



Horwath HTL™

Hotel, Tourism and Leisure

Welcome

December 2022

ESG



Corporate Governance

- Board members
- Anti-bribery and anti-corruption practices
- Complaints channel
- Government entities and policies



Social

- Workforce diversity
- Data protection
- Customer satisfaction
- Human rights
- Labour laws
- Relationship with the community
- Social Security regulations



Environmental

- Water scarcity
- Pollution
- Energy efficiency
- Global warming
- Deforestation

ESG Investment



World:

2016: \$22,8 trillion

2018: \$30,6 trillion

2021: \$37,8 trillion

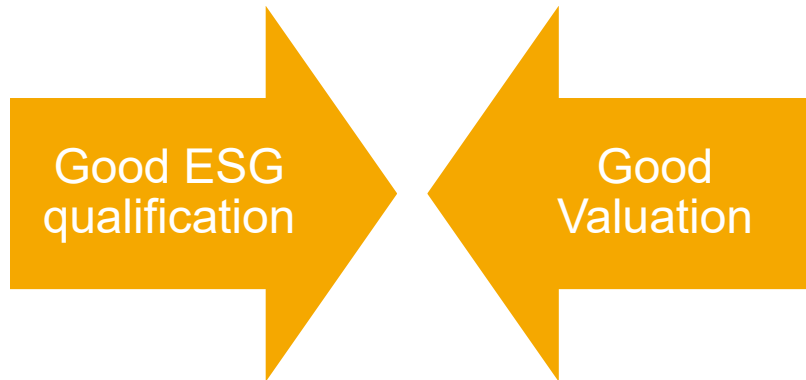


2025: \$53 trillion

Source: Bloomberg

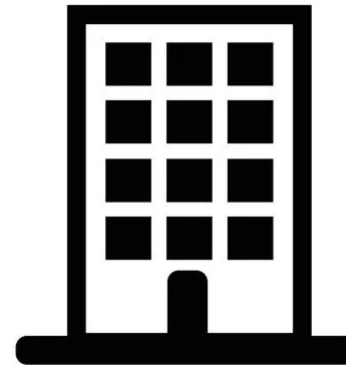
Market Sentiment

PricewaterhouseCoopers (PwC) Capital Markets Survey



RICS 2022 Sustainability Report

Adding green or sustainability features to buildings leads to a shift in asset values to some extent



55% of respondents occupier demand for green/ sustainable buildings has risen

40% of respondents increase in investor appetite for green/ sustainable buildings

Benefits



Transformation

- Investment in ESG strategies

Reward

- Investment in “sustainable” companies

- Resilience → increased profitability
- Access to alternative funding
- Bigger companies → reduced risks
- Ethics and values linked
- Political or fiscal benefits
- Low costs → long term profitability

- Improve brand image
- Positive impact in society and environment
- Consolidating market share
- Bureaucratic ease
- Reducing long term costs
- Increased productivity



ESG

Relationship with the Tourism & Hospitality

Relevance to the sector

1



Planning and design
Standards and values
Feasibility
Construction
(Re)financing

2



Operations
Employees
Clients
Maintenance
CapEx

3



Cap Rates/ discounts
Green loans
Financing
Marketability

Relevance to the sector

Since 1926: enables the classification, organisation and presentation of financial information in a uniform and consistent manner.

12th Edition: Q1 2023

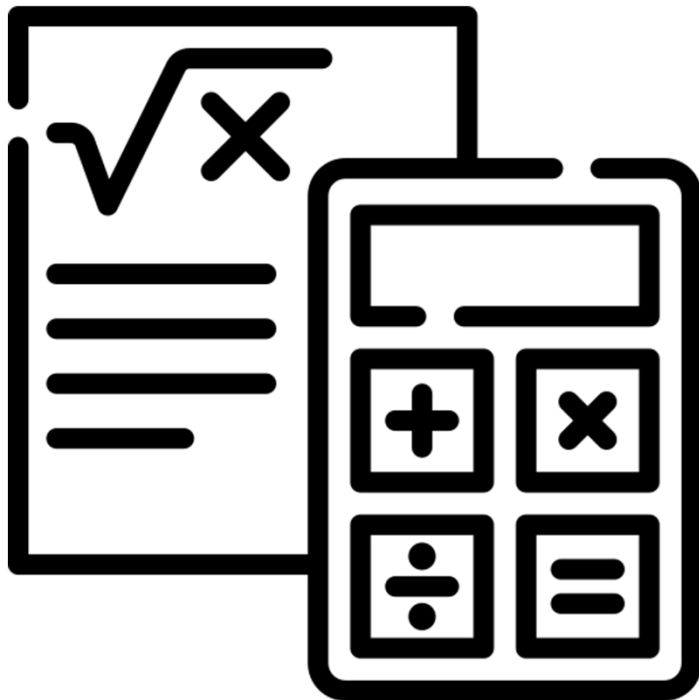


Services Scheme → Energy, Water and Waste Scheme (EWW)



Consistent measures = assessing performance trends

Economic Implications



Real Estate Valuations and Appraisals

1. Better ESG compliance =

Rent
Occupancy
Sales Price



2. Efficient systems = reduced
operational costs

3. Less sustainable buildings =

Discount Rate
Cap. Rate



4. Access to green loans = reduced
debt costs

Industry examples



Serve 360: Doing Good in Every Direction



Sustainable and Responsible

The logo for Hilton, consisting of the word "Hilton" in a black, serif font, enclosed within a black rectangular border.

Hilton

Travel with Purpose



2021: compañía hotelera más sostenible del mundo



Journey to Tomorrow

The logo for NH Hotel Group, featuring the letters "nH" in a white, sans-serif font, with "HOTEL GROUP" in a smaller, white, sans-serif font below it, all set against a dark blue square background.

nH
HOTEL
GROUP

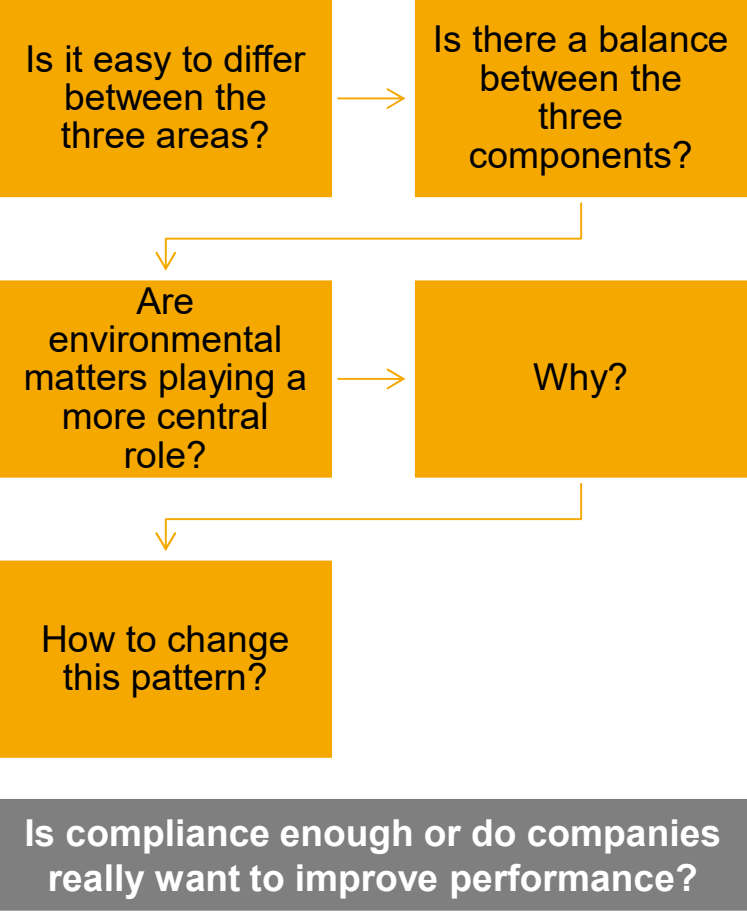
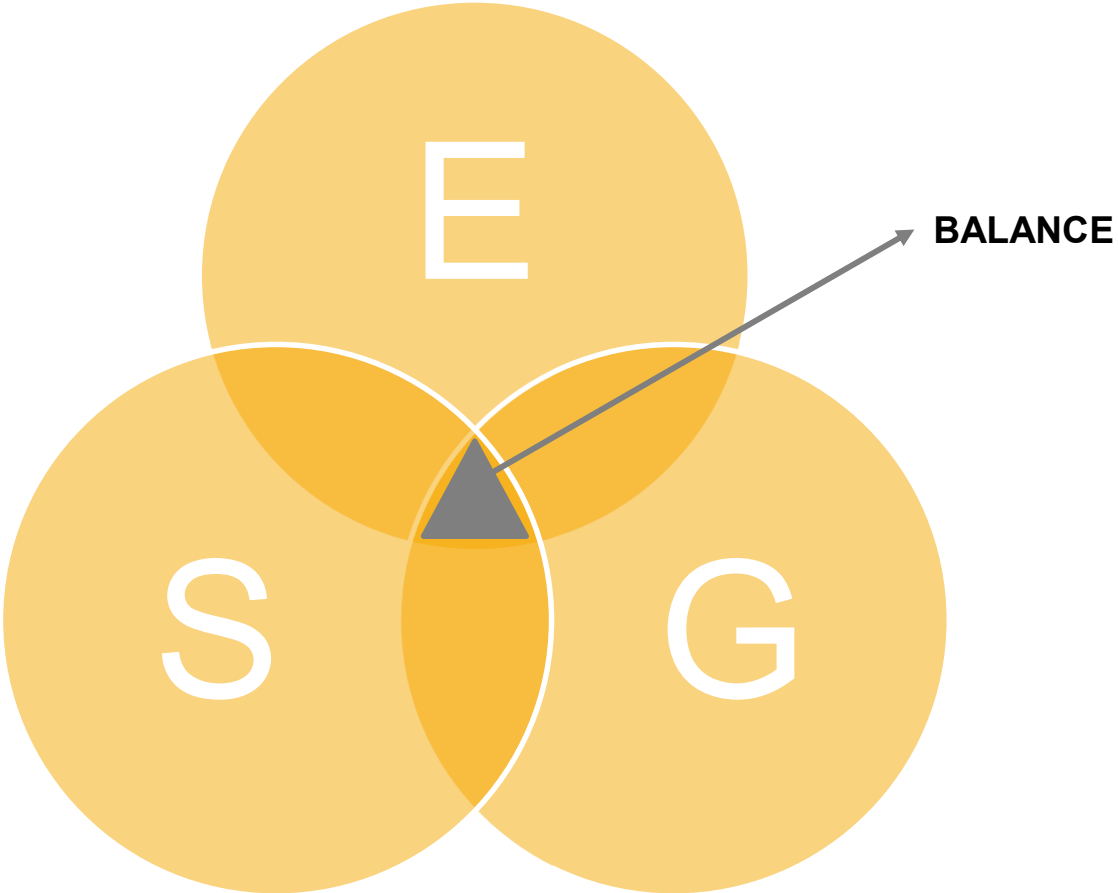
2021: best non-listed company in sustainability



ESG

Challenges for Tourism and Hospitality

ESG Balance



Hotels and Sustainable Tourism

The World Tourism Organization

Defines sustainable tourism as:

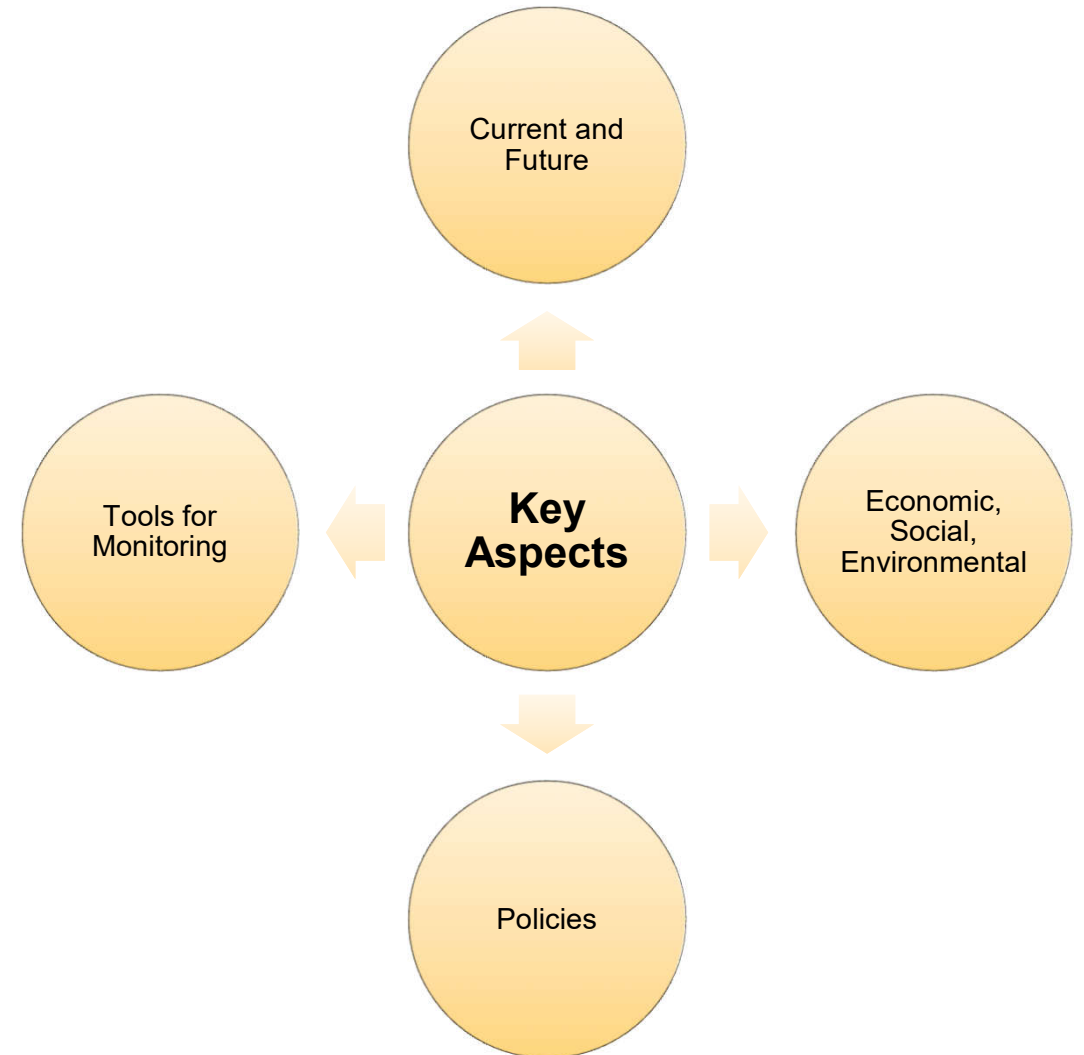
“tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities”.

2030 Agenda for Sustainable Development SDG

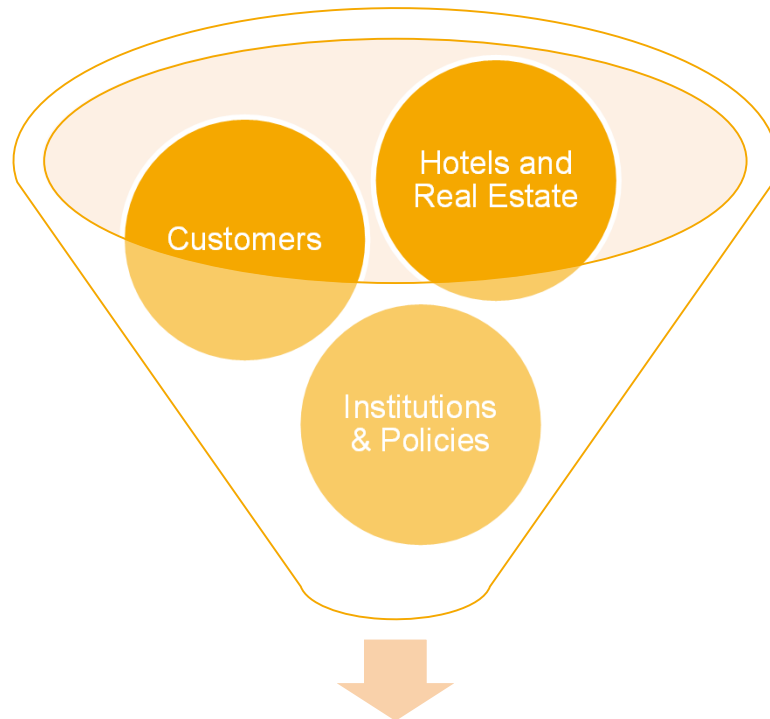
Objectives:

“by 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products”.

“develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products”.



Hotels and Sustainable Tourism

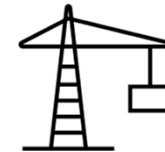


Sustainable Tourism

Important to consider:

- Context: macro and micro
- Accessibility
- Costs
- Stakeholder's interests
- Rules & Regulations
- Benefits
- Degree of involvement
- Customers' perception and requirements

CAN'T IGNORE THE BASIS



UN / SUSTAINABLE ACCOMMODATION
=
UN / SUSTAINABLE TOURISM

ESG Measurement & Reporting

WHY?



Compliance with government bodies

Investor Transparency

Accountability

Brand standards and procedures

Create customer confidence

Lead by example

WHOM?



Customers

Investors

Owners

Public institutions

Stakeholders

WHAT?

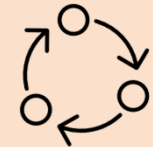


Environmental: climate change, carbon emissions, natural resources, biodiversity, animal treatment

Social: data protection, employee engagement, involvement with community, human rights, how staff is treated

Governance: anti corruption, board composition, internal controls, bribery, shareholder rights, compensations

HOW?



Define what needs to be measured

Choose a reporting standard

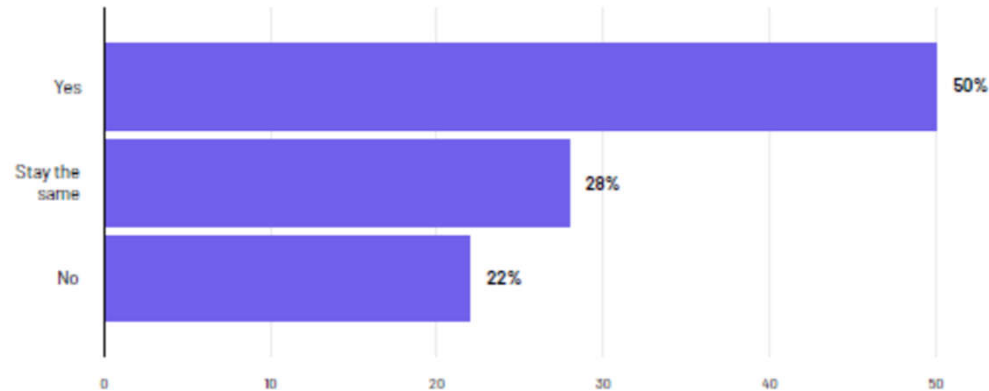
Collect the data (internally or outsourced)

Report the data

Communicate results

ESG Measurement & Reporting

Figure 14: Do you intend to increase your ESG due diligence when dealing with GPs?

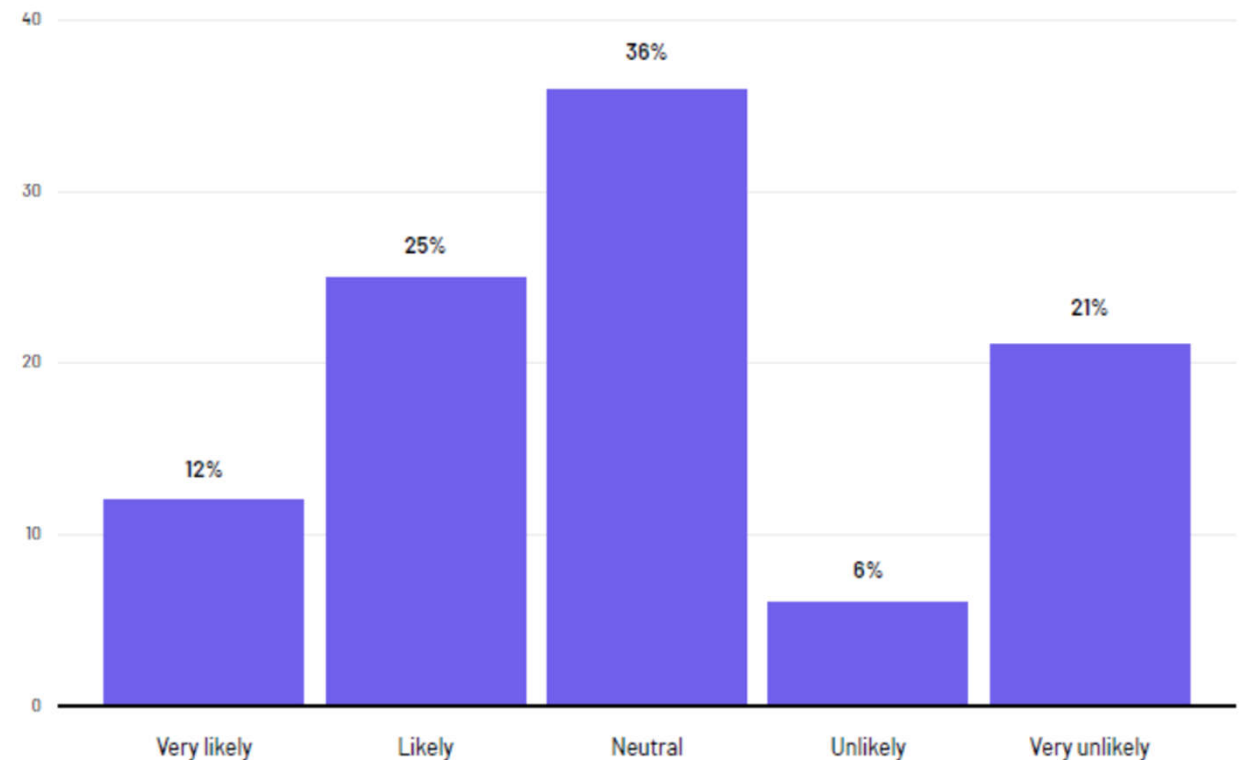


Source: SS&C Intralinks – 2023 LP Survey

SS&C Intralinks – 2023 LP Survey

- ESG criteria in the **investment process** as becoming more important.
- Either **outsourcing ESG data analysis** or using an **internal analytical solution**.
- More investors (more than a third) are willing to divest from a manager if they are not supplied with an updated **ESG policy** on an annual basis.

Figure 15: How likely are you to divest from a manager if they were not willing to show you their updated ESG policy on an annual basis?



Source: SS&C Intralinks – 2023 LP Survey

ESG Measurement & Reporting - Challenges



Are all companies capable of measuring their performance?



Is everyone using the same standards and frameworks?



Most frequent used standards: EarthCheck, FTSE4Good, Green Globe, Green Leaf, SafeHotels, Travelife, ISO, GreenKey, Ethilabel and the Dow Jones sustainability index



Sometimes, frameworks are too complex and too costly to implement for SMEs



Are regulations worldwide comparable?



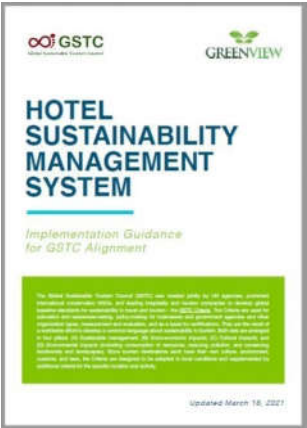
Sustainability reporting is influenced by culture and politics, and varies per country



Do we know exactly what / how we need to measure?

Certification drives sustainability reporting; only after a hotel applies for certification and gets certified do they report on sustainability

Measuring & Reporting Examples



ESG - EU Regulatory Initiatives



The European Commission published its **action plan on sustainable finance** in 2018, with the aim of creating a roadmap for sustainable finance across three categories:

- reorienting capital flows toward a **more sustainable economy**
- **integrating sustainability into risk management**
- fostering **transparency and long-termism**.

The European Union has now successfully implemented three major related regulations:

1. **Climate Benchmarks Regulation** ([EU 2019/2089](#)) to enhance the **transparency and comparability of benchmark methodologies** relating to ESG metrics.
2. **Sustainable Finance Disclosure Regulation** ([EU 2019/2088](#)) to **re-orient capital flows towards sustainable investments**.
3. **Taxonomy Regulation** ([EU 2020/852](#)) which establishes a harmonized taxonomy to **classify financial products as sustainable at EU level**.

Current and upcoming ESG-related legislation in the EU:



ESG - EU Regulatory Initiatives



Starting in 2023, The European Banking Authority's Pillar 3 disclosure standards on ESG risks **require banks' issued securities traded on an EU regulated market to report information in four main categories:**

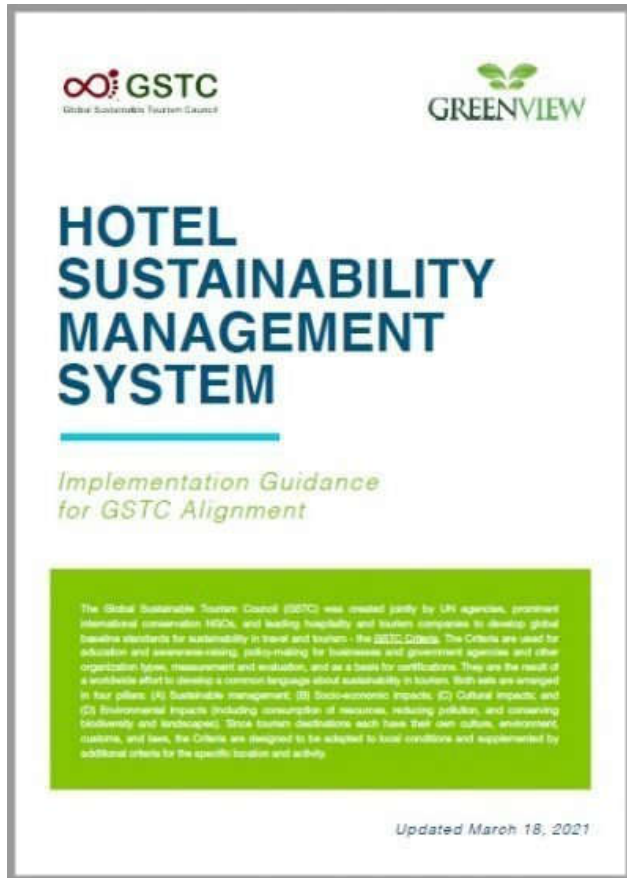


This is reported through **10 quantitative templates**



The first disclosure relating to **five of the templates** will be required to be **released with the bank's 2023 financial statement**

SMS - Greenview



An SMS is used to identify the risks, outline corresponding management, and monitor and document performance relating to the environmental, social, cultural, economic, quality, human rights, health, and safety issues which will be based on the size, business nature, and scope of an organization.

Through regular monitoring, the SMS sets a platform for continuous improvement in sustainability performance.

An SMS is not a software: it is a process to continually do better.

An SMS is a **cost-effective and organized approach** to manage different aspects related to the sustainability performance of a hotel.

Plan-Do-Check-Act guidance approach developed by Greenview to set up SMS in alignment with the GSTC Criteria.

SMS - EarthCheck



Certification, consulting and advisory group for sustainable destinations and tourism organizations

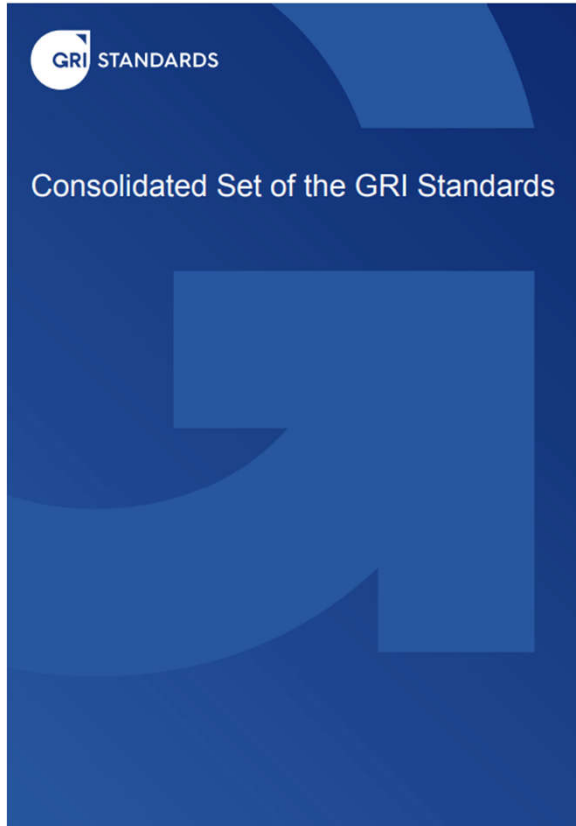
Sustainability certification and programs designed for business

Custom Software to collect the data and metrics, visualise & produce reports

Case Study: Kerzner International

- Certified Program allows Kerzner to **monitor** their residential properties and **compare** to global benchmarks
- **SMS** to achieve best sustainable practices

Global Reporting Initiatives (GRI)



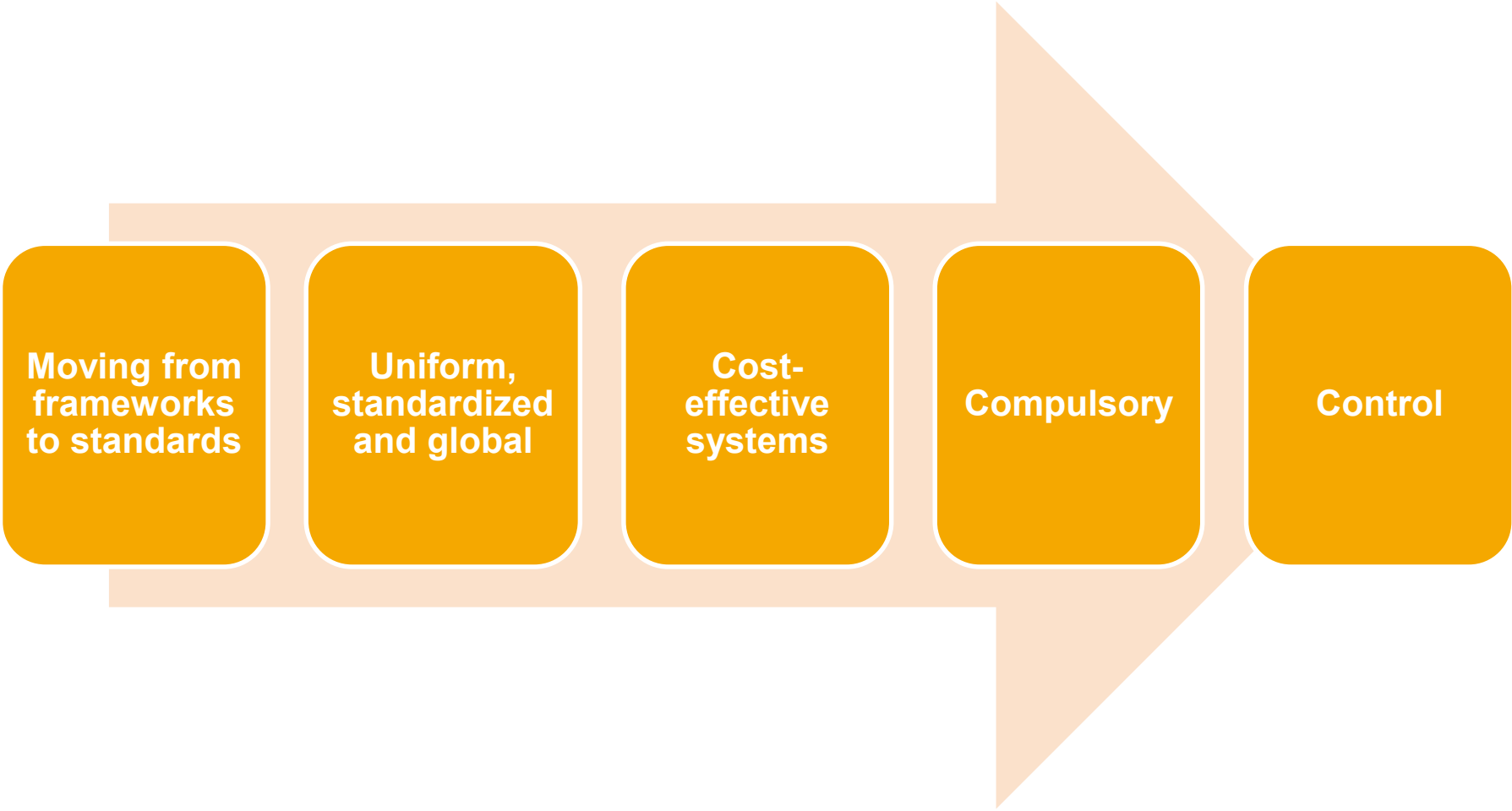
Global common language to communicate impact of GRI Standards

Organizational impacts on the economy, environment, and society at large

Develop the GRI Standards and promote their use by organizations around the world.

Create economic, environmental and social benefits for everyone

Next Steps

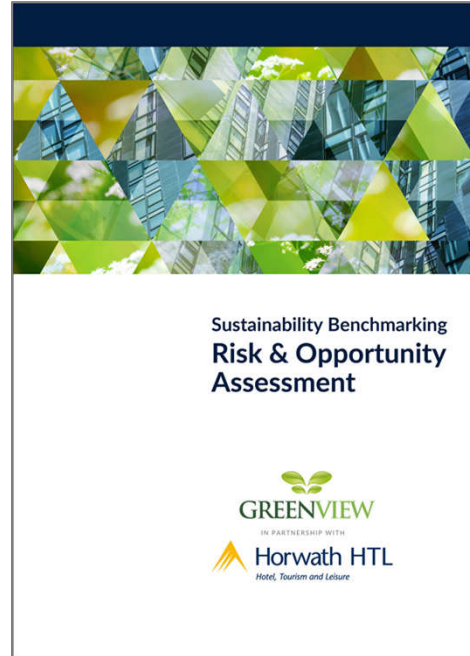
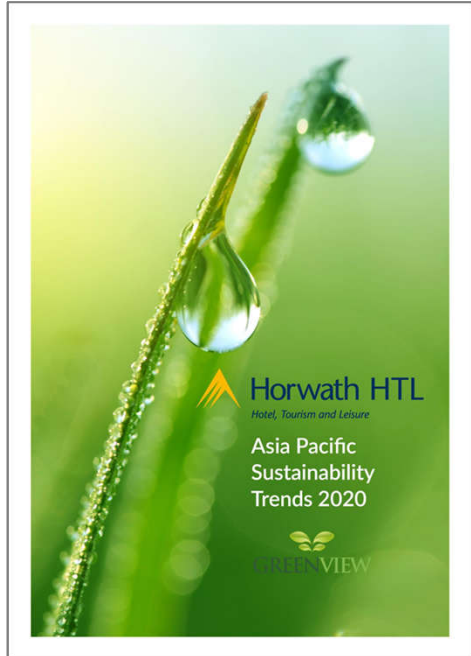


Global Sustainability Services

Our Sustainability Services provide you with a global network of professional experts to assist your company in implementing sustainability and climate adaptation strategies and programmes.



Global Sustainability Services



Horwath HTL works in partnership with Greenview, to support hospitality organisations with their corporate responsibility and sustainability platforms.

- Develop and implement a sustainability strategy
- Align strategy with corporate purpose and provide effective communication to all stakeholders
- Drive cost-effectiveness and streamline data management
- Harness the power of data, common guidelines, best practices and innovation
- Designing a goal-oriented organisation and implementing cultural change within it



Thank you



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