Welcome

December 2022
ESG

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

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

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

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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

Good ESG qualification — Good Valuation

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

RICS 2022 Sustainability Report

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

Travel with Purpose

2021: compañía hotelera más sostenible del mundo

Journey to Tomorrow

2021: best non-listed company in sustainability
ESG
Challenges for Tourism and Hospitality
ESG Balance

Is it easy to differ between the three areas?

Is there a balance between the three components?

Are environmental matters playing a more central role?

Why?

How to change this pattern?

Is compliance enough or do companies really want to improve performance?
Hotels and Sustainable Tourism

 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”.

 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”.

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Hotels and Sustainable Tourism

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

Sustainable Tourism

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

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.

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

European Commission

EBA The European Banking Authority

HOTEL SUSTAINABILITY MANAGEMENT SYSTEM

EarthCheck

GRI STANDARDS

Consolidated Set of the GRI Standards

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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 reorient 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:
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:

- Exposure to carbon-related assets
- Support for counterparties
- Key performance indicators on sustainable finance activity
- Integration of ESG considerations

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.
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.
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

Moving from frameworks to standards
Uniform, standardized and global
Cost-effective systems
Compulsory
Control
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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