org/global-risks-2014/>

74 http://www.biologicaldiversity.org/campaigns/ocean_plastics/

Commonly Reported Performance Metrics

	AIRLINES	CRUISE LINES	HOTELS	TOUR OPERATORS	GDS/TECH
COMMON	<ul style="list-style-type: none"> Total waste landfilled Total waste recycled 	<ul style="list-style-type: none"> Total waste landfilled Total waste recycled 	<ul style="list-style-type: none"> Total waste landfilled Total waste recycled Waste per guest night Total recycling per occupied room 	<ul style="list-style-type: none"> Total waste landfilled Total waste recycled 	<ul style="list-style-type: none"> Total waste landfilled Total waste recycled
ALSO REPORTED			<ul style="list-style-type: none"> Total dry waste per occupied room Total wet waste per occupied room 		

Relation to Main ESG Frameworks

UN SDGs	<p>The primary SDG associated with waste is SDG 12⁷⁵, represented graphically by a 'closed loop' icon, and focused on ensuring "sustainable consumption and production patterns".</p> <p>Companies can align with SDG 12 by considering to measure and advance the following indicators:</p> <ul style="list-style-type: none"> Amount of materials used, and sustainability attributes (12.2.1) Recycling rates and tonnage (12.5.1) Food waste eliminated or composted (12.3.1) Amount of hazardous waste treated (12.4.2) Employee, guest, and community engagement on sustainable practices (12.8.1) Development of sustainable tourism strategies and policies (12.B.1) <p>Waste is also addressed in SDG 11⁷⁶ (covering Sustainable Cities and Communities), with a specific target regarding urban solid waste collection (11.6.1), to encourage actions among municipalities.</p>
GRI	<p>Within the 'Emissions and Waste' aspect under Environment, data is requested on total weight of waste (306-2):</p> <ul style="list-style-type: none"> By type (defined by company and usually industry-driven) By disposal method (landfill, reuse, recycling, composting recovery, including energy recovery, incineration, deep well injection, or on-site storage) <p>Total waste is broken down by hazardous and non-hazardous waste, and it is recommended that companies report on how the disposal method has been determined:</p> <ul style="list-style-type: none"> Disposed of directly by the organisation or otherwise directly confirmed Information provided by the waste disposal contractor Organisational defaults of the waste disposal contractor <p>In companies' disclosures on management approach regarding waste, progress against targets, reporting year accomplishment, objectives for future years, and waste-to-landfill diversion challenges are usually discussed.</p>

CDP	<p>The CDP Climate Change Information Request asks whether Scope 3 emissions associated with waste-to-landfill methane are relevant and/or calculated.</p> <p>If Scope 3 emissions associated with waste-to-landfill methane are calculated and reported, the methodology and emissions factors are requested. Additionally, the CDP asks whether these Scope 3 emissions have been assured and, if multiple years of data are available, whether emissions are increasing or decreasing.</p>
SASB	<p>SASB's Provisional Standard for the Cruise Lines Industry includes the following accounting metric: Amount of ship waste discharged to environment and the percentage treated prior to discharge (SV0205-06).</p> <p>Additionally, cruise line companies are to report on the number of notices of violations received for dumping.</p>
<IR>	<p>Whereas environmental, manufactured, and financial capitals are inputs, the <IR> Framework conceptualises waste as an 'output' of a company's business model – in addition to products produced and services delivered. As an output, the <IR> Framework states that waste should be discussed "within the business model disclosure depending on [its] materiality"⁷⁷.</p> <p>Materiality would also be a guiding principle in determining whether and how to include disclosures and performance indicators regarding waste in an annual report.</p>
OTHERS	<p>The Travel & Tourism survey for the Dow Jones Sustainability Index requests four years of data on total waste generated and the annual waste target for the reporting year. Additionally, the Dow Jones Sustainability Index questionnaire asks what percentage of a company's revenue or operations is covered within the reported waste data.</p> <p>GRESB, a sector-specific survey for real estate, asks whether a waste management policy exists, including for construction waste, in addition to whether waste is part of the organisation's environmental management system and specifically what percentage of operations are subject to waste data measurement. GRESB also asks whether long-term landfill diversion targets are in place and are also publicly reported.</p>

Resources and Further Reading

- Circular Economy Reports. Ellen MacArthur Foundation. <http://www.ellenmacarthurfoundation.org/business/reports>
- McDonough and Braungart, *The Upcycle*, 2013
- 'Goodyear's Journey to Zero Waste to Landfill'. World Business Council for Sustainable Development. <http://www.wbcsd.org/Pages/EDocument/EDocumentDetails.aspx?ID=15750&NoSearchContextKey=true>

⁷⁵ <https://sustainabledevelopment.un.org/sdg12>

⁷⁶ <https://sustainabledevelopment.un.org/sdg11>

⁷⁷ <IR> Framework, p.26 (Content Elements – Outputs (4.18))

ISSUE BRIEF: WATER

Water is a comprehensive issue relating to many facets across economic, environmental, and social topics. Water disclosure is usually accompanied by additional terminology, such as water withdrawal, water risk, water consumption, water scarcity, water discharge, etc. Water use is a commonly reported quantitative indicator, as are the initiatives to increase water efficiency and recycling. For boundaries of terminology, water disclosure within Travel & Tourism is generally confined to its availability and use (intake, operations, effluent) in relation to the organisation across the aggregate of its facilities worldwide.

As water is the basic building block for life, topics relating to water can be far-reaching and relevant to specific organisations in their reporting. For example, the concept of water footprinting and related data has emerged significantly in sustainability reporting. Data exist on the amount of water required to produce specific goods and services, with enlightening figures relating topics of food and beverage to water. Water's relationship to energy has also been explored increasingly in reporting, including the energy required to produce potable water and treat wastewater where freshwater is unavailable, and the amount of water required to produce energy and cool facilities such as data servers. Other topics inherently involving water such as sea level rise, ocean health, impacts on water sources from effluent discharge, eutrophication, acid rain, and procurement of bottled water generally are treated as separate topics.

Water is a complex issue for Travel & Tourism reporting, as the risks and impacts of water are generally localised in places of operation. Some destinations have abundant water, while others are significantly water stressed, as can be seen in Figure 7. Countries that are seeking to increase tourism arrivals should also be mindful of the freshwater that will be needed to meet the increased visitor demand.

Figure 7: Comparison of Tourism's Contribution to GDP, Tourist Arrivals, and Water Risks by Selected Countries

COUNTRY	DIRECT GDP CONTRIBUTION 2016 (%) ⁷⁸	2027 EXPECTED ARRIVALS (MILLIONS)	2027 FORECASTED ARRIVALS (MILLIONS) ⁷⁹	BASELINE WATER STRESS ⁸⁰	SEASONAL VARIABILITY	FLOOD OCCURRENCE	DROUGHT SEVERITY ⁸¹
Austria	5.6	29.6	38.6	1. Low (<10%)	2. Low to Medium (0.33-0.66)	4. High (10-27)	2. Low to Medium (20-30)
Canada	1.8	20.6	29.1	1. Low (<10%)	5. Extremely High (>1.33)	1. Low (0-1)	3. Medium to High (30-40)
China	2.5	60.7	90.1	5. Extremely High (>80%)	2. Low to Medium (0.33-0.66)	4. High (10-27)	3. Medium to High (30-40)
Egypt	3.2	5.4	12.5	5. Extremely High (>80%)	2. Low to Medium (0.33-0.66)	3. Medium to High (4-9)	4. High (40-50)
France	3.6	82.9	117.0	3. Medium to High (20-40%)	3. Medium to High (0.66-1.0)	2. Low to Medium (2-3)	2. Low to Medium (20-30)
Germany	4.0	36.2	50.0	4. High (40-80%)	2. Low to Medium (0.33-0.66)	3. Medium to High (4-9)	3. Medium to High (30-40)
Greece	7.5	26.1	40.0	3. Medium to High (20-40%)	4. High (1.0-1.33)	2. Low to Medium (2-3)	2. Low to Medium (20-30)

Italy	4.6	54.5	77.5	5. Extremely High (>80%)	3. Medium to High (0.66-1.0)	3. Medium to High (4-9)	2. Low to Medium (20-30)
Malaysia	4.7	28.5	52.4	1. Low (<10%)	1. Low (<0.33)	3. Medium to High (4-9)	1. Low (<20)
Mexico	7.4	37.8	55.9	5. Extremely High (>80%)	3. Medium to High (0.66-1.0)	2. Low to Medium (2-3)	3. Medium to High (30-40)
Netherlands	1.9	15.8	21.7	2. Low to Medium (10-20%)	2. Low to Medium (0.33-0.66)	3. Medium to High (4-9)	2. Low to Medium (20-30)
Poland	1.8	18.1	23.7	1. Low (<10%)	1. Low (<0.33)	3. Medium to High (4-9)	2. Low to Medium (20-30)
Russia	1.3	34.1	68.6	1. Low (<10%)	5. Extremely High (>1.33)	1. Low (0-1)	3. Medium to High (30-40)
Saudi Arabia	3.3	18.1	31.6	5. Extremely High (>80%)	1. Low (<0.33)	1. Low (0-1)	2. Low to Medium (20-30)
Singapore	4.3	14.1	19.3	5. Extremely High (>80%)	2. Low to Medium (0.33-0.66)	3. Medium to High (4-9)	2. Low to Medium (20-30)
South Korea	1.8	17.8	26.2	3. Medium to High (20-40%)	4. High (1.0-1.33)	4. High (1.0-1.33)	2. Low to Medium (20-30)
Qatar	3.4	3.1	6.3	5. Extremely High (>80%)	1. Low (<0.33)	1. Low (0-1)	4. High (40-50)
Sweden	2.5	13.0	17.4	1. Low (<10%)	2. Low to Medium (0.33-0.66)	2. Low to Medium (2-3)	3. Medium to High (30-40)
Thailand	9.2	35.5	67.7	3. Medium to High (20-40%)	4. High (1.0-1.33)	4. High (10-27)	2. Low to Medium (20-30)
Turkey	4.1	28.5	69.4	4. High (40-80%)	2. Low to Medium (0.33-0.66)	3. Medium to High (4-9)	2. Low to Medium (20-30)
Ukraine	1.5	14.0	22.3	1. Low (<10%)	2. Low to Medium (0.33-0.66)	2. Low to Medium (2-3)	2. Low to Medium (20-30)
United Kingdom	3.4	36.9	54.4	1. Low (<10%)	2. Low to Medium (0.33-0.66)	4. High (10-27)	2. Low to Medium (20-30)
United States of America	2.7	76.6	114.6	5. Extremely High (>80%)	3. Medium to High (0.66-1.0)	4. High (10-27)	3. Medium to High (30-40)

N/A = Data Not Available

Water issues will also vary throughout the year, as drought and flooding may occur seasonally. Thus, water disclosure may relate to geographic location, entirely separate from an organisation's internal operations. Likewise, water usage can be decoupled from water withdrawals. For example, hotels can implement efficient water fixtures but be criticised for drawing water from ground or river sources where local communities are impacted.

Companies aiming to provide leadership on water stewardship are coalescing around shared commitments through the CEO Water Mandate⁸² and partnerships with leading NGOs, including Conservation International⁸³, Water Footprint Network⁸⁴, World Resources Institute⁸⁵, and World Wildlife Fund⁸⁶.

Unlike the push for science-based GHG targets, there is no singular consensus for corporate action on water issues. Instead, a series of best practices is emerging, which includes (1) location-specific water targets for areas with greatest water risks, (2) water targets that encompass a company's entire value chain for products and services, and (3) 'net positive impact' targets. For example, to support its 2020 'water replenishment goal', Coca-Cola has completed more than 500 projects across more than 100 countries in collaboration with NGOs and intergovernmental organisations⁸⁷.

With a parallel focus on creating 'positive water balances', Pepsi engages its employees to work on local watershed management issues, with employees building dams to reduce water run-off and soil erosion in key markets⁸⁸. Pepsi has also partnered with Water.org to support local economic development through its water conservation efforts – providing microcredit loans to provide one million people in India with access to safe water⁸⁹.

Risks

Water crises, defined as a 'significant decline in the available quality and quantity of freshwater', ranked third among the top five Global Risks of Highest Impact in the WEF Global Risks 2017 report. In addition, greater incidence of extreme weather events (eg floods, storms, fires) – named the top global risk in terms of likelihood – as well as food crises are dependent on water risk. According to the WEF Global Risks 2017 report, the 'confluence of risks around water scarcity, climate change, extreme weather events and involuntary migration remains a potent cocktail and a risk multiplier, especially in the world economy's more fragile environmental and political contexts'.

Water risk concerns are a matter of quality, quantity, and proper management of water resources to meet increasing global demand⁹⁰. According to the IPCC's Fifth Assessment Report, with each degree of warming, renewable water resources are projected to decline by at least 20% for an additional 7% of the global population⁹¹.

For Travel & Tourism, water risks are profound beyond the financial implications should the price of water rise or the availability of water be restricted. The world's oceans, seas, and lakes play a critical role in regulating ecosystems: generating the oxygen in the atmosphere, absorbing carbon dioxide, and hosting life. For Travel & Tourism, water is at the heart of the recreational activities that sustain the industry. Perhaps most profoundly, water is critical for human health and hygiene.

Water risks are perhaps the most easily understood, quantifiable, and reported. While climate risk is equally common, the risks themselves may be more inexact than water. The World Resources Institute (WRI) and World Wildlife Fund (WWF) both host web-based water risk tools that help companies, governments, and institutions assess their water risk globally through geographic data interfaces. WRI's Aqueduct tool runs a risk assessment across 12 water risk indicators for each data input (geographic coordinates). Companies are able to select indicators and weights of those indicators that are more relevant to their operation⁹². WWF's Water Risk tool uses a very similar method, without the option of weighted indicators⁹³. Both tools offer data export functions that can be used for corporate reporting purposes, such as CDP's Water disclosure programme.

Commonly Reported Topics

- Water consumption in operations
- Water stress (availability versus demand)
- Flooding
- Drought
- Contamination
- Water withdrawals
- (Waste) water discharge
- Water efficiency initiatives
- Community impacts from water withdrawal, use, and discharge

78 www.wttc.org/research/economic-research/economic-impact-analysis/country-reports/

79 www.wttc.org/research/economic-research/economic-impact-analysis/country-reports/

80 WRI Aqueduct. <http://www.wri.org/applications/maps/aqueduct-atlas/>

81 WRI Aqueduct. <http://www.wri.org/applications/maps/aqueduct-atlas/>

82 CEO Water Mandate. <http://ceowatermandate.org/join-us/endorsing-companies/>

83 Conservation International. <http://www.conservation.org/Pages/default.aspx>

84 Water Footprint Network. <http://waterfootprint.org/en/>

85 WRI. <http://www.wri.org/our-work/topics/water>

86 WWF. http://wwf.panda.org/what_we_do/how_we_work/our_global_goals/water/

87 Coca-Cola. <http://www.coca-colacompany.com/stories/collaborating-to-replenish-the-water-we-use>

88 Pepsi. <http://www.pepsico.com/Purpose/Environmental-Sustainability/Water>

89 Pepsi. <http://www.pepsico.com/live/story/PepsiCo-Continues-Providing-Access-to-Safe-Water/01820131186>

90 Global Risks 2014 Report. Rep. World Economic Forum, nd. Web. 4 Apr 2014. <reports.weforum.org/global-risks-2014/>

91 www.wri.org/blog/4-takeaways-ippc-report-reveal-worsening-impacts-climate-change?utm_campaign=wridigest&utm_medium=email&utm_source=wridigest-2014-03-31&utm_content=hyperlink&utm_term=4Takeaways-IPCCAR5-WorseningImpacts-climateChange

92 'How-To: Aqueduct'. World Resources Institute, nd. Web. 4 Apr 2014. <www.wri.org/our-work/project/aqueduct/how-to>

93 'The Water Risk Filter'. WWF, nd. Web. 4 Apr 2014. <waterfilter.panda.org/en/Assessment#WaterRiskAssessmentTab/facility/992>

Commonly Reported Performance Metrics

	AIRLINES	CRUISE LINES	HOTELS	TOUR OPERATORS	GDS/TECH
COMMON	<ul style="list-style-type: none"> • Total water consumption • Total water consumption on ground • Total water consumption in air 	<ul style="list-style-type: none"> • Total water consumption • Water per person per day 	<ul style="list-style-type: none"> • Total water consumption • Water use per guest night • Water use per m² or ft² • Water per occupied room 	<ul style="list-style-type: none"> • Total water consumption • Waste per guest night 	<ul style="list-style-type: none"> • Total water consumption
ALSO REPORTED	<ul style="list-style-type: none"> • Engine water washes per year 	<ul style="list-style-type: none"> • Bilge water sea discharge (litres/ nautical mile) 	<ul style="list-style-type: none"> • Water use per employee 		

Relation to Main ESG Frameworks

UN SDGs	<p>Water is prioritised within SDG 6⁹⁴, which aims to 'Ensure availability and sustainable management of water and sanitation for all'. In alignment with the CDP Water programme, SDG 6 focuses on 'issues relating to drinking water, sanitation and hygiene, but also the quality and sustainability of water resources worldwide'.</p> <p>Indicators that companies can support through operational practices include:</p> <ul style="list-style-type: none"> • Increases in water efficiency (6.4.1) • Efforts to reduce water stress and freshwater withdrawals (6.4.2) • Proportion of wastewater safely treated (6.3.1) <p>Indicators that companies can support through community engagement programmes include:</p> <ul style="list-style-type: none"> • Number of people provided with access to safely managed drinking water services (6.1.1) • Number of people provided with access to sanitation services (6.2.1) • Engagement to implement integrated water resource management at locations of operation (6.5.1) • Efforts to improve quality of specific water bodies (6.3.2)
GRI	<p>Water is an aspect under Environment, with management approach disclosure on water provided in the GRI Standards.</p> <p>Three performance indicators are related to water:</p> <ul style="list-style-type: none"> • Total water withdrawal by source (303-1) • Water sources significantly affected by withdrawal of water (302-2) • Percentage and total volume of water recycled and reused (303-3) <p>Water is also addressed within the Effluents and Waste aspect, with performance indicators on:</p> <ul style="list-style-type: none"> • Total number and volume of significant spills (306-3) • Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and run-off (306-5) <p>Note: In 2017, the GRI announced plans to assemble a working group to update its Water standards⁹⁵.</p>

94 <https://sustainabledevelopment.un.org/sdg6>

95 <https://www.globalreporting.org/standards/work-program-and-standards-review/review-of-gri-303-water/>

CDP	<p>The CDP Water Information Request has increased its rigour since inception, requesting data and information on:</p> <ul style="list-style-type: none"> • The importance of water to the future success of an organisation • How the importance of water is evaluated • How water has positively and/or negatively influenced business strategy • Results of water risk assessments • Whether water risk assessment includes supply chain risks • Stakeholders that have been factored into risk assessments • Scope and requirements of supplier water reporting • Facility-based water reporting • Whether water reporting has been verified or assured
SASB	<p>For the hotels and lodging industry, SASB Provisional Standards include water management as a disclosure topic in tandem with energy management.</p> <p>The associated accounting metric is total water withdrawn wherein (1) percentage of recycled water and (2) percentage of water withdrawn in regions with High or Extremely High Baseline Water Stress (SV0201-02) is also reported. To identify regions with High or Extremely High Baseline Water Stress, SASB recommends the use of the World Resources Institute's Water Risk Atlas tool, Aqeduct⁹⁶.</p>
<IR>	<p>Within the <IR> Framework, water can be included in a company's description of the overall 'stock and flow of capitals' citing the use of water to grow crops as an example of how many activities cause increases, decreases, or transformations that are far more complex and involve a broader mix of capitals or of components within a capital.</p> <p>Water is cited as relevant to descriptions of natural capital as "environmental resources and processes that provide goods or services that support the past, current, or future prosperity of an organisation".</p> <p>Water is also considered a potential aspect of manufactured capital, citing water treatment plants as an example of "manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of services".</p>
OTHERS	<p>Surveys also highly emphasise water. The RobecoSAM Assessment for the Dow Jones Sustainability Index asks for the data coverage as a percentage of revenue or operations for reported water consumption. RobecoSAM also asks whether water risk assessment is used. GRESB emphasises risk assessments for water at the time of site selection and/or prior to making new acquisitions.</p> <p>The UN-sponsored CEO Water Mandate has also released Water Disclosure Guidelines, providing basic and advanced reporting options for companies⁹⁷.</p>

Resources and Further Reading

- CEO Water Mandate
- WRI Aqeduct Tool
- Hotel Water Measurement Initiative
- WWF Water Risk Filter
- Ecolab Water Risk Monetizer
- S. Gössling et al., Tourism and water use: Supply, demand, and security. An international review. *Tourism Management* 33 (2012)
- Tourism Concern. Water Equity in Tourism
- GreenBiz Group Inc. State of Green Business 2017

⁹⁶ Additional information can be found at: <http://www.wri.org/our-work/project/aqeduct>
⁹⁷ <http://ceowatermandate.org/files/Disclosure2014.pdf>

ISSUE BRIEF: WORKFORCE

A large pillar of the 'social' component of ESG deals with workforce-related topics. 'Workforce' is an extremely broad term; however, inevitably topics associated with workforce will be relevant to Travel & Tourism for its labour-intensive service industries.

At the most basic level, workforce data includes number of employees for a better understanding of the organisation's scale. This serves as the denominator for understanding workforce composition in terms of geography, diversity, gender, and employment type.

Further workforce issues relate to their treatment and engagement, ranging from compliance-based issues and health & safety, to handling of grievances, collective bargaining, and extending into employee wellness, training and development, and diversity and inclusion programmes. These will vary by industry. For example, airlines tend to have more management approach disclosure regarding collective bargaining, while tour operators do not.

Wage levels are a key topic relating to workforce, with wage ratios compared to management and local minimum wage levels gaining more attention. These are especially important in Travel & Tourism, where wages may be above the local minimum wage levels within a particular destination, but well below the minimum wage rates of the countries from where foreign travellers originate. Depending on location of operations, different topics may be central to the workforce issues – for example, gender in the Middle East and immigration or diversity in North America and Europe.

Travel & Tourism is somewhat unique in comparison to other types of reporters, since in service industries the customer interacts directly with the workforce on a much deeper basis than in manufacturing. As such, local employment often carries a greater focus. Leading ESG research firms, including MSCI, Sustainalytics, and RobecoSAM, have also prioritised human capital as a top ESG issue for Travel & Tourism companies. These ESG research firms are increasingly concerned with working conditions and other human rights topics, including non-discrimination and right to unionise, from an operational perspective.

When considering workforce, Travel & Tourism may also need to increasingly consider 'workers' beyond their traditional full- and part-time employee base, such as contracted workers engaged in activities such as cleaning, landscaping, and catering. In the latest GRI Standards, the concept of 'employee' has been expanded to include 'employees and other workers' – reflecting the concept of responsibility for all workers and the trend towards the use of contracted or temporary labour to deliver services on-site.





Risks

Workforce concerns are singular not just to developing countries, but to developed economies as well- where younger generations are faced with underemployment and overburdened with higher education debt. The workforce disconnect remains a rather large gap to be addressed⁹⁸. In the WEF Global Risks 2017 report, unemployment alongside social instability were the most frequently mentioned pairing of interconnections that impact the top global risks. The WEF Global Risks 2017 report also noted structural rates of unemployment remain high, particularly among young people in Europe, and the United States has seen a marked slump in labour participation rates as long-term jobs are giving way to self-employment in the 'gig economy'. Additionally, youth unemployment is high in many countries - for example, at the time of writing, approximately 33% in Egypt, 34% in Jordan, 42% in Spain, 48% in Greece, and 52% in South Africa⁹⁹.

For the Travel & Tourism sector, workforce management presents a series of financial, legal, and reputational risks. For most Travel & Tourism companies, labour is the greatest line item among its operating costs. As such, the financial community increasingly conceptualises a company's investments in its workforce as 'human capital,' for which companies should strive to gain the highest return – similar to the approach for more traditional capital investments in property and equipment. Decreased employee morale and increased turnover reduces a company's return on its human capital investments. Additionally, within Travel & Tourism, customer service is critical to the brand and sustained revenue; thus, increasingly the strategic importance of an engaged, high-morale workforce as they directly engage with customers and often drive what type of experience a guest has.

Travel & Tourism companies must also navigate a series of local and national regulatory requirements regarding employment practices, including diversity quotas in some markets. Additionally, instances of discrimination and workplace injuries, such as spills and falls, present litigation risks across all segments of the Travel & Tourism industries.

The financial and legal risks associated with workforce management can also translate into reputational risks. In addition to having a consumer-facing brand, companies have a brand as an employer that also drives financial performance. Through social media and an increase in 'Best Place to Work' rankings, employees (both current and prospective) have more tools to evaluate employers within Travel & Tourism. Additionally, should a company be associated with either endemic or egregious violations of workers' rights, negative publicity and/or scrutiny may follow.

Commonly Reported Topics

- Workforce composition by region, employment type, gender, and contract
- Benefits provided
- Turnover and retention
- Injury rates
- Fatality rates
- Labour force from local communities
- Training and development levels
- Collective bargaining

⁹⁸ Global Risks 2014 Report. Rep. World Economic Forum, nd. Web. 4 Apr 2014. <reports.weforum.org/global-risks-2014/>
⁹⁹ 2016 figures from World Bank. Unemployment youth total (% of total labour force ages 15-24) <http://data.worldbank.org/indicator/SL.UEM1524.ZS>

Commonly Reported Performance Metrics

	AIRLINES	CRUISE LINES	HOTELS	TOUR OPERATORS	GDS/TECH
COMMON	<ul style="list-style-type: none"> • Regional employee breakdown • Employee gender profile • Injury & fatality rates • Employee turnover ratio • % Employees covered by collective bargaining agreements 	<ul style="list-style-type: none"> • Regional employee breakdown • Employee gender profile • Injury & fatality rates • Employee turnover ratio • % Employees covered by collective bargaining agreements 	<ul style="list-style-type: none"> • Regional employee breakdown • Employee gender profile • Injury & fatality rates • Employee turnover ratio • % Employees covered by collective bargaining agreements 	<ul style="list-style-type: none"> • Regional employee breakdown • Employee gender profile • Injury & fatality rates • Employee turnover ratio • % Employees covered by collective bargaining agreements 	<ul style="list-style-type: none"> • Regional employee breakdown • Employee gender profile • Injury & fatality rates • Employee turnover ratio • % Employees covered by collective bargaining agreements
ALSO REPORTED	<ul style="list-style-type: none"> • % of locally hired employees 			<ul style="list-style-type: none"> • Employee engagement score 	

Relation to Main ESG Frameworks

<p>UN SDGs</p>	<p>The primary SDG associated with workforce topics is SDG 8¹⁰⁰, which covers decent work and aims to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".</p> <p>Target 8.9 is specifically focused on Travel & Tourism with the goal to "devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products".</p> <p>The following two global indicators are associated with Target 8.9:</p> <ul style="list-style-type: none"> • Tourism direct GDP as a proportion of total GDP and in growth rate (8.9.1) • Number of jobs in tourism industries as a proportion of total jobs and growth rate of jobs, by gender (8.9.2) <p>Other topics covered in SDG 8 are:</p> <ul style="list-style-type: none"> • Unemployment rates and earnings for people with disabilities (Target 8.4) • Occupational injury frequencies and International Labour Organization compliance (Target 8.8) <p>SDG 5¹⁰¹, with its aim to 'achieve gender equality and empower all women and girls', is also relevant to workforce practices. Travel & Tourism companies can directly support this goal by advancing and reporting the following indicator:</p> <ul style="list-style-type: none"> • Proportion of women in managerial positions (5.5.2) <p>As the SDGs are intended to be a universal framework, their targets and indicators with regard to workforce topics do not map the key company-specific ESG issues as clearly and robustly as other traditional corporate ESG frameworks, such as the GRI, do.</p>
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¹⁰⁰ <https://sustainabledevelopment.un.org/sdg8>
¹⁰¹ <https://sustainabledevelopment.un.org/sdg5>

GRI

Within its General Standards Disclosures, the GRI Standards recommend that an organisation reports the following information at a minimum (102-8 and 102-41) as part of its 'Organisational Profile':

- Total number of workers by contract and gender
- Percentage of total workers covered by collective bargaining agreements
- Whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed
- Any significant variations in workforce numbers (such as seasonal variations for Travel & Tourism companies)
- Note: In the GRI Standards, the 'worker' terminology is used instead of 'employees' to include temporary, outsourced, and/or independent workers. The GRI also recommends that key ESG risks identified be included within the content of an ESG Report's Statement from the organisation's most senior decision-maker.

For deeper disclosures, the GRI conceptualises workforce issues within its Labour Practices category, for which there are five commonly reported aspects: Employment, Labour/Management Relations, Occupational Health and Safety, Training and Education, and Diversity and Equal Opportunity. (Equal Remuneration for Men and Women is an aspect that is not commonly reported.)

Within the 'Employment' aspect, there are three indicators:

- Total number and rates of new employee hires and employee turnover by age group, gender, and region (401-1)
- Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation (401-2)
- Return to work and retention rates after parental leave, by gender (401-3)

Within the 'Labour/Management Relations' aspect, there is only one indicator: Minimum notice periods regarding operational changes (402-1). This indicator would be reported only if material to an organisation – for example, a significant percentage of workers are covered by collective bargaining agreements (as reported in 102-41).

Within the 'Occupational Health and Safety' aspect, there are four indicators:

- Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes (403-1)
- Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender (403-2)
- Workers with high incidence or high risk of diseases related to their occupation (403-3)
- Health and safety topics covered in formal agreements with trade unions (403-4)
- Note: In 2017, the GRI announced plans to assemble a working group to update its Safety standards¹⁰².

Within the 'Training and Education' aspect, there are three indicators:

Average hours of training per year per employee by gender, and by employee category (404-1)

- Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings (404-2)
- Percentage of employees receiving regular performance and career development reviews, by gender and by employee category (404-3)

Within the 'Diversity and Equal Opportunity' aspect, there is one indicator (405-1) that requests data on (1) composition of governance bodies and (2) breakdown of employees:

- Per employee category
- According to gender
- By age group
- By minority group membership
- Based on other indicators of diversity

CDP

While primarily focused on climate change and energy, the CDP Climate Change Information Request asks whether all employees are incentivised to work towards energy reduction targets.

Additionally, in both the CDP Climate Change and Water Information Requests, companies often describe employee engagement efforts regarding environmental sustainability in disclosures on strategies and how risks and opportunities are managed.

SASB

The SASB Provisional Standards have identified 'Fair Labour Practices' as a disclosure topic for the hotel and lodging, cruise line, and airline industries.

However, the associated accounting metrics vary across industries:

- Hotels and lodging: Companies are to report on turnover rates (both voluntary and involuntary), average hourly wage for hotel employees by region, and percentage of hotel employees earning minimum wage.
- Cruise lines: Companies are to report on average hourly wages by region for seafarers in addition to the percentage of seafarers working maximum hours and those paid for overtime.
- Airlines: Companies are to report on percentage of active workforce covered by collective bargaining agreements in US and foreign companies, and the number and duration of strikes and lockouts during the reporting period.

Additionally, hotel and lodging and cruise Line companies are to report on the number and amount of both fines and settlements related to labour law violations.

<IR>

The <IR> Framework emphasises human capital alongside financial capital. Human capital is defined as "people's competencies, capabilities and experience, and their motivations to innovate, including their (1) alignment with and support for an organisation's governance framework, risk management approach, and ethical values, (2) ability to understand, develop and implement an organisation's strategy, and (3) loyalties and motivations for improving processes, goods and services, including their ability to lead, manage, and collaborate"¹⁰³.

The flow between 'human' and financial capital is described as follows: "There is a constant flow between and within the capitals as they are increased, decreased, or transformed. For example, when an organisation improves its human capital through employee training, the related training costs reduce its financial capital. The effect is that financial capital has been transformed into human capital"¹⁰⁴.

The <IR> Framework encourages companies to decide which performance indicators regarding the workforce to report in the context as outcome on capital flows, which includes human capital. As with the GRI, materiality is a guiding principle in determining the content in the report¹⁰⁵.

OTHERS

Human capital development, talent attraction and retention, and occupational health and safety are emphasised in the Dow Jones Sustainability Index's selection methodology for Travel & Tourism, accounting directly for 29% of the overall 2016 criteria weighting¹⁰⁶.

Additionally, there are a series of rankings regarding workforce issues at the local and national level, such as Best Place to Work rankings set forth by Fortune and other entities looking at workplace practices across various aspects of diversity. For example, *Working Mother* Magazine identifies its Working Mother 100 Best Companies each year¹⁰⁷. The Human Rights Campaign also publishes an annual Corporate Equality Index, which serves as a benchmarking tool on corporate policies and practices pertinent to lesbian, gay, bisexual, and transgender employees. Companies that score 100% receive the 'Best Places to Work for LGBT Equality' distinction¹⁰⁸. Diversity, Inc. also selects the Top 50 companies for diversity each year, which in 2016 included three Travel & Tourism companies¹⁰⁹.

Resources and Further Reading

- Ketvirtis, S. (June 2012). How Corporate Citizenship Impacts Employee Engagement. Northwestern School of Education and Social Policy. www.sesp.northwestern.edu/msloc/knowledge-lens/stories/2012/how-corporate-citizenship-impacts-employee-engagement.html#sthash.UWTXKMmM.dpuf
- <https://www.fastcompany.com/3046989/what-millennial-employees-really-want>
- http://www.mandrake.ca/bill/images/corporate_responsibility_white_paper.pdf
- www.workingmother.com/best-companies
- Human Rights Campaign Corporate Equality Index

103 <IR> Framework, p 12 (Fundamental Concepts)

104 <IR> Framework, p 11 (Fundamental Concepts)

105 <IR> Framework, p 5 (Guiding Principles)

106 www.sustainability-indices.com/sustainability-assessment/corporate-sustainability-assessment.jsp

107 www.workingmother.com/best-companies

108 www.hrc.org/campaigns/corporate-equality-index

109 <http://www.diversityinc.com/the-diversityinc-top-50-companies-for-diversity-2016/>

102 <https://www.globalreporting.org/standards/work-program-and-standards-review/review-of-gri-403-occupational-health-and-safety/>



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