



EUROPEAN SUSTAINABLE HOSPITALITY CLUB

FOR EXCELLENCE IN TRAVEL & LEISURE



Eco Hotel Investment Summit

Hospitality Impact Investing (HII) Initiative & Standards

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Founding Partner

European Sustainable Hospitality Club

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WORLD of
GLAMPING

eco
RESORT
NETWORK

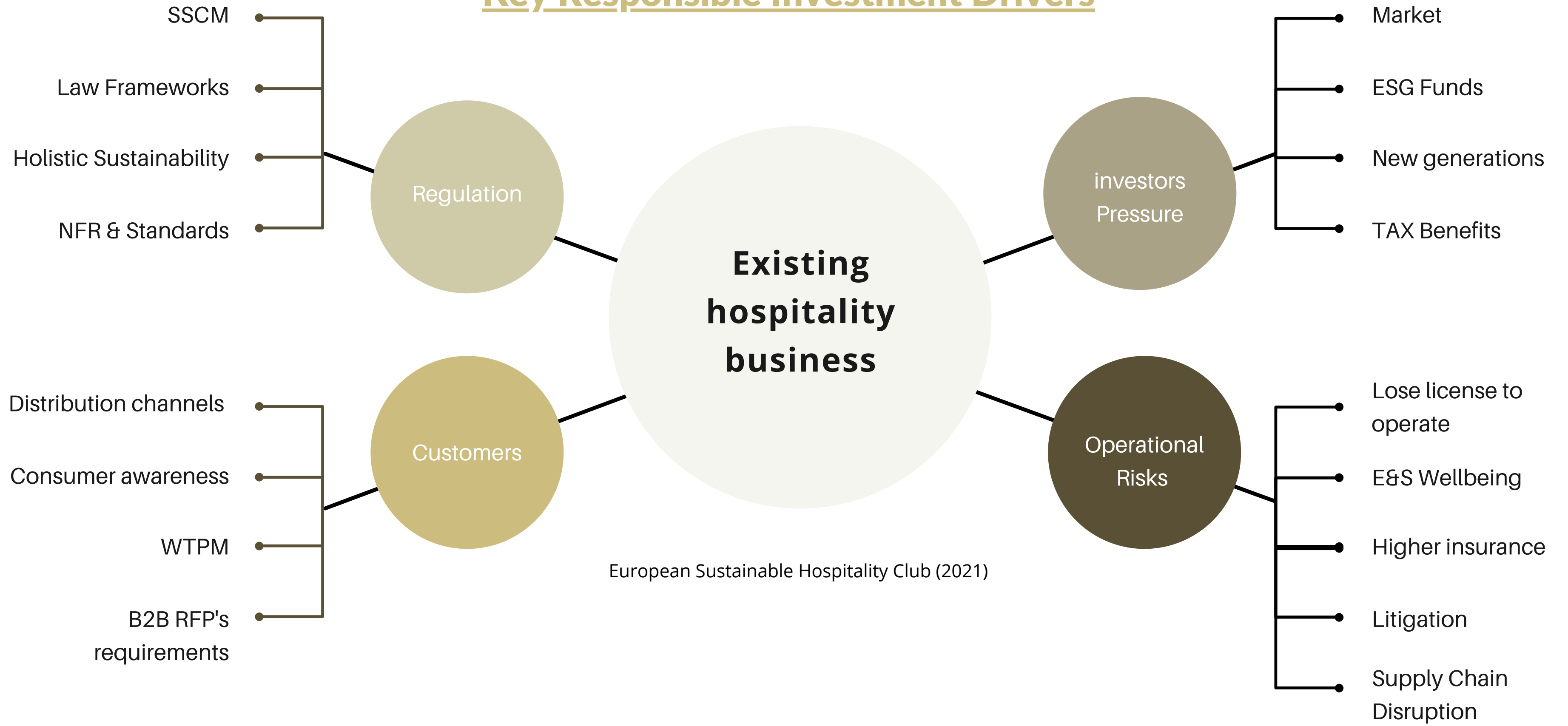
Service & Significance

why?



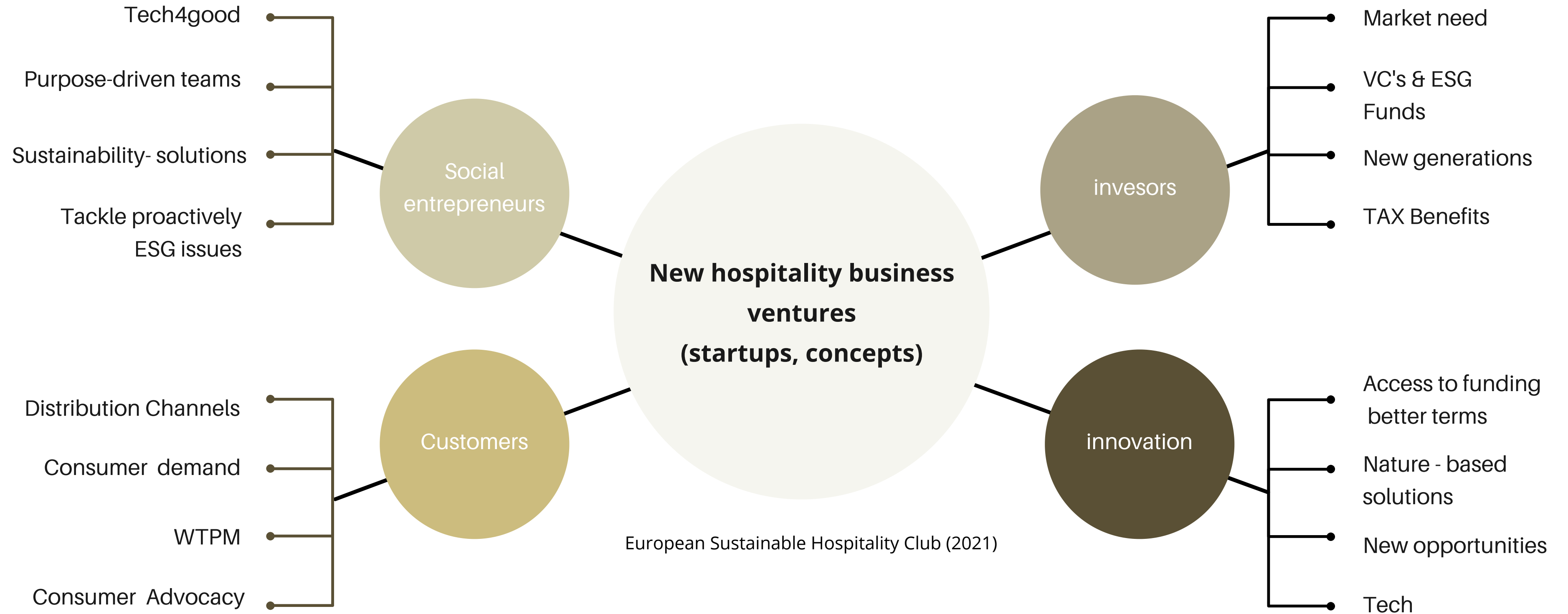
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Key Responsible Investment Drivers



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Key Responsible Investment Drivers





The HII focus on **Hospitality industry-specific ESG issues**. It is key that we provide smart investment strategies that tackle economic, environmental, and social challenges.

Why we started the HII initiative and why is it important?

- **Improve materiality on SDGs social and governance issues.**
- To **price risks** (economic impact on EBITDA and financials)
- Analyzing ESG complexities and understanding it as a Fiduciary duty.
- To stress the importance of effectively managing ESG issues, from asset owners to investment managers to companies.
- Demand for better ESG disclosures from hospitality assets that investors own
- Support asset managers to drive investors' attention to long-term strategies and ESG investment value.

Investment Landscape



NEGATIVE SCREENING

(not investing in companies to avoid risk or for not being aligned with values)

POSITIVE SCREENING

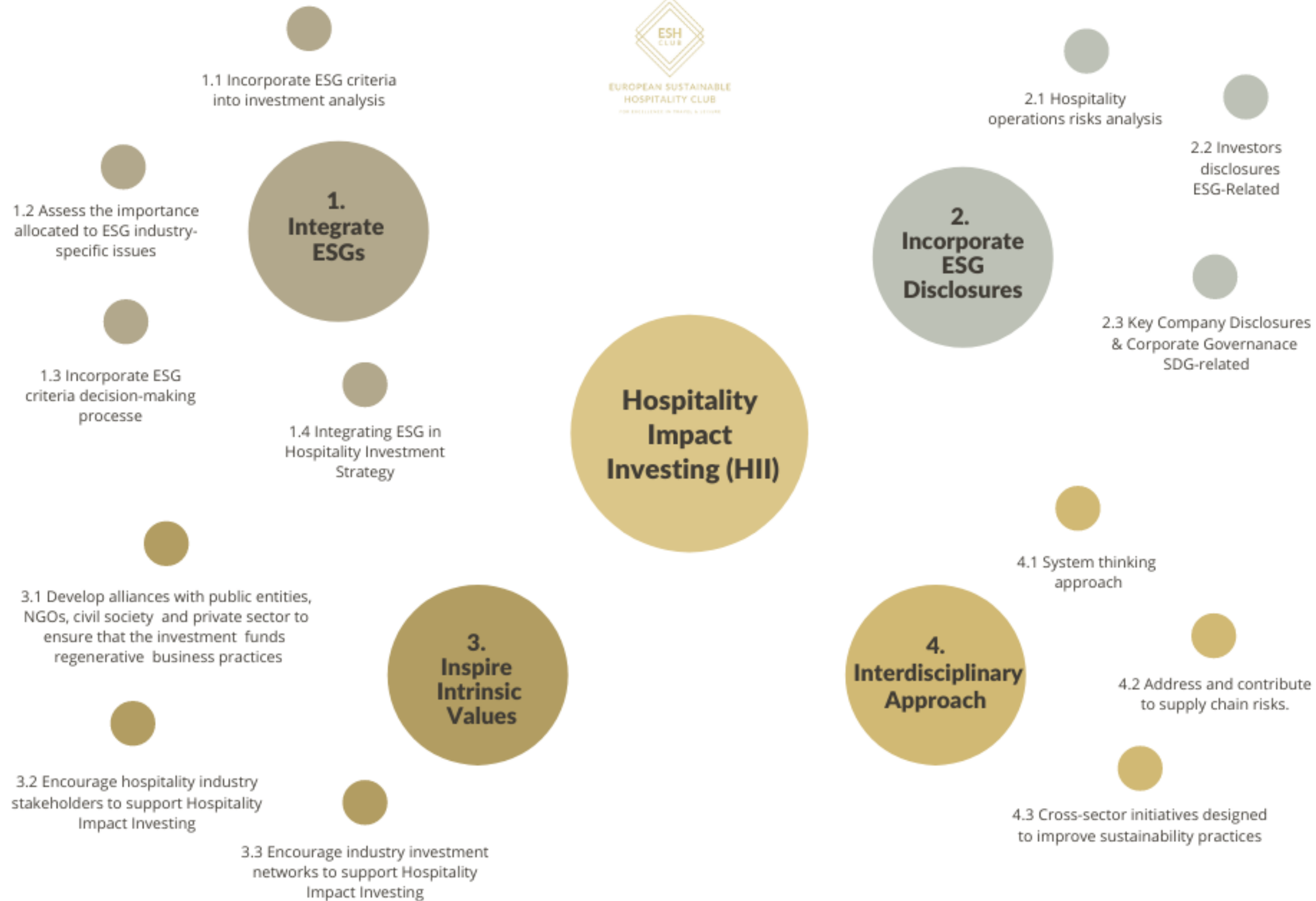
(targeting companies that have better ESG performance)

SUSTAINABILITY- THEMED INVESTMENTS

(such as green building investments)

IMPACT INVESTMENT

Impact investing occurs when companies target social and environmental impacts proactively, benefit stakeholders, report and measure their impact



ESG'S

CARING ABOUT SOCIETY IS NOT AT THE
EXPENSE OF PROFIT, IT SUPPORTS PROFIT

POTENTIAL INCREASE IN ASSET VALUE

- Increase in value of current owned real estate
- Increase in value of company operated hotels
- Increase in value of company investment portfolio

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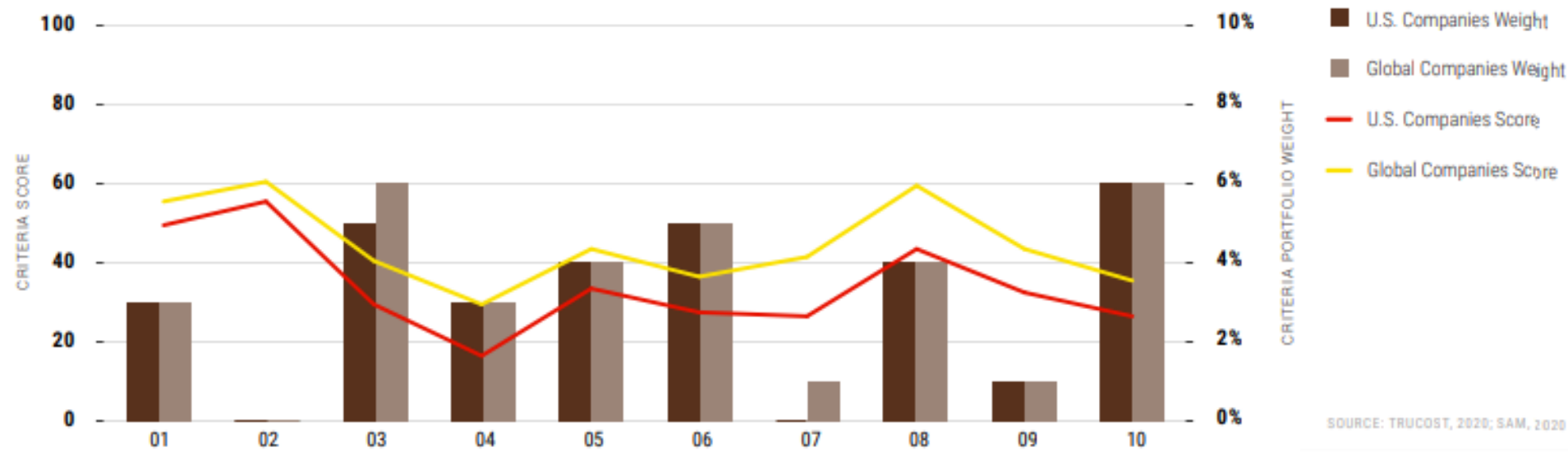
POTENTIAL RISKS

Higher:

- energy expenses
- shipping and transportation expenses
- maintenance expenses
- material costs
- water costs
- waste disposal costs
- insurance premiums
- litigation expenses
- compliance expenses
- cost of expense
- attrition rates costs

U.S. Companies Score Lower Across Most ESG Criteria, Compared to Global Companies

SOCIAL CRITERIA WEIGHTS AND PERFORMANCE

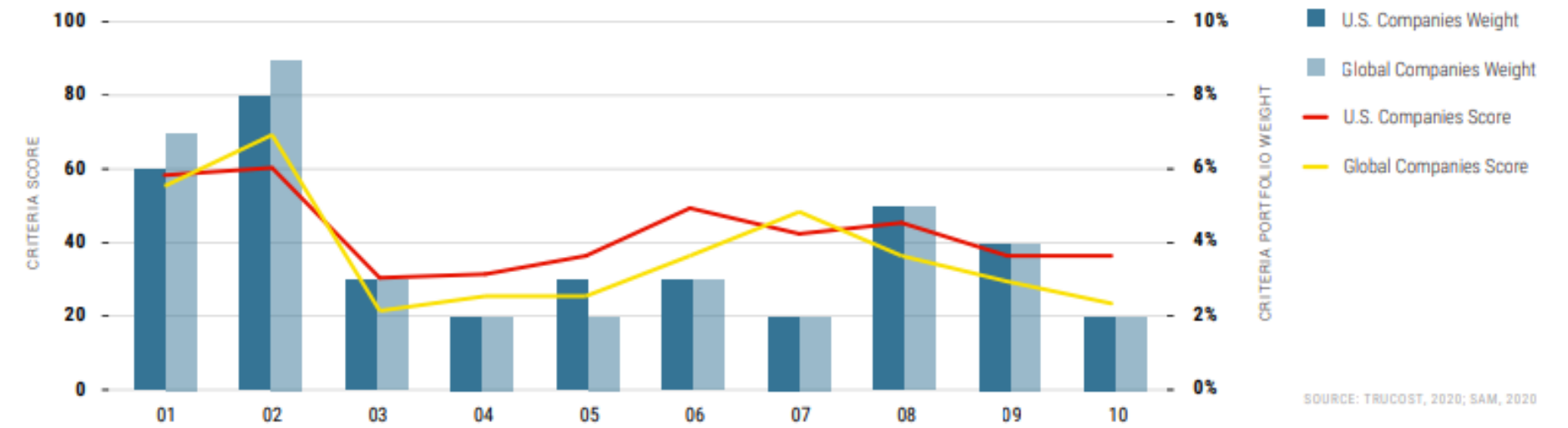


- 01 / Corporate Citizenship & Philanthropy
- 02 / Health Outcome Contribution
- 03 / Human Capital Development
- 04 / Human Rights
- 05 / Labor Practice Indicators
- 06 / Occupational Health & Safety
- 07 / Social Impacts on Communities
- 08 / Social Reporting
- 09 / Stakeholder Engagement
- 10 / Talent Attraction & Retention

SOURCE: TRUCOST, 2020; SAM, 2020

U.S. Companies Score Lower Across Most ESG Criteria, Compared to Global Companies

GOVERNANCE CRITERIA WEIGHTS AND PERFORMANCE



- 01 / Codes of Business Conduct
- 02 / Corporate Governance
- 03 / Customer Relationship Management
- 04 / Information Security
- 05 / Innovation Management
- 06 / Materiality
- 07 / Policy Influence
- 08 / Risk & Crisis Management
- 09 / Supply Chain Management
- 10 / Tax Strategy

SOURCE: TRUCOST, 2020; SAM, 2020

8 IN 10 MILLENNIAL INVESTORS PUT ESG FIRST

A survey of millennial investors around the world found that some 77% of them say that environmental, social and governance concerns are their top priority when considering investment opportunities.

77%

Did you
know?

women and millennials are
responsible for the doubling
of ESG assets to **\$8.1 trillion**
worldwide since 2014

INVESTMENT NEWS

SUSTAINABLE DEVELOPMENT GOALS (SDGS)



According to the Business and Sustainable Development Commission, putting the SDGs at the heart of the world's economic strategy could unlock \$12 trillion in economic opportunities and 380 million jobs by 2030.

\$12 T
380M

LET'S DISCUSS AND ANALYZE TOGETHER



- Companies must have **systems and practices in place enabling them to know and show that they respect human rights.**
- To include an ongoing risk-management process to identify, prevent, mitigate and account concerning business practices.
- Many investors and other stakeholders are actively expressing the need for deeper transparency on the ESG strategies of companies

Hospitality Impact Investment (HII) initiative

1

Integrate **ESGs in investment opportunities** to screening hospitality businesses

2

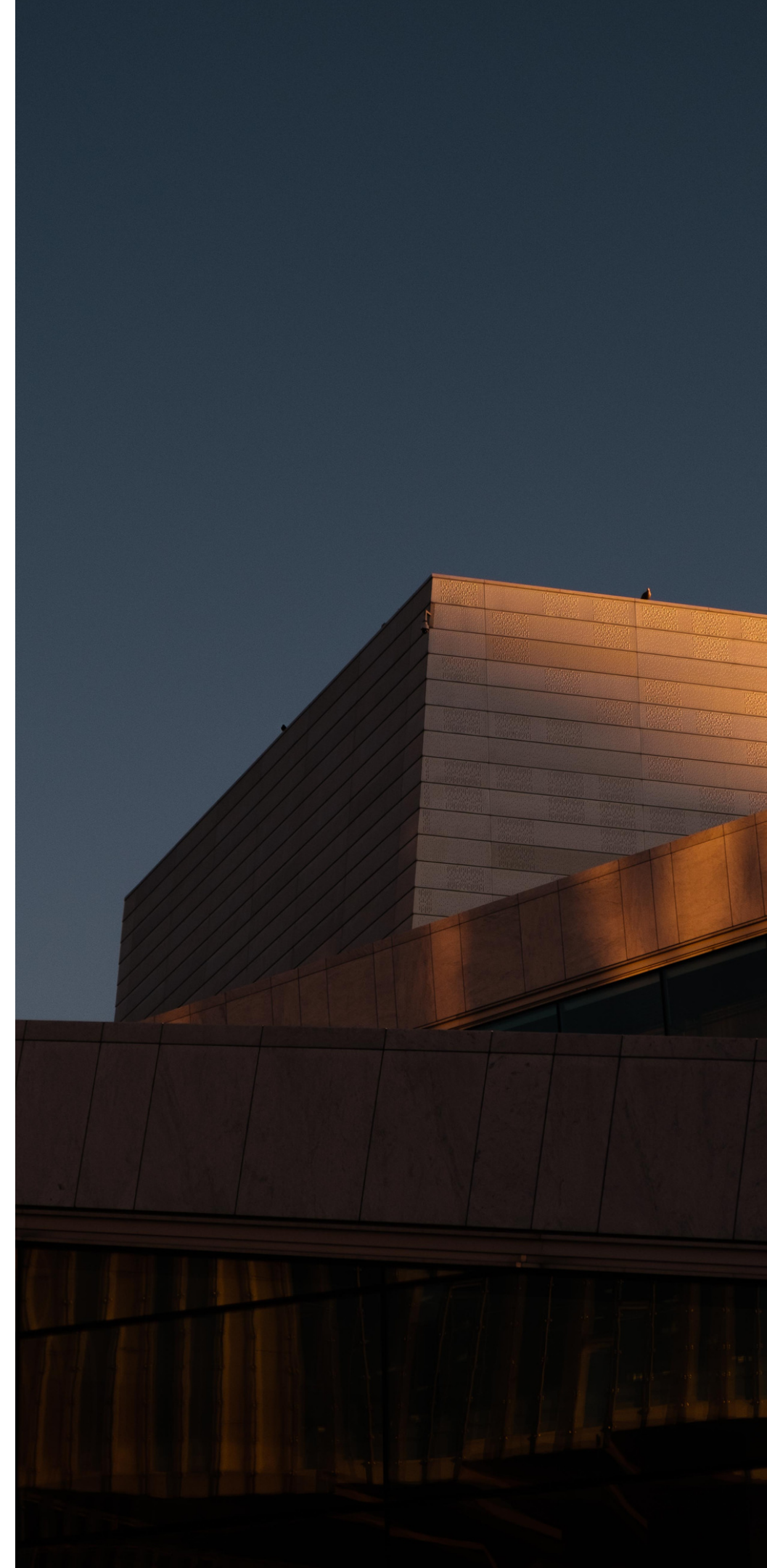
Incorporate **ESG disclosures** for hospitality businesses

3

Inspire: **intrinsic values** in leadership practices

4

Include an **interdisciplinary approach**



1. INTEGRATE ESGS

When investing in hospitality businesses, it is key that we incorporate Environmental, Social, and Governance criteria into investment analysis and decision-making processes.

Especially important in the hospitality industry, activities such as:

- Mergers and acquisitions
- Intercontinental transactions
- Workforce practices, especially employment conditions in developing countries
- Land usage, construction, commercial properties, and recreation activities
- Sourcing and supply chain management
- Biodiversity conservation in destinations
- Data management (protection and privacy)
- ESG and SDGs have to be evaluated simultaneously to commercial viability / feasibility

1. INTEGRATE ESGS

	Active Ownership	Active Management	Institutional Investment
<u>ESG criteria</u>	Owners / asset managers Require equity and REIT investors to use shareholder power	Developers/ Operators Supply Chain: include ESG in sub-contractors agreements	Institutional investment/ Bonds Integrate ESG in due diligence at transaction, valuation/ assessment
Environmental	CDP, SDG Impact, SBTi, investment management agreement (IMA), CA100+	GRI, Natural Capital Coalition	TCFD, SASB, EU taxonomy, CA100+
Social	UN global compact SDG Impact, investment management agreement (IMA), WBA - CSI, SA8000	GRI, SROI, Total Social Investment (TSI)	SASB, S&P Trucost, CHRB, SA8000
Governance	WEP, Stewardship, PRI, SDG Impact, SDG Action Manager, DDQ, investment management agreement (IMA)	GRI, PPP, AIP, IIRC, MIT Living Wage Tool, B Corp, CHRB	EU taxonomy, PRI, IFC's Operating Principles for Impact Management, due diligence, WDI, CHRB

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2. ESG DISCLOSURES

For active equity managers, the key will be to identify the right non-financial metrics in social or human capital issues.

Example in hospitality operations risks investors require to pay attention to:

- **Deforestation and Land Use.** Unsustainable forest loss will interrupt access to raw materials through decreased reliability on quality can disrupt its availability.
- **Biodiversity Loss.** From construction to destination selling points, many aspects of the hospitality industry depend on wild-sourced resources. Freshwater availability. Hospitality businesses depend on water consumption and withdrawal, especially in water-stressed areas. This scarcity can contribute to community and government conflicts and impediments to run operations in certain areas.
- **Human Rights.** The risk for incidents, such as child, poverty, forced or compulsory labor, human trafficking, diversity, overtime, and labor rights abuse still in some cases, inclusion and gender equality are a threat to the industry. Hospitality businesses should include policy commitment to meet their responsibility to respect human rights.

Due diligence processes must be in place to identify, prevent, mitigate and account for how hospitality industry businesses and investors tackle their impacts on human rights.

2. ESG DISCLOSURES

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Example in hospitality operations risks investors require to pay attention to:

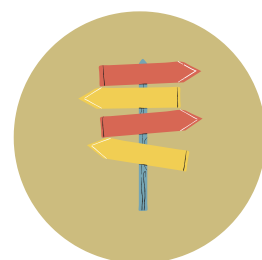
- **Climate-related risks:** heatwaves and disasters such as hurricanes, droughts, and wildfires have increased in both frequency and intensity. This can disrupt operations and company strategy. Its consequences such as involuntary migrations due to extreme weather events, instability, rising sea levels (for instance, in coastal properties).
- **Prosperity.** Working conditions and a living wage, working hours, economic contribution, investing in women living in low- and middle-income countries (LMICs), supporting women-owned businesses, local communities, and its products and services.
- **Sustainable Supply Chain Management.** Qualification questionnaires for contractors, service, and product providers. These threats have prompted hospitality businesses to evaluate their operations, including their supply chains, and to set ambitious environmental, social and good governance goals.

2. ESG DISCLOSURES

1. Invest in **nature-based hospitality businesses and projects**, that are focused on **conservation**, positively impact **local economies**, and **proactively tackle social and environmental issues**.
2. Local but **multicultural, gender diverse, and not discriminatory**.
3. **Value local products and economies**.
4. **Transparency driven**, tracking and reporting on financials and NFR social and environmental data.



Incorporate ESG issues into their hospitality companies within their portfolio, investment analysis and decision-making processes.



Monitor company reporting



Engage with industry entities to encourage high standards of corporate governance and corporate sustainability performance.

Institutional investors



- ESG materiality for hospitality-specific issues for their investments ESG & SDG's related objectives and targets
- Monitor not only policies, objectives, and targets, but achievements and leadership commitment
- Analysis of risks and opportunities presented by hospitality-specific ESG issues to investors' portfolios. To what extent are investments EU Taxonomy compliant?

Investors

3. INSPIRE ITRINSIC VALUES

Encourage hospitality industry investment networks and stakeholders to support Hospitality Impact Investing and drive investment for hospitality businesses that proactively tackle social and environmental issues in every investment activity and decision making process.

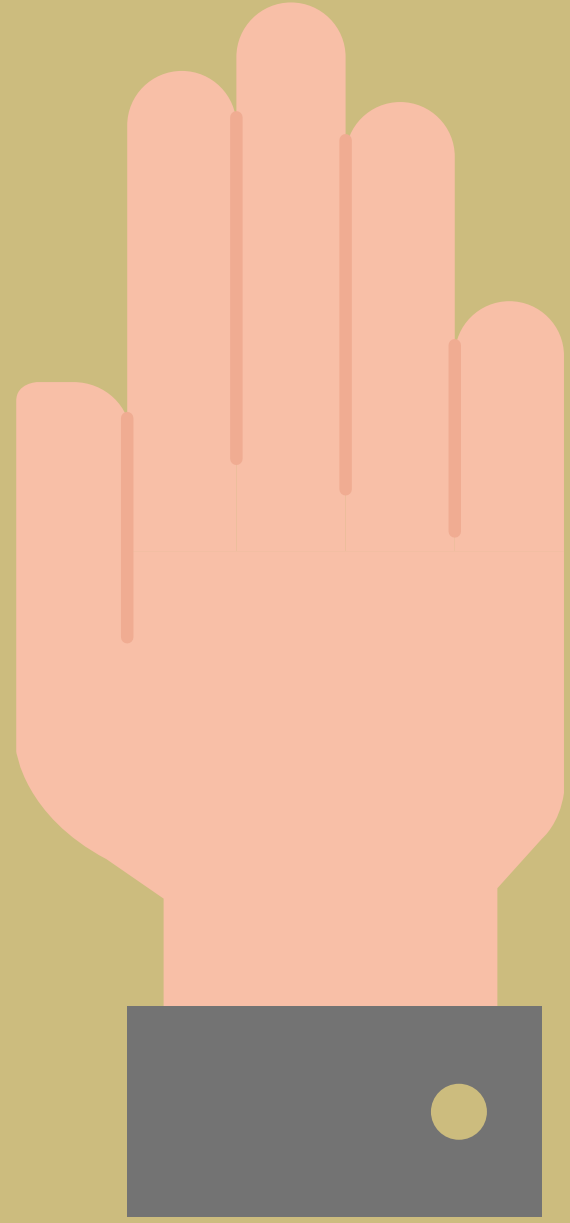
In line with SDG 17, to create **alliances with public entities, NGOs, civil society organisations, and other private entities to ensure that the hospitality activity we invest in supports a regenerative tourism activity**, acts as a responsible lobby and support policy.



4. INCLUDE AN INTERDISCIPLINARY APPROACH

- Investor networks to form partnerships and engage in cross-sector collaboration. Since ESG risks assessments are likely to be common practice within hospitality, the formation of initiatives via industry groups and partnerships with peers may help achieve common supply chain goals, particularly in developing countries.
- Cross-sector initiatives designed to transform markets toward improved sustainability practices making significant contributions to address supply chain risks.





Q & A