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

3. SUSTAINABILITY REPORTING IN TRAVEL & TOURISM

Environmental, Social & Governance Reporting in Travel & Tourism:

3 SUSTAINABILITY REPORTING IN TRAVEL & TOURISM

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INTRODUCTION

WTTC monitors sustainability reporting among its membership and the Travel & Tourism sector as a whole. Not only does the prevalence of reporting demonstrate a trend in addressing key sustainability issues; it provides the opportunity for sector-wide data analysis and policy or programme review.

Travel & Tourism has kept pace with the global trend of increased sustainability reporting and use of Environmental, Social and Governance (ESG) information. Stock exchange regulations, government reporting mandates, customer requests, and internal recognition of its importance have all contributed to this trend. Likewise, enhancements such as aligning with the UN Sustainable Development Goals (SDGs), setting bold goals, and evolving reporting formats are found anecdotally among a handful of Travel & Tourism businesses that have a longer history of reporting.

While reporting has increased, the research in this section demonstrates a remaining gap among Travel & Tourism. Reporting is common among its largest publicly traded companies, though the majority of its multinational companies still do not report as many are privately held. Travel & Tourism's uniqueness as a sector may also explain the current gap, as it encompasses businesses of all size, from Small- and Medium-sized Enterprises (SMEs) to Fortune 500 companies, and everything along the scale in between. Furthermore, the nature of travel itself means that even smaller companies within the sector can have global reach and a wide range of key issues and impacts to address. Finally, the shifts within the sector in terms of expansion, consolidation, disruption, and newly emerging businesses (and business models) indicate that entities previously not versed in sustainability reporting will need to address it.

The trend of reporting raises a significant question: how much further will reporting in Travel & Tourism increase, and to what limit? Given its nature and structure, it is difficult to place a boundary around who could or should be reporting. Some major travel companies do not report, while other smaller entities report even though they are not publicly listed and do not have corporate travel buyers or governments asking for reporting.

DEFINING THE TRAVEL & TOURISM UNIVERSE OF SUSTAINABILITY REPORTING

setting the boundary for what entities are to be included within the universe of potential reporters. WTTC uses five industry categories in the analysis. Figure 1 was generated by scanning airlines, hotel management or brand companies, cruise lines, travel agencies/operators, and global distribution system (GDS), and technology providers at year-end 2016 – each within a determined boundary as outlined in the table – whose main focus is Travel & Tourism. To be counted as a reporter, the entity will have produced at least one sustainability report (generally titled sustainability report or similar) in downloaded PDF form or online, consisting of ten or more pages

with quantitative data reported over a period of time. This tabulation only includes subsidiary companies if they currently produce a report separate from their parent brand. This methodology differs slightly from the 2014 report boundaries as follows: 1) the prior parameters for being counted as a reporter also included respondents to just the CDP survey (currently, almost all Travel & Tourism CDP respondents also produce sustainability reports), 2) Travel Agencies and Tour Operators are listed together and with a wider boundary, and 3) it does not include WTTC regional members if they do not meet one of the thresholds in each of the categories.

1 REPORTING PREVALENCE

Figure 1: Travel & Tourism Reporting Universe

INDUSTRY SEGMENT	SEGMENT DESCRIPTION	UNIVERSE OF POTENTIAL REPORTERS	REPORTERS	% OF UNIVERSE REPORTING
Airline	Original Bloomberg ESG research listing, removing subsidiaries, adding all non-subsidiary international or large domestic carriers.	208	72	35%
Accommodation	Including hotels, resorts, timeshare, shared accommodation, and gaming hotels. Hotel boundary using HOTELS Magazine Top 325 Hotel Companies list, excluding lodging owner entities whose primary business model is real estate investment, asset management, or independent operators (franchisees).	312	64	21%
Cruise Line	Original Bloomberg ESG research listing, removing subsidiaries, adding all non-subsidiary regional or river cruise lines.	76	6	8%*
Travel Agency/ Operator	Travel Seller Boundary using 2016 Power List (>US$100mn sales).	89	14	16%
GDS	The 5 prominent GDS companies.	5	3	60%
Other	Including largest 4 rental car companies, large conglomerates with heavy Travel & Touris focus or more than one of the 5 categories of industry.	19	11	58%
Totals		**709**	**170**	**24%**

*Given the consolidation of the cruise industry among three large entities who all report, approximately 77% of all cruise line capacity is reporting.

Sustainability reporting within Travel & Tourism has seen considerable uptake in recent years. Reporting is common but not necessarily mainstream. Figure 2 below shows this trend.

Among the universe of potential reporters through 2016, Travel & Tourism had an increase of reporters of 50%, despite the overall universe of potential reporters only growing by 4%. Among the similar universe of 568 companies for the last three years (like-for-like), reporting has increased by 45% since 2014.

Travel agencies and tour operators continue to report the least, with only 16% of the universe reporting through 2016. Airlines continue to report the most, with 35% of the universe reporting.

Figure 2: Sustainability Reporting within Travel & Tourism

Reporting Efforts within Industry Associations and Organisations

Generally speaking, sustainability reporting at an organisational level has not been addressed among Travel & Tourism industry trade associations or groups. Several initiatives do exist that cover components related to reporting such as common performance measurement; specific initiatives, guidance, and commitments to environmental stewardship and social responsibility; and engagement exercises, and these are generally specific to a product or service and not an organisation. For example, the Pacific Asia Travel Association (PATA) has a Sustainability and Social Responsibility Committee that has announced efforts to help members meet disclosure requirements through a Sustainability Index[1]. The Global Business Travel Association (GBTA) released its Key Performance Indicators (KPIs) for Managing Corporate Travel in 2012, which included indicators of carbon emissions, termed carbon visibility, as well as comparisons of travel using rail versus air (with rail being environmentally preferable to air travel in their KPI). Then in its 2013 Hotel request for proposal (RFP), 20 questions relating to sustainability were included that range from certification to metrics and data reporting on energy, water, waste, and carbon.

The International Civil Aviation Organization (ICAO) has developed a carbon calculation methodology and calculator that can be used to calculate carbon emissions from air travel[2], and this has been supported in policy advocacy through the International Air Transport Association (IATA) for a global sectoral approach to aviation carbon emissions[3]. Similarly in lodging, a group of 25 hotel companies together with the WTTC and International Tourism

Partnership (ITP) developed the Hotel Carbon Measurement Initiative (HCMI) to publish a freely available, standardised carbon calculation method[4]. Building upon the HCMI, 12 hotel companies worked with Cornell University to release a hotel sustainability benchmarking study that provides benchmarks for energy, water, and carbon emissions in hotels worldwide, which is available in an online format called the Hotel Footprinting Tool.[5,6] The Hotel Water Measurement Initiative (HWMI), developed by ITP in partnership with KPMG and 18 hotel companies, is a methodology and tool that provides consistency in measuring and reporting on water among hotels[7]. UFI, the Global Association of the Exhibition Industry, began a pilot effort to standardise the measurement of an exhibition's impact in 2016[8]. In these instances, the common methodology and calculations serve the needs of reporting data, as well as other entities using this data in their own reporting.

Where common intersections are found, further guidance on calculation and normalisation is also an opportunity beyond carbon calculation. For example, the term 'local' has a wide-ranging connotation and use across the sector. Initiatives to standardise calculation in carbon have emerged; however, dozens of other performance metrics and indicators will also need initiatives to standardise them. The issue briefs that follow – Energy, Water, Climate Change, Workforce, Waste, Supply Chain, Community, and Governance, Risk and Compliance – are intended to provide companies with an understanding of how main frameworks require specific metrics and indicators that may possibly overlap or have the same overall goal of decreasing risks and addressing any potential stakeholder concerns.

1   pata.globalsustainabilityindex.com/en/terms.php, accessed 11 March 2014
2   'Carbon Emissions Calculator.' International Civil Aviation Organization, nd Web. 2 Apr 2014. <www.icao.int/environmental-protection/CarbonOffset/Pages/default.aspx>.
3   'Fact Sheet: Global Sectoral Approach for Addressing Aviation Carbon Emissions.' IATA, Dec 2014. Web. 11 Mar. 2014. <https://www.iata.org/pressroom/facts_figures/fact_sheets/Pages/emissions-approach.aspx>.
4   'Hotel Carbon Measurement Initiative.' WTTC, nd Web. 2 Apr 2014. <www.wttc.org/activities/environment/hotel-carbon-measurement-initiative/>
5   Chong, Howard C. and Ricaurte, Eric E. 'Hotel Sustainability Benchmarking.' Cornell Hospitality Report 14.11 (May 2014) <www.hotelschool.cornell.edu/research/chr/pubs/reports/abstract-17924.html>
6   www.hotelfootprints.org
7   http://tourismpartnership.org/resources/
8   http://www.ufi.org/industry-resources/sustainable-development/global-exhibition-sustainability-impact-measurement-project/

Additional Industries and Company Reporters

Reporting as a trend continues to increase throughout the sector and is by no means limited to the current universe's industries or to large publicly traded companies, with instances found all across the value chain. Additional reporting entities within the Travel & Tourism sector include:

- Airports, which are a major contingent of reporters. As of 2016, 53 airports globally reported.
- Rail and transit transportation entities such as the East Japan Railway Company, the Hong Kong MTR, the Korea Rail Network Authority, and Renfe in Spain, which are longstanding reporters.
- Convention and exhibition centres, including the Amsterdam RAI in the Netherlands and Cape Town International Convention Centre in South Africa.
- Large corporate, trade show, and association conference event organisers, which publish comprehensive event sustainability reports, including the US Green Building Council's Greenbuild International Conference, the International AIDS Conference, the American Chemical Society's National Meetings & Exhibitions, and Oracle's OpenWorld, as well as the several conferences of the United Nations.
- Tourism organisations. Convention and Visitor Bureaus, Destination Marketing Organisations, and National Tourist Organisations have begun reporting, including VisitBritain, Visit Sweden, and Korea Tourism Organization publishing reports.
- Major attractions, such as Walt Disney, Sydney Olympic Park Authority and Zoológico de Barranquilla in Colombia.
- Service providers, which in addition to ground transport are part of larger companies that report, including restaurant chains.

Report Formats, Content, and Components

Though 170 companies within the universe for the benchmarking exercise had published at least one sustainability report through 2016, the breadth and depth of information varied widely. Among reporters within the universe publishing reports in 2015 or 2016, the length of reports ranged from the shortest report of 10 pages, to the longest of 204 pages, with the average report length of 67 pages. Length is not necessarily an indicator of report quality and a trend is to move away from lengthy reports; however, this is still a common perception. The Bloomberg ESG Disclosure score, for example, is calculated purely based on the amount of information publicly available, and not the performance of the organisation in addressing ESG topics. Furthermore, integrated reporting is often seen within the reporting community as a leading practice, though integrated reports may have less ESG-related content than Global Reporting Intiative (GRI) reports. Most notably, 47 companies produced integrated sustainability and financial reports through 2016 including Accor, Tsogo Sun Group, AirAsia, and Amadeus.

Approximately 15% of Travel & Tourism reporters did not cite a particular current reporting framework for their sustainability reports. For instance, MGM Resorts International and Qantas publish reports but currently do not utilise GRI. Disney, Royal Caribbean, and TUI all have adopted GRI in recent years, but reported in previous years without declaring GRI alignment. And some companies, such as British Airways, had reported using GRI in the past and continue to publish sustainability reports but have since ceased to declare GRI alignment or include a content index. Some companies, such as Starwood Hotels & Resorts (now Marriott International but counted as a separate entity in this benchmarking exercise), have consistently responded to the CDP climate change response but have only recently published their first sustainability report. From an ESG analyst's point of view (which for the roles and players in the sustainability reporting industry is often a key audience), a GRI content index is an essential component for understanding, evaluating, and rating/ranking a company as it streamlines the data collection process and facilitates some level of comparability. Furthermore, it helps set a general benchmark for the depth and breadth of content needed for a document to be considered sustainability reporting (some companies published two-page corporate social responsibility (CSR) reports, which were not counted in this assessment as reporters).

Figure 3: Prevalence of GRI Use, CDP Responses, and External Verification among Travel & Tourism

	UNIVERSE OF POTENTIAL REPORTERS	ACTUAL REPORTERS
Use or reference GRI	14%	58%
Respond to a CDP response	7%	28%
Externally verify or assure a report or its data	8%	34%

External verification or assurance — which may encompass either the entire sustainability report or components of sustainability-related data — has increased across the sector, with over one-third of reporters now assuring or verifying data contained within sustainability reports or integrated reports.

2 STAKEHOLDERS AND STAKEHOLDER ENGAGEMENT

A fundamental premise of sustainability reporting is that information reported is relevant to the organisation's stakeholders. The identification, grouping, and prioritisation of stakeholders across the sector is varied. The commonly found stakeholder groupings for Travel & Tourism are described below. In a prior research exercise of stakeholder group prevalence among reporters can be found in greater detail.

Corporate customers
These are large corporate purchasers who request ESG policies, performance, and commitments from suppliers.

Investors
These include shareholders who determine the value of a company by making evaluations. Investors can be affected by a company's management approaches and decisions as well as the value creation opportunities of the company.

Employees
These include associates, colleagues, team members, contract workers/contractors, and trade unions. They are becoming increasingly interested in sustainability initiatives and social responsibility activities, and seek out companies who are focused on these areas. Specifically, millennials' desire to work for an employer who is both environmentally and socially aware is taking precedent over higher wages.

ESG raters and analysts
These consist of research and rating agencies and financial analysts who rank, aggregate, and disseminate a company's information in order to inform the public.

Customers
These include guests, corporate clients, passengers, and consumers who are most interested in material topics including environmental attributes of products and services, safety and sustainability of food, and measures to protect their privacy. Customers are affected by a company's decision to change policies and procedures affecting their goods and services.

Communities
These include community organisations, local communities, home or destination ports, and the public/society who are most interested in an organisation's positive impact on the community, as well as ways they are managing risks. Communities are impacted through almost all decisions and activities a company makes including environmental and social. A company hiring a large number of community members could greatly improve the unemployment rate for that specific location. On the other hand, an organisation sourcing materials that cannot be recycled can negatively impact the environment.

Advocacy and media groups
These include NGOs/non-profits (international organisations relating to sustainability, environmental, humanitarian, and development Issues). This group's assessment of an organisation can greatly influence other stakeholder perceptions and the overall reputation of the company. A large organisation can greatly influence the media and encourage more positive press for the company. Regulatory and government agencies consist of governments, regulators, and authorities. This stakeholder group helps to set laws and regulations at local and national levels, and ensure a company's commitment to compliance.

Suppliers
Suppliers and business partners include supply chains, global and strategic partners, distributors, and retailers. This stakeholder group is directly impacted by the organisation's expectations, values, and focus areas.

Industry peers
These are rarely impacted negatively by an organisation; rather, peers and influencers have the opportunity to view a company's practices and approaches in order to add value to their own company. The industry peers stakeholder group includes business organisations, industry-specific organisations, industry and trade associations, and travel professionals and agents.

Industry sustainability experts and influencers
These include institutions and universities, scientific community, and research experts who actively research and provide expertise within the industry and for sustainability.

Several other stakeholder groups
Other stakeholder groups can be found that are specific to the business model of a particular company or industry. Examples include:
Airlines — global airline associations and aircraft operators
Accommodation — property owners and franchisees
Cruise lines — policymakers
Travel Agency/Operator — travel agents and hotels
GDS — travel agents, airlines, hotels, and car rental companies

In addition to the basic categorisation, certain groups will be more relevant to some industries than others. For example, port destinations are a common stakeholder group specific to cruise line operators, and gaming boards will be relevant to organisations that operate casinos. Customers may be split out per the varying segments where guests and customers may differ, and business units of the organisation may necessitate other groupings, such as franchisees and timeshare owners.

In prior research, over half of reporting companies displayed identifiable stakeholder engagement mechanisms (such as surveying, interviewing, and panel discussions) to gain feedback or insight into key topics or report content/quality. This does not imply that the other half do not engage stakeholders, as some form of engagement exists with most stakeholder groups in all organisations (for example, investor calls are a form of engagement). However, the practice of incorporating stakeholder-identified issues into reporting is nascent within many reporting companies.

Several large companies, including Hyatt and Hilton, use materiality analyses to identify critical issues and impacts on their companies. Hyatt Thrive, Hyatt's CR platform and strategy, identifies the company's most important issues through an in-depth review of operations and value chain, and interviews with colleagues and stakeholders. Hyatt then publishes issue reports covering environmental stewardship, creating value in our communities, business ethics and human rights, caring for our colleagues, diversity and inclusion, and responsible sourcing, which continue to evolve as Hyatt develops a better understanding of material issues[9]. Hilton's Travel with Purpose strategy takes into account social and environmental issues that are not only impacted by the company but also critical pieces to success. The materiality assessment was conducted by ranking environmental and social issues based on their importance to business and stakeholders, and also by conducting stakeholder interviews. The issue areas included our people, local community impact, environment, and responsible sourcing, which each have incorporated goals and targets[10].

Stakeholder engagement for the purposes of sustainability reporting is still evolving in Travel & Tourism. A content analysis study of corporate reporting in the hotel industry in 2016 conducted by UN Environment Programme (UNEP) and the University of Surrey[11] found that most of the stakeholder exercises were consultative for the purpose of informing stakeholders or addressing some level of stakeholder pressure. The study also indicated that use of stakeholder engagement is varied in terms of how information is used to identify key reporting content.

9   https://thrive.hyatt.com/en/thrive/about-hyatt-thrive/overview.html
10   http://cr.hilton.com/approach/
11   UNEP, University of Surrey, Analysing the quality and credibility of Corporate Social Reporting in the Hospitality Sector, 2016.

3 REPORTING ON KEY ISSUES AND MATERIAL TOPICS

Advances have been made in pinpointing the key ESG issues that Travel & Tourism companies should address within their respective industries and consequently disclose regarding their strategy, programmes, and performance. Historically, GRI called for use of a structured process to define report content according to internal analysis and external stakeholder consultation, which resulted in a materiality matrix of key topics, prioritised by the degree of impact to the business and society. This approach, however, was not prevalent among Travel & Tourism reporters, the majority of which did not include a materiality matrix in the report, or outline a clear process of defining issues that resulted in the information actually being reported. Of those companies that reported a materiality matrix, some recurring topics could be found. In prior analysis of the top ten material aspects among Travel & Tourism reporters with a materiality matrix, the frequency of topics was as such:

Figure 4: 2014 Content Analysis of Commonly Reported Material Topics Among Reporters With a Materiality Matrix
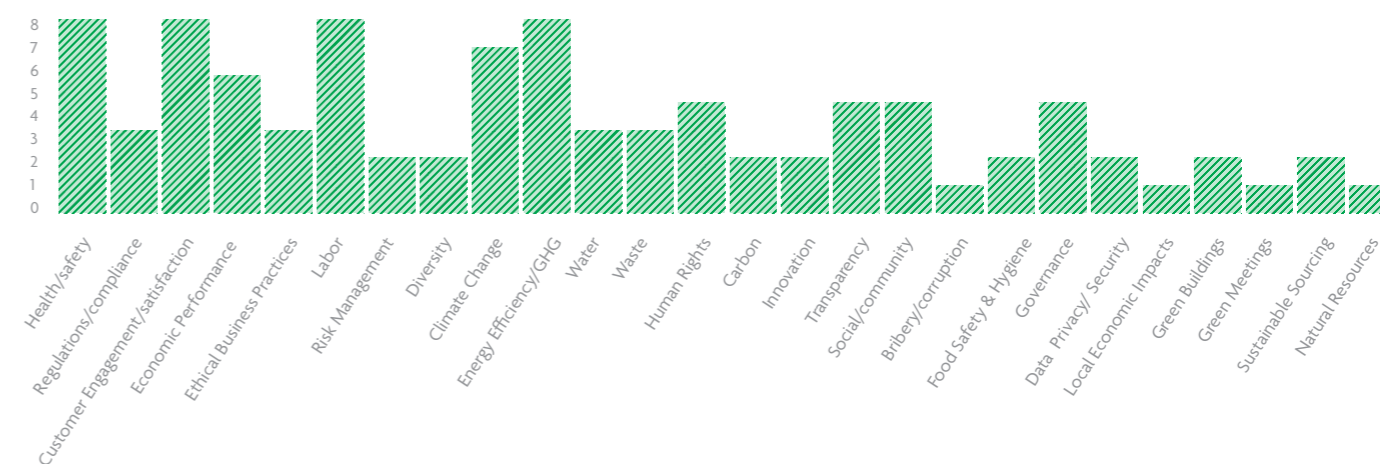
In truth, many organisations began sustainability reporting by using the indicators as a base for defining what information they will report, without fully considering or applying the methodology put forth by GRI. Thus, there is a wider distribution of the indicators found among reports, and just because reporting of certain indicators is not prevalent does not imply the topic is irrelevant. It may be a case of companies either being hesitant to report this type of information, or not having the data capture structure in place, or simply not having considered the topic before within the realm of ESG. Figure 5 shows the most and least commonly reported indicator categories across the sector. The UNEP/Surrey study also indicated that within the hotel industry, sustainability reports generally lacked transparency on the process used to prioritise key issues. This disparity between the ideal process of defining report content according to internal analysis and external stakeholder consultation versus how the report content in practice has been determined is a common gap across all sectors and not unique to Travel & Tourism. Furthermore, as companies within sectors generally have similar key issues and topics, industry and ESG initiatives began to define the common topics.

Figure 5: Most and Least Commonly Reported Indicators in Travel & Tourism GRI Reports

	Most Common
Across Sector	Energy use and conservation, GHG emissions, GHG emissions reduction efforts, Environmental impact mitigation efforts, Workforce data, Approaches to child labour, Climate change risks
Tour Operators	Amount of materials used, Training data, Habitat protection/restoration, Customer satisfaction, Diversity
Hotel	Community assessment, Skills Development and Performance Reviews, Diversity, Supply Chain Engagement
Cruise Lines	Anti-corruption training, Public policy positions, LCA assessments of products/services impacts, Habitat protection/restoration, Employee performance reviews, Collective bargaining, Customer data breach complaints, Waste generation
Airlines	Approaches to compulsory labour, Coverage of benefits, Diversity, Waste generation, Turnover, Collective bargaining

	Less Common, but Emerging
Across Sector	• Biodiversity value of water bodies and habitats affected by run-off and discharge • Wage ratios versus local minimum wage • Sources affected by water withdrawal • Water recycling • Data privacy

Risk Assessment

Assessment and disclosure of risks relating to environmental and social issues are increasingly gaining importance, as risk should be considered in prioritising topics. The CDP questionnaires perhaps provide the most thorough instance of risk disclosure in voluntary sustainability reporting. In collaboration with CDP in 2014, a benchmarking exercise of Travel & Tourism demonstrated how risks were being assessed.

Figure 6: Examples of Commonly Disclosed Risks and Opportunities within Travel & Tourism[12]

	Examples of Common Climate Risks Discussed in CDP Responses	Examples of Common Climate Opportunity Drivers Identified in CDP Responses
Tour Operators	Energy Efficiency	Cap and Trade Schemes, Fuel/Energy Taxes, Regulations
Hotel	Mandatory Carbon Reporting, Energy Efficiency, Flooding, Mandatory Water Efficiency/Conservation/Recycling/Process Standards, Declining Water Quality, Increased Water Stress or Scarcity	Emissions Reporting Obligations, Product Labelling Regulations and Standards, Product Efficiency Regulations and Standards, Carbon Taxes, Fuel/Energy Taxes and Regulations, General Environmental Regulations, Cap and Trade Schemes
Cruise Lines	Energy efficiency, Mandatory Carbon Reporting	Cap and Trade Schemes, Fuel/Energy Taxes and Regulations, Product Efficiency Regulations and Standards, Emissions Reporting Obligations
Airlines	Carbon Tax, Cap and Trade, Investment in Low-Carbon Fuels, Reputational Aspects	Cap and Trade Schemes, International Agreements, Emission Reporting Obligations, Fuel/Energy Taxes and Regulations, Product Efficiency Regulations and Standards

12   Prepared using data provided in partnership with CDP

Understanding the Critical Issues for the Future of Travel & Tourism

WTTC identified a need to strengthen awareness of the key issues affecting the sector and conducted a wide-ranging consultation of sustainability experts and stakeholders. The report Understanding the Critical Issues for the Future of Travel & Tourism outlines 43 issues across 8 different themes:

- Maintaining sustainable destinations in a changing world;
- Responsible business practices and leadership;
- Shifting innovation drivers in Travel & Tourism;
- The evolving labour market and employment practices;
- Travel, tourism, and environmental impacts;
- Travel, tourism, and health;
- Travel, tourism, and human rights; and
- Travel, tourism, and security.

The exercise identified four issues of greatest concern to the sector overall, which fall under the core areas of climate change, destination degradation, and disruption.

CRITICAL ISSUES FOR TRAVEL & TOURISM

Degradation of ecosystems, biodiversity, and landscapes: The direct contribution of Travel & Tourism and suppliers to degradation in environmentally sensitive areas such as coral reefs, nature reserves, and coastal regions. This can include waste and pollution at resorts, hotel expansion damaging local habitats, and insufficient marine protection measures causing damages to reefs. The risk to business is to maintain the quality of the destination, but also reputation and licence to operate, to manage a responsible supply chain, and being prepared to respond to regulation if operations are seen to be detrimental.

The impact of climate change on the attractiveness and long-term feasibility of certain destinations: As the largest component of global tourism, coastal destinations are particularly at risk from rising sea levels, flooding, hurricanes, storms, and acidification caused by climate change. Winter sport destinations are also affected by deterioration of snow conditions as a result of increased temperatures, and desertification is affecting arid areas. The risk to business comes from different consumer demands and the viability of operations. Additionally, travellers may increasingly opt for different destinations, rendering some tourism infrastructure at previously popular locations unused assets.

Safety and security preparedness and response: As security emergencies including terrorism, natural disasters, and civil unrest disrupt tourism operations at destinations, Travel & Tourism companies will need to have adequate procedures to respond to emergencies, including implementing procedures to coordinate with all levels of government law enforcement bodies.

Reduced travel to destinations affected by public health crises: Travellers avoiding destinations affected by public health crises such as disease, epidemics, and pandemics.

Within specific industries, the following most crucial issues were identified:

Airlines	Car Hire	Destinations	Hotels	Tour Operators
Safety and security preparedness and response	Safety and 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 and the quality and robustness of customer data privacy	Disruptive innovation and new business models	Reduced travel to destinations affected by public health crises	Safety and security preparedness and response	The effect of climate change on the attractiveness and feasibility of destinations
Investment in infrastructure	Governance and ethics	Compliance with regulatory requirements	Cybersecurity and 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 and pollution to land and water	Compliance with regulatory requirements	Safety and security preparedness and response
Reduced travel to destinations affected by public health crises	Corruption and anti-competitive behaviour	The effect of climate change on the attractiveness and feasibility of destinations	Attracting, developing, and retaining a skilled workforce	Child exploitation

Outlook on Material Topics in Travel & Tourism

At the time of this publication's release, the single largest phenomenon within sustainability reporting is the attempt to commonly define the key issues and topics with related specifications on how to disclose risks, management approach, and indicators of performance or scale. This trend holds true for Travel & Tourism as well. Our work undertaken to identify critical issues can be used as a framework for both companies to strengthen their identification of key issues in their respective sustainability reporting efforts and for sustainability experts to gauge the sector's progress and collaborative efforts to address these issues as disclosed in sustainability reports.

Given that disruption is a core area for the sector, it is also probable that key issues will fluctuate in priority over time, with new issues emerging or further manifesting themselves, and companies will have a continuous need to assess the critical ESG issues affecting business. In terms of structure and reporting, new initiatives will also provide more context and harmonisation, in particular the SDGs as they have the opportunity to match issues and risks with related efforts toward common goals and targets.

4 GOALS AND TARGETS

The use of goals and targets is now a common component of reporting, adding to the credibility of a company's intent. These may be quantitative or qualitative, with varying uses. Companies reporting according to the GRI standards are to disclose goals and targets as part of their management approach disclosure for the topics reported. Furthermore, the CDP questionnaire includes specific questions on the organisation's quantitative targets for GHG emissions, renewable energy use, and water reduction.

Setting quantitative reduction targets as a management approach has its mainstream roots in the Kyoto Protocol of 1997, which was based on country-level commitment to a carbon emissions reduction threshold decrease below a baseline year of 1990 levels[13]. This was followed by a best business practice of setting reduction targets from a baseline. Carbon targets are the most established and frequently occurring, though additional reduction targets for energy, water, and waste are also common. All reporters benchmarked within the Travel & Tourism universe mentioned some form of "goal" being set. However, only a fraction of these companies had set specific, quantifiable targets.

Figure 7: Prevalence of Energy, Water, Waste, and Carbon Targets in Travel & Tourism

	Overall Universe	Overall Universe Reporters
Set a GHG Target	11%	46%
Set an Energy Target	9%	36%
Set a Water Target	6%	26%

Most notable within Travel & Tourism is the use of intensity-based reduction targets, rather than absolute reduction targets. Absolute reductions, such as those proposed in the Kyoto Protocol, are outright based on aggregate output. Intensity-based reduction targets are based on a reduction per a unit of production, such as square footage, passengers, visitors, room nights, employees, or revenue dollars. Within benchmarked companies, absolute reduction targets in carbon, energy, water, or waste were found in only a handful of companies. Given that Travel & Tourism is expected to grow in contribution to the global economy from 10.2% in 2016 to 11.4% in 2027[14], aggregate reductions are unlikely to be obtainable for energy, water, and waste, given the expected growth of each company and general business models being based on centres of consumption increasing incrementally by guest and not based on process improvement in manufacturing or extraction. Aggregate reductions in GHG emissions, however, would be attainable in a switch to renewable energy and other low-carbon inputs.

Private Sector Commitments

Leading up to and since the Paris climate talks, several initiatives formed to engage business leaders in support of climate action. The Paris Pledge for Action was signed by over 1,300 businesses and public-sector organisations – including NH Hotels, YTL Hotels and Properties, and Club Méditerranée – in support of a universal climate agreement[15], which helped strengthen the case for the Paris Agreement that resulted. Similarly, the We Mean Business coalition rallied corporations to commit to at least one of a series of climate actions, of which three involve specific goals[16]:

- Setting a Science-Based Emissions Reduction Target;
- Committing to 100% of electricity coming from renewable sources, and;
- Committing to remove commodity-driven deforestation from the organisation's supply chain by 2020.

To date, the only Travel & Tourism organisations committing to 100% renewable energy under this initiative are Gatwick Airport and Heathrow Airport[17]. A few companies within the sector are, however, setting targets relating to renewable energy.

The Science-Based Targets Initiative (SBTi)[18] is a partnership between CDP, UNGC, WRI, and WWF for companies to establish their target of reduced emissions that aligns with the global decarbonisation scenarios put forth by the Intergovermental Panel on Climate Change (IPCC) and related entities. These targets are 'science-based' if they are in line with the level of decarbonisation required to keep the global temperature increase below 2°C compared to pre-industrial temperatures[19]. Using the Sectoral Decarbonization Approach research[20], Travel & Tourism industries fall within the following categories, each with their respective decarbonisation path by 2050.

WTTC Industries	Sectoral Decarbonization Approach Categories
Accommodations	Service Buildings
Airlines	Aviation Passenger Transport
Cruise Line	Other Transport
Travel Agency/Operator	Other Industry
GDS	Other Industry

13   'Kyoto Protocol.' Kyoto Protocol. United Nations Framework Convention on Climate Change, nd Web. 31 Mar 2014. <unfccc.int/kyoto_protocol/items/3145.php>.

14   Travel and Tourism Economic Impact 2016 World. Rep. WTTC, nd Web. 20 March 2017. < https://www.wttc.org/-/media/files/reports/economic-impact-research/regions-2016/world2016.pdf >.

15   http://www.parispledgeforaction.org/

16   www.wemeanbusinesscoalition.org

17   http://www.un.org/sustainabledevelopment/sustainable-development-goals/

18   http://sciencebasedtargets.org/

19   https://www.ipcc.ch/report/ar5/

20   The Sectoral Decarbonization Approach, or SDA, is a report developed by the Science Based Targets initiative with CDP, UN Global Compact, World Resources Institute, and WWF, which allocates and quantifies the RCP 2.6 Scenario of 2°C temperature rise among the largest macro sectors of the economy. For more information see www.sciencebasedtargets.org

Of the 270+ companies that have publicly communicated having set or committing to set a science-based emissions reduction target, a handful represent Travel & Tourism. To date, five Travel & Tourism companies have adopted a science-based target. These companies include Wyndham Worldwide, Royal Caribbean Cruises Ltd, and Caesars Entertainment Corp. An additional ten companies plan to adopt a science-based target within the next few years, including Hilton Worldwide, InterContinental Hotels Group, The Inspiring Travel Company, Mandarin Oriental, The Hongkong and Shanghai Hotels, Marriott International, Meliã Hotels International, NH Hotels, Whitbread, and Las Vegas Sands Corp.

Alignment with the UN SDGs

In 2015, countries around the world adopted a set of 17 goals to end poverty, protect the planet, and ensure prosperity, all as part of a new sustainable development agenda. The UN SDGs[21] consist of specific targets planned to be achieved by 2030. Although not legally binding, countries across all economic levels are expected to establish national frameworks to achieve the goals by the deadline. The end result of the goals can have a major positive effect on companies by improving their environments and building markets. Companies within the Travel & Tourism sector are putting forward efforts to commit to, or align with the SDGs.

Figure 8: Examples of UN SDGs Being Referenced in Travel & Tourism Sustainability Reporting

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TUI Group	"In 2016, we reviewed our activities against the goals and intend to use them as a benchmark in future to assess the relevance of our initiatives. Sustainable tourism is specifically mentioned in three of the goals – SDG 8 on decent work and economic growth, SDG 12 on sustainable consumption and production, and SDG 14 on life below water. "The SDGs were an important factor in the development of the TUI Care Foundation – our primary platform for funding destination initiatives – and will inform our strategy going forward".
All Nippon Airways	"Sustainable Development Goals were approved through a unanimous decision. Based on these goals, the ANA Group will inspect its operations from the perspective of their impact on society during the fiscal year ending March 2017. The findings will be incorporated into the next Medium-Term CSR Policy to guide us in carrying out CSR activities on a global scale".
Meliã Hotels International	"Each of the six pillars [six pillars: Human Rights & Childhood, Employability, Climate Change & Local Development, University & Knowledge, Culture, Leadership & Recognition] that make up the CSR model is defined by clear and specific goals designed to generate value and profits for the companies in which the hotel plays an active role; each one is linked to the 17 SDGs adopted at the Sustainable Development Summit, held in September 2015, at which the UN member states adopted the 2030 Agenda for Sustainable Development aiming, among other things, to end extreme poverty, combat inequality and injustice, and tackle climate change".
Mandarin Oriental Hotel Group	"The Sustainable Development Goals serve as an important reference point for our Company, as we execute our corporate responsibility policy and programmes. "Energy, water, health, biodiversity, sustainable cities and other topics that inform our long-term outlook on corporate responsibility are captured within the United Nations' Sustainable Development Goals and the associated targets for each goal".
Marriott International	"Marriott is working to address a set of 17 Sustainable Development Goals (SDGs) to end poverty, fight inequality and injustice, and tackle climate change by 2030. Relevant Sustainable Development Goals include: SDG 8, SDG 9, SDG 10, SDG 12, SDG 17."
Soneva	"Seafood Business for Ocean Stewardship will, for the first time, connect wild capture fisheries to aquaculture businesses, connect European and North American companies to Asian companies and connect the global seafood business to science. The ambition is to lead a global transformation towards sustainable seafood production and a healthy ocean. The initiative will actively contribute to the United Nations Sustainable Development Goals (SDGs), and in particular Goal 14 – Conserve and sustainably use the oceans, seas and marine resources".
Hilton Worldwide	"The Hilton Foundation recognizes the universality of the SDGs and sees them as an opportunity to leverage not only our international, but also our domestic grantmaking efforts. The challenges of poverty, quality education, and quality health care are universal challenges that are directly related to our more focused domestic program efforts. We believe philanthropy can play an important role not only by investing in solutions to a particular problem but also by facilitating collaboration among stakeholders through partnership platforms in order to create greater collective impact. The SDGs by their very nature require such collaboration. One pertinent example of this is our investment in the Home for Good offsite link initiative in Los Angeles that has brought government, philanthropy, and the private sector together in a coalition to end veterans' homelessness in Los Angeles by the end of this year and to end chronic homeless in LA altogether by the end of 2016".

5 INDUSTRY REPORTING OUTLOOK

Sustainability reporting is likely to continue increasing among the Travel & Tourism universe of potential reporters and WTTC Members as it becomes mandated on stock exchanges and within the EU in the short term. Initiatives such Science Based Targets, common goals such as the SDGs, and deeper value chain engagement present opportunities to increase sustainability reporting, awareness of sustainable tourism concepts, and real progress. For this to happen, privately held Travel & Tourism companies, as well as smaller entities and even SMEs will need to join in disclosing their approach and performance toward common objectives.
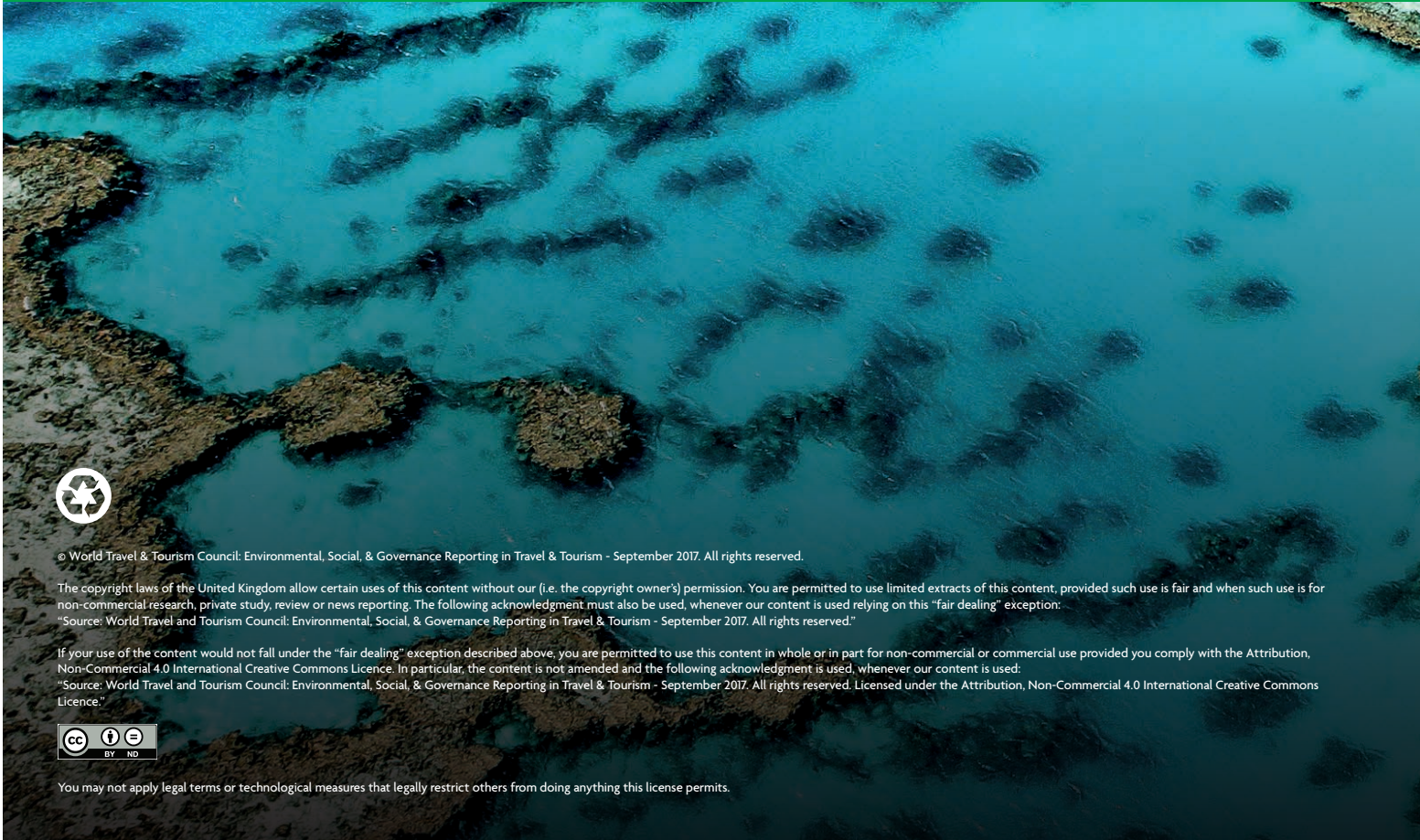
Reporting within Travel & Tourism has the potential to positively impact destinations and address the growing concerns of destination degradation. However, several important gaps need to be filled. Tour operators, hotels, cruise lines, airlines, and other industries must provide relevant information for their stakeholders and bridge the gap between material topics and stakeholder engagement, including destination stakeholders. The need to disclose risks should be addressed not only at the industry level but also within the context of critical destinations of operation concerning environmental and social issues. For example, an organisation that operates in a location of extreme water stress may disclose its water consumption, set more specific water targets, dedicate more resources and focus to those areas, and respond to the CDP Water questionnaire. Setting goals and targets within and specific to a destination, in addition to sector-specific goals and targets, can result in positive environmental and social impact. The reporting of economic impacts of Travel & Tourism provides great value to a destination, in terms of providing environmental and social costs related to initiatives and policies.

21   http://www.un.org/sustainabledevelopment/sustainable-development-goals/
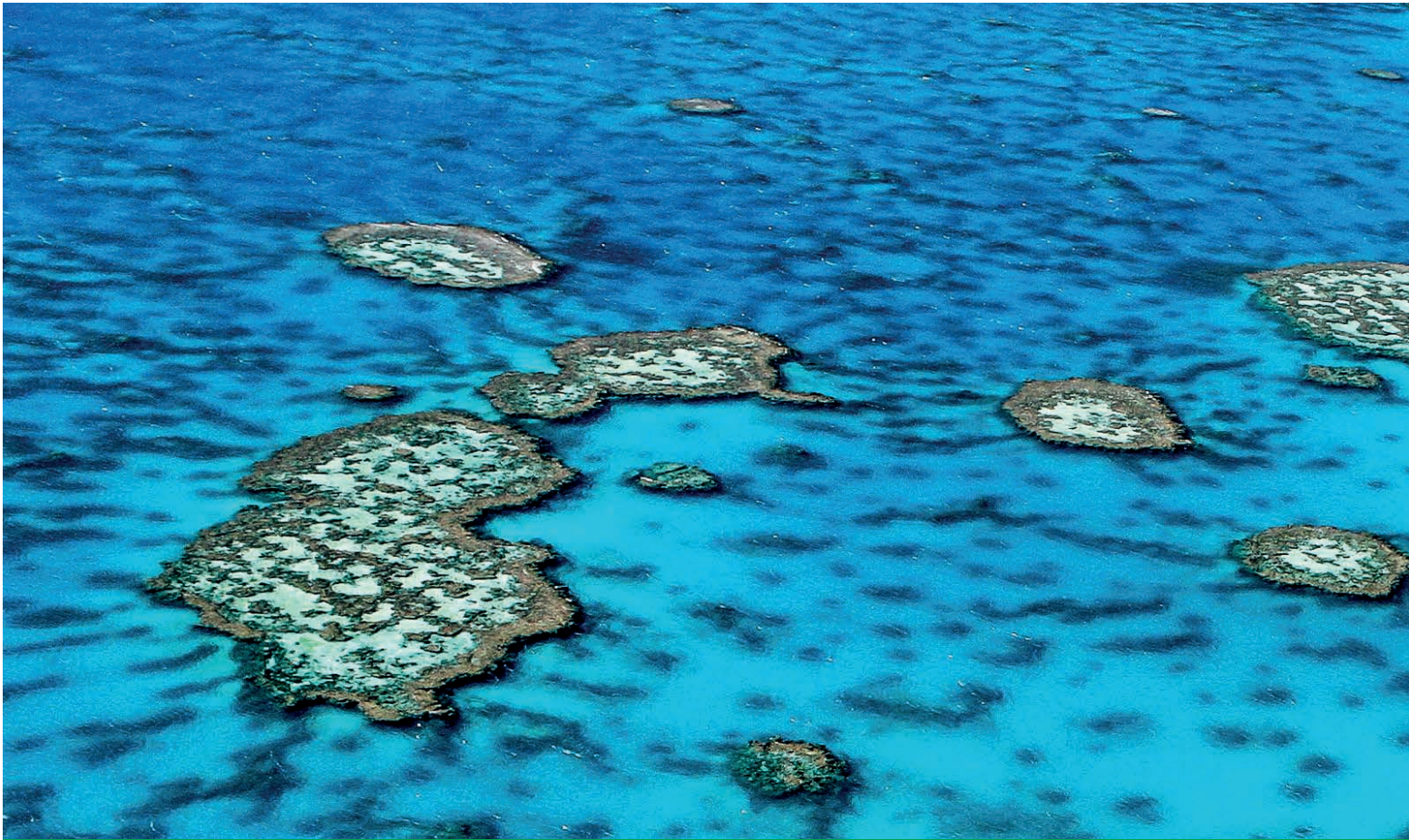
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