HOTELS & LODGING
Research Brief

SASB’s Industry Brief provides evidence for the material sustainability issues in the Hotels & Lodging industry. The brief opens with a summary of the industry, including relevant legislative and regulatory trends and sustainability risks and opportunities. Following this, evidence for each material sustainability issue (in the categories of Environment, Social Capital, Human Capital, Business Model and Innovation, and Leadership and Governance) is presented. SASB’s Industry Brief can be used to understand the data underlying SASB Sustainability Accounting Standards. For accounting metrics and disclosure guidance, please see SASB’s Sustainability Accounting Standards. For information about the legal basis for SASB and SASB’s standards development process, please see the Conceptual Framework.

SASB identifies the minimum set of sustainability issues likely to be material for companies within a given industry. However, the final determination of materiality is the onus of the company.

Related Documents

- Hotels & Lodging Sustainability Accounting Standards
- Industry Working Group Participants
- SASB Conceptual Framework

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INTRODUCTION

The Hotels & Lodging industry plays an important role in the global and domestic business and tourism markets. The broader tourism industry is responsible for nearly one in 11 jobs globally. By providing accommodations for both business and leisure travelers, the hotel industry helps facilitate both domestic and international business and provides support to communities dependent on tourism. In some countries, tourism represents a large percentage of the country's GDP and employees represent a large portion of the population. For example, in the British Virgin Islands, Maldives, and Bahamas, tourism represents 27, 22.4, and 22 percent of GDP directly, and employees, 33, 21, and 31 percent of the population respectively.

Hotel operations are relatively resource-intensive and can create a lasting impact on the local environment. Many hotels are located in sensitive ecological habitats, where the majority of tourism takes place. Approximately 80 percent of all tourism takes place in coastal areas, often near beaches and delicate coral reefs. Therefore, the hotel industry has a social responsibility to ensure that these locations are not abused, and to support the local communities in which they are allowed to operate. Additionally, due to many large resorts being located in coastal areas, the industry faces challenges from shifting weather patterns and rising sea levels associated with climate change. These climate trends have the ability to damage hotel properties and influence the demand for tourism in coastal areas around the world. This potentially harms not only hotel companies, but also the communities in which they operate. The Hotels & Lodging industry also relies heavily on human capital for guest services and daily operations. These jobs typically require low-skill labor and long working hours and are filled by a large percentage of women and immigrants. Mismanagement of fair labor practices can result in disgruntled workers and high turnover, as well as result in new wage regulation that is costly to the industry.

Therefore, management (or mismanagement) of material sustainability issues has the potential to affect company valuation through impacts on profits, assets, liabilities, and cost of capital.

SUSTAINABILITY DISCLOSURE TOPICS

**ENVIRONMENT**
- Energy & Water Management
- Ecosystem Protection & Climate Adaptation

**HUMAN CAPITAL**
- Fair Labor Practices
Investors would obtain a more holistic and comparable view of performance with hotel companies reporting metrics on the material sustainability risks and opportunities that could affect value in the near and long term in their regulatory filings. This would include both positive and negative externalities, and the nonfinancial forms of capital that the industry relies on for value creation.

Specifically, performance on the following sustainability issues will drive competitiveness within the Hotels & Lodging industry:

- Energy & Water Management in operations as it relates to the industry’s ability to reduce its overall energy and water usage in order to limit its environmental impact and create cost savings;
- Ecosystem Protection & Climate Adaptation as it relates to the industry’s exposure to coastal areas that may be damaged by inclement weather and rising sea levels, and result in declining tourism rates;
- Fair Labor Practices as it relates to the industry’s treatment of workers that may help to boost engagement and reduce turnover costs.

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1 Industry composition is based on the mapping of the Sustainable Industry Classification System (SICS\textsuperscript{TM}) to the Bloomberg Industry Classification System (BICS). A list of representative companies appears in Appendix I.
by depreciation and rent. Since hotels increasingly do not own buildings, rent expenses for the industry are rising while share of depreciation is decreasing. The hotel industry is seasonal by nature, with revenues being lowest in the first quarter and highest in the third and fourth quarters due to summer vacation and holiday travel.

Within the U.S., the total market for hotel accommodations is relatively split between business and leisure travel. Hotel and lodging companies are experiencing a boost from international travel as the economy recovers in the years following the 2008 recession. According to the World Tourism Organization, the number of international tourists reached 1,087 million travelers in 2013, up five percent from 2012. During that period, for the first time ever, over 1 billion people traveled internationally. Roughly 52 percent of all international visits in 2013 were attributed to leisure, recreation, and holidays. Next, 27 percent traveled for visiting friends and family or for health reasons. Lastly, 14 percent traveled for business and professional reasons. The industry has gradually recovered from the global recession of 2008 to 2010, when revenues fell sharply due in large part to declines in global business and leisure travel. The global Hotels & Lodging industry generated $145 billion in revenue, with 85 percent generated by non-casino hotels and motels. In 2013, the median operating margin for such traded companies was 10.8 percent, while the median net profit margin was 4.9 percent. Prior to the financial crisis, companies were experiencing margins of about 17 percent and 12 percent for median operating and net profit margins respectively. But during 2008 and 2009, they fell to about 7.5 percent and 3.5 percent respectively.

Growth in the global middle class will be a key industry driver in coming years. The global middle class is expected to rise to five billion people by 2030 from two billion in 2010, with growth occurring primarily in Asia, the Middle East, Latin America, and Africa. As the industry has matured in North America and Europe, companies are focusing on developing markets, such as China, for their strategic expansion plans. Like most global companies, large hotel chains operate across many regions of the world and have to navigate various legislative regimes. For example, by the end of 2012, InterContinental Hotels Group operated in nearly 100 countries, Marriott in 72, and Hilton in 78.

While most major companies are U.S.-domiciled, a handful of large hotel chains, namely InterContinental and Accor, are headquartered internationally. The top four players—Hilton Worldwide, Marriott International, InterContinental Hotels Group, and Starwood Hotels and Resorts—control 41 percent of the domestic hotels and motels revenue. Their market share has increased in recent years as merger and acquisition (M&A) activity has been on the rise. Most of the expansion was achieved through franchising,
which requires lower capital outlays and exposes operators to fewer risks. Expansion through franchising requires hotels and lodging companies to have a well-established reputation, which is what makes brand recognition one of the biggest barriers to entry for new players. Nonetheless, large hotel and motel chains may face some competition from smaller operators and privately held companies.

Businesses are often structured and source revenue in one or more of the following ways: direct revenue from hotel services, including room rental and food and beverage sales; management and franchise services with fees and royalties revenue; and revenue generated from the selling of residential real estate. According to IBISWorld’s report on hotels and motels in the U.S., 75.3 percent of revenues come from rentals of hotel and motel rooms, followed by 12.5 percent of industry revenue food and beverage sales, and 4.2 percent from conference room rentals.

The industry is very capital-intensive for hotel owners, as large upfront investments in buildings, fixtures and equipment are necessary to operate large hotel facilities. The per-room cost of construction varies from $65,200 for budget hotels to $598,500 for luxury hotels and resorts. This high level of capital intensity has led to some consolidation amongst the largest operators. As mentioned earlier, some companies have also started to transition their business models away from direct property ownership, favoring a hotel management structure via franchising and third party property ownership agreements that seek to limit the amount of upfront capital and maintenance costs necessary in direct ownership. Typically, hotels that offer franchisee agreements will maintain standards for building upgrades, and provide specifications for furniture and fixtures in order to maintain their brand image. While this model lowers overall revenues for franchisors, it has allowed companies to reduce property-related costs and generate higher profit margins.

The internet has had a significant impact on the structure and dynamics of the industry. Online reservations increase the need for data security, since systems can be hacked to access sensitive information about customers. While the industry benefits from increased exposure through online travel websites, competition is also fiercer, as consumers can easily compare prices and services online. The plethora of reviews on online travel booking sites like Priceline, Kayak, and Hotels.com has enabled customers to choose hotels with high quality services, and avoid those with poor management practices. Travel site fees may also increase the overall booking cost of hotel rooms, reducing the demand for rooms. Meanwhile, increased price transparency can broadly drive down room prices across proprietary hotel booking websites and online travel agency platforms.
At the same time, hotels are able to increase occupancy by releasing vacant rooms at large discounts on short notice.28

The internet has also greatly facilitated market penetration through widespread lower-cost marketing and ease of purchase. In this environment, smaller operators with limited marketing budgets are better able to compete, as are nontraditional lodging operators. One example is Airbnb, a social platform that aggregates available accommodations from private home owners, which garnered 10 million global users in its first five years of existence.29 For both new and established market participants, the internet has cut costs and streamlined marketing, information gathering, reservation management, and supply purchase. Furthermore, operators are able to assess customer preferences and target their marketing across a variety of platforms.30, 31

Due to the international scope and physical infrastructure requirements of hotel operations, key related sustainability trends and the regulations outlined in the following section are linked to the industry’s long-term growth prospects and risk profile. Industry analysts typically look at revenue per available room (RevPAR), occupancy rates, and the number of new rooms added, to gauge a company’s financial performance and outlook.32

NOTE ON INDUSTRY STRUCTURE

In developing this briefing and determining material disclosure topics and accounting metrics for Hotels & Lodging companies, SASB used a “pure-play” definition of the industry, and considered that many Hotels & Lodging companies do not provide food and beverage services. The issues discussed here, therefore, focus on the lodging facilities of Hotels & Lodging companies, rather than their preparation of food and beverages.

SASB treats the following industries separately: Hotels & Lodging and Restaurants. While this approach is necessary to ensure a coherent understanding of industry drivers and challenges, it does not always reflect the current structure of the industry, where some Hotels & Lodging companies are sometimes directly involved in food and beverage preparation.

Therefore, depending on the specific activities and operations of Hotels & Lodging companies, sustainability issues and accounting metrics associated with the Restaurants industry may also be material for them.
The Hotels & Lodging industry faces numerous forms of regulation surrounding the operating of large buildings and treatment of workers. The following section provides a brief summary of key regulations and legislative efforts related to this industry.\(^1\)

Adherence to regulations on food preparation, liquor service, and health and safety on-premises are among the industry’s most significant. They directly impact customers’ experience, and protect operators from liability risk. The American Disabilities Act (ADA) requires public hotels to provide policies and procedures for accommodating disabled persons. In March 2012, new regulations within Title III of the ADA imposed standards for newly constructed facilities, including the configuration of guest bathrooms, access requirements, and the processing of reservations for disabled guests.\(^3\) Other regulations specific to the industry include the Hotel & Motel Fire Safety Act and the Pool and Spa Safety Act. To meet the requirements of the Fire Safety Act, a hotel or motel must have smoke alarms in each guestroom and in properties with four or more stories they also must have an automatic fire sprinkler system in each guest room. Noncompliant properties risk losing federal government travel and conference business.\(^3^4\)

There are various incentives and regulations around the world that encourage hotels and other commercial buildings to reduce indirect greenhouse gas emissions and improve resource efficiency. In Japan, the Ministry of Environment provides incentives for integrating highly efficient energy systems into building projects.\(^3^5\) In Barbados, properties that upgrade to achieve Green Globe certification may claim a tax writeoff of up to 150 percent of costs. Apart from incentives, government mandates or cost drivers also require companies to focus on energy efficiency and renewable energy. The German Renewable Energy Heating Law requires newly constructed buildings to source part of their heating energy needs from renewable energy sources.\(^3^6\) In the U.S., state level legislation like California’s AB32 and the Regional Greenhouse Gas Initiative regulates carbon emissions. These may indirectly impact hotels in the region through higher utility rates.

Additionally, in the U.S., voluntary green building standards, such as the United States Green Building Council’s (USGBC) Leadership in Energy and Environmental Design (LEED) are being utilized throughout the hotel industry to improve building energy and water efficiency. These programs have the opportunity to reduce the hotel industry’s carbon and environmental footprint while providing a basis for lower intended to highlight some ways in which regulatory trends are impacting the industry.

\(^{1}\) This section does not purport to contain a comprehensive review of all regulations related to this industry, but is
operating costs over the lifespan of the buildings.\textsuperscript{37}

The U.S. Department of Labor Occupational Safety and Health Administration (OSHA) assures safe and healthful working environments and conditions.\textsuperscript{38} For example, hotels are required to keep walkways, working surfaces, storerooms, and service rooms clean and free of obstructions, which abates the risk of accidents for not only employees, but also guests.\textsuperscript{39}

The American Hotels and Lodging Association is a proponent of immigration reform. The Association’s website highlights the need for immigrant workers in the industry: “the supply of American workers suitable for such work continues to fall because of an aging workforce and rising education levels.”\textsuperscript{40} Immigration reform that provides a pathway for undocumented workers and others to obtain work visas, to ease the increasing shortage of hospitality workers, would likely benefit the industry.

Given the industry’s international scope and plans for growth, companies face additional risk from navigating a range of local customs and regulations that are different from domestic requirements. As a result, the cost of operations and compliance will vary according to local regulation. However, some domestic legislation, such as the U.S. Foreign Corrupt Practices Act, is far-reaching and prohibits unlawful payments to government officials abroad in order to obtain or retain business.

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**SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES**

Industry drivers and recent regulations suggest that traditional value drivers will continue to impact financial performance. However, intangible assets such as social, human, and environmental capitals, company leadership and governance, and the company’s ability to innovate to address these issues are likely to increasingly contribute to financial and business value.

Since tourism often happens in emerging economies and ecologically sensitive areas and hotel facilities are relatively resource-intensive, the industry can create a lasting impact on the environment and community in which it operates. Developing countries and smaller communities may not have the infrastructure needed to respond to the demand of resources from hotels and their guests, and local resources that may already be in short supply undergo great pressure.\textsuperscript{41} Furthermore, local laws may not provide adequate protection to workers. In these contexts, sustainability is often driven by operators’ policies.

Broad industry trends and characteristics are driving the importance of sustainability performance in the Hotels & Lodging industry:

- **Resource intensity:** Hotel operations often require sizeable, stable sources of water and energy. Conservation is an
important method to reduce costs and operational risk. Risks are heightened in areas of water stress or heavy fossil fuel reliance.

- **Ecosystem externalities and responsible lodging:** Preserved but accessible ecosystems drive environmental practices for the industry. Degradation of such ecosystems through hotel operations, or macro trends, such as rising sea levels as a result of climate change, could affect the value of hotel properties and future operations. Together with consumer preferences, this is driving an industry transformation towards environmentally and socially sustainable travel and lodging.

- **Use of human capital:** The industry is reliant on human capital to ensure a good customer experience by providing cleaning, cooking, and other guest services that determine much of the quality of a guest’s stay. Treating workers fairly may not only improve worker satisfaction and turnover, but also improve their interactions with guests.

As described above, the regulatory and legislative environment surrounding the Hotels & Lodging industry emphasizes the importance of sustainability management and performance. Specifically, recent trends suggest a regulatory emphasis on environmental and customer protection, which will serve to align the interests of society with those of investors.

The following section provides a brief description of each sustainability issue that is likely to have material implications for companies in the Hotels & Lodging industry. This includes an explanation of how the issue could impact valuation and evidence of actual financial impact. Further information on the nature of the value impact, based on SASB’s research and analysis, is provided in Appendix IIA and IIB. Appendix IIA also provides a summary of the evidence of investor interest in the issues. This is based on a systematic analysis of companies’ 10-K and 20-F filings, shareholder resolutions, and other public documents. It is also based on the results of consultation with experts participating in an industry-working group convened by SASB.

A summary of the recommended disclosure framework and accounting metrics appears in Appendix III. The complete SASB standards for the industry, including technical protocols, can be downloaded from www.sasb.org. Finally, Appendix IV provides an analysis of the quality of current disclosure on these issues in SEC filings by the leading companies in the industry.

**ENVIRONMENT**

The environmental dimension of sustainability includes corporate impacts on the environment. This could be through the use of natural...
resources as inputs to the factors of production (e.g., water, minerals, ecosystems, and biodiversity) or environmental externalities and harmful releases in the environment, such as air and water pollution, waste disposal, and GHG emissions.

The Hotels & Lodging industry has substantial demands on natural resources due to its large physical infrastructure and operating requirements. Managing resources efficiently, particularly water and energy, is not only important for reducing environmental impacts, but can also affect industry profitability via impacts on operating costs. Energy consumption can directly or indirectly contribute to externalities such as climate change and local air pollution, whereas water withdrawals from water-stressed areas have significant environmental and social consequences.

The protection of ecosystems and adaptation to climate change are an increasing concern for the Hotels & Lodging industry. This is particularly true in environmentally sensitive areas, as well as locations that are susceptible to extreme weather events, such as flooding and hurricanes. Companies that operate large hotel resorts in coastal areas may be at greater risk from inclement weather, flooding, and beach erosion as a result of climate change and rising sea levels, potentially leading to uninsurable buildings and decreased tourist traffic. Additionally, hotels can contribute to the decline of local ecosystems from the operations of large buildings, as well as tourism activities, which can threaten environmentally sensitive areas.

Hotel guests are increasingly concerned with the concept of sustainable or responsible travel; i.e., how hotels are working to minimize negative impacts on biodiversity, the environment, and communities. Brand value might increasingly be affected by performance on resource efficiency, as well as the industry’s efforts to protect ecosystems and the interests of local communities.

### Energy & Water Management

Energy and water management are of particular relevance to hotel and lodging companies, due to their relatively large consumption of, and dependence on, these resources. Energy is used primarily in heating, ventilating, air conditioning, water heating, lighting, kitchens, and laundry. Water is primarily consumed in restrooms, kitchens, landscaping, and laundry. While these are not the industry’s greatest operating costs, substantial price increases or reduced water availability could significantly impact financial results or even the ability to operate.

Various sustainability factors are leading to an increase in the cost of conventional energy sources and are making alternative energy cost competitive. These factors include: Greenhouse Gas Emissions (GHG) emissions pricing, incentives for energy efficiency and renewable
energy, and risks associated with nuclear energy and its increasingly limited license to operate. Therefore, it is becoming increasingly material for companies in energy-intensive industries to manage their overall energy efficiency, their reliance on different types of energy and the associated risks, and their access to alternative energy sources. The industry has some potential to utilize renewable forms of energy in operations that may help to offset energy price increases. Furthermore, water is becoming a scarce resource around the world due to increasing consumption. This increase comes as a result of population growth and rapid urbanization, as well as reduced supplies due to climate change. Many important river basins can already be considered “stressed.” Water scarcity can result in higher supply costs, supply disruptions, and social tensions that hotel brands may need to contend with.

Companies that can simultaneously maintain standards of service quality and improve water and energy efficiency can reduce operating costs and lower risks presented by long-term resource availability constraints. Additionally, energy and water management programs for franchised locations may help to boost efficiency and profitability, making franchises more attractive for owners while also improving the entire hotel brand’s reputation.

Company performance in this area can be analyzed in a cost-beneficial way internally and externally through the following direct or indirect performance metrics (see Appendix III for metrics with their full detail):

- Total energy consumed, percentage grid electricity, percentage renewable; and
- Total water withdrawn, percentage recycled, and percentage in water stressed regions.

**Evidence**

Energy costs comprise between 3 and 6 percent of industry operating costs, while water represents roughly 10 percent of utility costs. Water used in the lodging industry accounts for approximately 15 percent of the total water use in commercial facilities in the U.S.

In its FY2012 Form 10-K, MGM Resorts, which manages casino hotels, provides channels of financial impact on its business from rising energy costs, stating: “(O)ur business is particularly sensitive to energy prices (…) We are a large consumer of electricity and other energy and, therefore, higher energy prices may have an adverse effect on our results of operations.” In the U.S., the average retail price of electricity for the commercial end-use sector has gone from 7.25 cents per kilowatt-hour (kWh) in 2001 to 11 cents per kWh in 2014. The U.S. Energy Information Administration (EIA)’s long-term projections show that nominal electricity prices paid by the commercial end-use sector will increase to around 18.5 cents per kWh by 2040 in the reference case.
representing an increase of 2.4 percent annually.\textsuperscript{47}

Energy management projects can generate large cost savings and are becoming increasingly important with rising commercial energy prices. Water management can yield similar results in the face of rising water costs in some regions. The American Hotel and Lodging Association (AHLA) has produced 14 guidelines on operating greener hotel businesses with substantial annual cost savings. Calculations based on a hypothetical 300-room facility forecast annual cost savings of nearly $23,000 for efficient interior lighting, and over $35,000 from water-efficient showerhead installation. Savings can be considerable for companies with multiple facilities, and additional energy and water efficiency initiatives can add to potential savings.\textsuperscript{48, 49}

InterContinental Hotels Group (IHG), a UK-based hotel chain, launched an energy management program known as IHG Green Engage. This tool provides hotels a method to track energy and water usage, allowing them to see how much money they are spending and saving, while feeding data directly to IHG’s corporate office. The company plans to launch the program across its global base of 4,700 hotels. This program already saved the company over $73 million in 2013 alone.\textsuperscript{50} In 2012, Hilton Worldwide achieved a five-year goal of reducing water consumption by 10 percent and waste output by 20 percent. It also sought to reduce energy consumption and emissions by 20 percent by the end of 2013. Its energy efficiency projects have resulted in more than a quarter-billion dollars in savings since 2009.\textsuperscript{51}

Marriott International, one of the world’s largest hotel chains, adopted a five-year energy-saving program with Constellation Energy, a major utility, in 264 hotels in the U.S. in 2011. The program is expected to generate $9.9 million in revenue and savings for franchise hotel owners and Marriott. These revenues and savings stem from reduced energy costs and energy demand incentive payments over the life of the program.\textsuperscript{52}

In its Form 10-K, Marriott International discussed its goal of reducing water and energy consumption by 20 percent by 2020. A method for achieving this goal includes the use of a proprietary Energy and Environmental Action plan tool that helps the company monitor and audit its facilities for energy and water consumption. Furthermore, in 2011, the company partnered with the United States Green Building Council to develop the LEED Volume Program that facilitates the green building certification for the hospitality industry by creating a green hotel prototype. This energy and water improvement program can help hotel owners save over 25 percent in energy and water consumption over the entire life of the building, with an initial payback period of between two to six years.\textsuperscript{53}

Additionally, for franchised locations, Marriott operates an “Architecture and Construction”
division that “provides design, development, construction, refurbishment, and procurement services to owners and franchisees of lodging properties on a voluntary basis.” This could help them improve the energy and water management at non-owned locations.54

Hotel owners and operators have also begun to incorporate renewable energy sources into some locations to save energy and attract eco-conscious guests. In 2009, the Hyatt Regency in New Brunswick, New Jersey installed a 421-kilowatt solar panel system on the roof of the hotel’s garage. The system is expected to reduce CO2 emissions by over 10,000 tons over 30 years.55

Beyond costs savings, research conducted by Cornell University suggests that LEED-certified hotels also generate more revenue per room on a daily basis compared to noncertified hotels. That was true across hotels of all types.56 Consumer preferences for sustainable lodging, as well as financial risk from the interaction between hotel operations and their social and natural environments, stress the importance of this sustainability issue. For example, TripAdvisor’s 2013 global survey of over 15,000 consumers and 19,000 businesses found that 79 percent of travelers consider eco-friendly accommodation practices important to their choice of lodging. Furthermore, there is interest on the part of hotel operators. The survey revealed that roughly 85 percent of U.S. hotel operators currently utilize some form of “green” practices.57

Value Impact

Companies in the industry are large consumers of electricity and water, and are subject to rising energy prices or water scarcity, with potentially adverse impact on profitability. Companies can minimize these risks either by reducing overall energy and water consumption and/or improving energy and water efficiency. Proper management of resources will also likely impact cost of capital since reliance on unsustainable sources of energy and increasing competition for water supplies in certain geographies might pose long term risks to a company’s profitability or continued operations in these regions. Finally, the efficient use of resources is likely to improve intangible assets like brand image and reputation, which could lead to higher revenues over time.

While the cost of energy consumption is already captured in financial results, overall energy consumption levels provide a sense of firms’ exposure to possible future increase in energy costs. Decisions about on-site versus sourced electricity and diversification of energy sources can also influence the volatility and price of energy costs, with impacts on a company’s long-term profitability and cost of capital.

Total energy consumed provides an absolute and comparative measure of energy efficiency. The amount of reliance on grid electricity indicates vulnerability to specific energy sources, and gives a sense of the indirect impact of costs from internalization of carbon
prices by utilities. The amount of renewable energy a company uses indicates a firm’s ability to mitigate its environmental footprint and its exposure to energy cost increases.

Total water withdrawn provides absolute and comparative measures of water efficiency. The amount of recycled water used indicates a company’s ability to mitigate its exposure to water cost increases. The amount of water a firm uses in in water-stressed regions indicates its exposure to operational disruptions in the short-term (revenue impacts) and operational risks in the long-term (cost of capital).

**Ecosystem Protection & Climate Adaptation**

The Hotels & Lodging industry is also subject to environmental externalities. The causes of these externalities are largely outside of companies’ direct control, but can cause significant risks for companies and the communities in which they operate. Particularly, impacts from climate change, which may include more frequent or intense inclement weather events and rising sea levels, can damage buildings and local ecosystems. They also present challenges to communities reliant on tourism.

The setting up and implementation of ecological protection and climate adaptation plans to protect local ecosystems by hotel operators is not only important for minimizing costs and protecting revenues, but also has implications for local communities that rely on tourism in such areas. These communities could face large socioeconomic losses in the absence of such actions. Hotel and lodging companies expressing leadership in the area of adapting to climate change, by participating in coastal renourishment programs and other means of supporting and protecting local ecosystems, can benefit from the value these ecosystem services provide to their operations.

Additionally, actions protecting local ecosystems are important since hotel facilities themselves may impact local ecosystems through their operations if they occupy large tracts of land (including landscaped grounds), or are located near sensitive habitats. Some hotel facilities are highly dependent on local natural attractions, such as coral reefs, to draw tourists and other visitors, stressing the dual nature of addressing environmental impacts within the industry and its exposure to climate change risk.

These issues can result in damaged and uninsurable buildings as well as contribute to the decline of tourist attractions that harm industry operators. Company performance in this area can be analyzed in a cost-beneficial way internally and externally through the following direct or indirect performance metrics (see Appendix III for metrics with their full detail):

- Number of lodging facilities located in FEMA Special Flood Hazard Areas or foreign equivalent;
• Number of lodging facilities in or near areas of protected conservation status or endangered species habitat; and
• Description of environmental management policies and practices to preserve ecosystem services.

**Evidence**

Approximately 80 percent of all tourism takes place in coastal areas, often near beaches and delicate coral reefs. Healthy ecosystems, particularly on the coasts, are closely linked with the economic and financial performance of local communities and businesses. Coral reefs protect beaches from waves that can cause erosion, as well as provide a source of attraction for tourists.

An assessment by the International Union for Conservation of Nature and Natural Resources (IUCN) details the lodging industry’s ecological impact on the Caribbean region. The majority of hotels in the region are situated within 800 meters of the ocean, suggesting that coastal locations are highly prized and valuable, due in large part to natural attractions. According to a World Resources Institute report on coral reefs in the Caribbean, nearly one-third of the area’s coral reefs are threatened by coastal development. These threats include sewage discharge, urban runoff, construction, and tourist development. Additional human activities such as overfishing and agricultural runoff can further threaten these delicate and important ecosystems.

Beyond direct human activity, coral reef degradation can also result from natural causes, including rising sea levels and temperatures and increasing ocean acidification.

Disturbances to and degradation of the natural environment will make travel destinations less attractive and decrease room bookings. Therefore, the long-term growth of the industry is increasingly linked to the adoption of sustainable facility development and operating standards that aim to protect sensitive ecosystems.

A study of beach erosion in the Dominican Republic due to coral reef degradation suggests that local hotels could lose between $52 and $100 million over the next decade due to beach erosion. In Tobago and Saint Lucia, the direct and indirect impact on the economy from coral reef-associated tourism was estimated to be at least $250 million combined. Therefore, ensuring sustained life of coral reefs is in the best interest of the local tourism industry and hotel operators.

Furthermore, establishing policies and actively engaging with local stakeholders to minimize the environmental impacts of construction projects may reduce risks, particularly when developing hotels in ecologically sensitive areas. There have been some instances of halted hotel and resort projects due to environmental concerns. For example, in 2012, Mexican President Felipe Calderon, cancelled the construction of a 9,400-acre tourist resort in Baja California, Mexico over concerns regarding potential damage to a nearby marine reserve.
Environmentalists had been protesting the project for years, alleging that it would threaten coral reefs which are home to more than 200 fish species.65

Attention to ecosystem protection is also relevant in the context of climate change impacts. Communities dependent on tourism and the many hotel resorts located near coastal areas could face economic and social challenges due to climate change and resulting beach erosion and property damage, increasing the importance of climate change adaptation. Tourism in Hawaii is the state’s largest industry, generating over $14 billion in annual economic activity, with tourists coming to enjoy the natural scenery and coastal beauty of area beaches.66 Inclement weather and rising seas may threaten the tourism industry in the region by causing property damage and lost revenue from fewer tourists. A 2008 economic impact study on beach erosion of Waikiki Beach due to rising sea levels concluded that hotels would lose over $661 million in revenue, with local communities losing over $2 billion in tourist expenditures annually, due to full erosion of the famous beach. This would result in the loss of over 6,350 jobs in the area’s hotels. This highlights just a small sample of the economic risks the hotel industry would face due to climate change.67

Therefore, hotel operators and communities in coastal regions may find it beneficial to partake in beach reclamation activities. In 2012, a Waikiki Beach nourishment program was supported by local area hotels and successfully restored over 1,700 feet of the area’s beach.68

Additionally, hotels may face the risk of having to abandon coastal properties or rebuild and relocate to higher ground, which would lead to significant losses and added costs.69 For example, in Caribbean communities, it is estimated that rebuilding of tourist resorts due to coastal beach erosion from a hypothetical sea level rise of one meter would cost the industry between $10 and $23.3 billion in the year 2050.70

As climate change impacts on coastal regions increase, companies in the hotel industry may be unable to insure buildings located in coastal regions, or may face higher insurance premiums. Some large insurance providers are already limiting their exposure to areas susceptible to inclement weather and flooding. For example, Allstate has cut its homeowners insurance exposure in Florida from 1.2 million policies down to 400,000 after hurricanes wiped out 75 years of profits for the insurer. This issue of insurance availability is also affecting the hotel industry in coastal regions.71

Extreme weather events, which are expected to worsen as a result of climate change, have led to increased insurance premiums for hotel operators, particularly in coastal regions where insurance has risen 8 to 10 percent annually on average.72 Such events have the ability to not only raise insurance premiums, but also interrupt hotel power supplies and endanger guests, which all lead to limiting the
attractiveness of tourist locations susceptible to such events. In September 2014, a Category 3 hurricane hit multiple resorts in Los Cabos, Mexico where many guests were forced to evacuate. The Starwood Hotels & Resorts hotel and two Hyatt properties were the most damaged, and were closed to guests for over a month. This emphasizes the potentially significant impacts extreme weather events have on hotel operators and brands.

Hilton Worldwide recognized this risk in their 2013 Form 10-K, stating: “[t]he potential for changes in the frequency, duration and severity of extreme weather events that may be a result of climate change could lead to significant property damage at our hotels and other assets, affect our ability to obtain insurance coverage in areas that are most vulnerable to such events, such as the coastal resort areas where we operate, and have a negative effect on revenues.”

In order to protect shareholder value, companies in the industry may be able to adapt to climate change by participating in coastal renourishment programs, while establishing strict environmental policies for locations in sensitive ecosystems to protect them from local hotel operations and tourism.

**Value Impact**

Climate change and the impacts that companies have on local ecosystems can affect revenue and long-term growth in tourism areas that rely on pristine natural environments. Additionally, failure to protect sensitive ecosystems may limit a company’s license to operate and its ability to construct new hotels in sensitive areas.

Hotels properties located in areas subject to severe weather and beach erosion are also at risk of property damage, potentially leading to asset write-downs and capital expenditures to restore property. Extreme weather events related to climate change and ecosystem degradation can also lead to operational disruption. This risk can be exacerbated if insurance for weather-related damage to coastal properties becomes more difficult or expensive to obtain.

Property and operating risks from climate change could also increase cost of capital for companies in the industry, in the absence of adequate and proactive adaptation measures.

The probability and magnitude of impacts from this issue are likely to increase in the medium-to long-term as climate change impacts intensify and public and regulatory focus on ecosystem protection increases.

The number of properties located in Special Flood Hazard Areas gives an indication of a company’s exposure to the immediate risks of climate change. The number of lodging facilities located in or near protected conservation areas or endangered species habitats indicates a company’s reliance on...
ecosystem services and its exposure to ecosystem-related risks.

**HUMAN CAPITAL**

Human capital addresses the management of a company’s human resources (employees and individual contractors), as a key asset to delivering long-term value. It includes factors that affect the productivity of employees, such as employee engagement, diversity, and incentives and compensation, as well as the attraction and retention of employees in highly competitive or constrained markets for specific talent, skills, or education. It also addresses the management of labor relations in industries that rely on economies of scale and compete on the price of products and services. Lastly, it includes the management of the health and safety of employees and the ability to create a safety culture for companies that operate in dangerous working environments.

The Hotels & Lodging industry relies on large numbers of workers, many of them low-skilled. In the U.S., low-skilled positions are often filled by recent immigrants and where working conditions can be difficult, requiring shifts during all hours of the day, leading at times to discontent among workers. Yet, employee morale is a key component of a guest’s experience. Therefore, effective management of human capital is critical for shareholder value in the hospitality industry.

**Fair Labor Practices**

Tourism, including hotels and lodging, is labor-intensive and many of the staff are low-skilled, part-time, seasonal, or immigrant workers. Globally, it is among the top job creators, and is an entry point for youth, women, and migrant workers to join the workforce.

The gradual increase in U.S. workforce education attainment has reduced labor availability, as many are unwilling to accept the lower wages and long hours common in the hotel industry. As a result, a majority of the U.S. hospitality industry workforce is composed of women and minorities, many of whom are recent immigrants. Commonly, these workers are mistreated and discriminated against when it comes to wages and advancement opportunities, which can lead to burdensome lawsuits and low job satisfaction, contributing to high turnover.

In addition, the industry is characterized by low union participation, low wages, seasonality, shift and night work, and low skill requirements. The difficulty, seasonality, and part-time nature of the work contribute to a high turnover rate, which can add to the already large cost of wages for the industry.

The issue is further complicated by the structure of global chains that not only own, but lease, manage, or franchise hotels under these brands, often through various international subsidiaries. A majority of hotel
staff in franchised or managed hotels may be employed by a third party. In addition, since many chains exist across the globe, ensuring a consistent human resources approach can be a challenge.

As the diversity of the workforce increases within the industry, engaging and investing in programs to improve fair treatment of workers and improve their skills and understanding of company values can help to improve their satisfaction on the job, lower turnover, and ultimately improve the customer’s experience.

Company performance in this area can be analyzed in a cost-beneficial way internally and externally through the following direct or indirect performance metrics (see Appendix III for metrics with their full detail):

- Voluntary and involuntary employee turnover for lodging employees;
- Amount of legal and regulatory fines and settlements from labor law violations; and
- Average hourly wage for lodging employees, by region, and percentage earning minimum wage.

Evidence

There are currently 3.3 million workers in the U.S. who make minimum wage, and of those, 55 percent are in the Leisure and Hospitality industry, which includes hotels and leisure service industries. In 2013, the Accommodation industry employed approximately 1.81 million people in the U.S. or just over 1.1 percent of the U.S. total labor force. The hotels and restaurants industries have a higher fraction of part-time workers compared to other sectors, and labor represents a major industry cost at approximately a quarter of revenue.

Wages are low across the board in the hospitality industry. In June 2014, according to the Bureau of Labor Statistics, nonsupervisory employees in the Accommodation industry earn $12.94 an hour and work 30 hours a week. This is comparable to the Food Service and Drinking Place workers who, on average, make $12.40 an hour and work 26.1 hours a week. By failing to properly address the fair compensation of workers, the industry can be exposed to, and targeted for, increased minimum wage regulation, leading to unplanned cost increases. For example, in September 2014, the Los Angeles City Council passed an ordinance that would raise minimum wage for hotel workers to $15.37 an hour, one of the highest in the nation. The new law will cover hotels that operate more than 125 guest rooms. This law specifically targeted hotel workers in the area, as nearly 40 percent of workers lived below the poverty line.

While high turnover has become an accepted industry norm, which averages about 50 percent for all hotel workers, it can have negative outcomes, such as: decline in quality of work, lack of worker loyalty, loss of skills,
and high cost of training. Among the costs of replacing a worker in this industry, up to 70 percent can come from lost productivity due to inexperience of new employees. Based on data from 33 properties in the U.S., researchers at the Cornell University Center for Hospitality Research found that turnover costs in the hospitality industry were about $5,700 for low-complexity jobs and $10,000 for complex jobs. They also found that costs were higher for hotels with higher capacity, higher occupancy, and those that were upscale compared to hotels with low capacity, low occupancy rates, and those that were midmarket or lower.

Given the size of the chain, Marriott unsurprisingly reported that a one percent increase in employee turnover would cost the company between $5 and $15 million per year.

Turnover can be attributable to a number of causes. According to Consultants of Hospitality Administrators International, a management consultancy firm: it is a “well-known fact that the overwhelming majority of people who leave any hotel leave because of the way they are treated every day.” The firm finds factors like “(l)ack of appreciation, lack of teamwork and the perception that the company doesn’t care about employees are consistently” among the highest-rated reasons for low job satisfaction. Some key factors that lead to employee satisfaction include: the overall work environment, recognition and rewards, worker level of responsibility, room for advancement, and flexibility in work schedules. It is believed that engaging employees helps to increase worker productivity and satisfaction on the job, which can translate into better customer experiences and reduced employee turnover.

Furthermore, women make up between 60 and 70 percent of the hospitality and tourism workforce globally, and are more likely to experience inequality, stress, and physical and sexual harassment. According to the International Labour Organization, “(u)nskilled or semi-skilled women tend to work in the most vulnerable jobs, where they are more likely to experience poor working conditions, inequality of opportunity and treatment, violence, exploitation, stress and sexual harassment.” They also suffer in terms of having access to education and training, and are paid 25 percent less within the sector, on average, than male workers for comparable skills.

Cultural and ethnic minorities also tend to be overrepresented in the industry; however, most are not able to rise to advanced positions.

This puts hospitality companies at risk for discrimination lawsuits. Extended Stay Hotels paid $75,800 in equitable relief for a lawsuit filed by the U.S. Equal Employment Opportunity Commission (EEOC) for pay discrimination of female workers at a company hotel. In addition to the fine, the hotel chain must provide annual pay reports to the EEOC, and provide annual training for employees on federal antidiscrimination laws, placing a further burden on the company. In 2002, The Mirage
Hotel and Casino in Las Vegas paid $1.4 million to settle a lawsuit brought on by the EEOC for discriminating against the hiring of African American and Hispanic workers. According to the American Hotel & Lodging Association, nearly 76 percent of properties out of 2,048 survey participants offered diversity and inclusion training for staff and employees, predominately on a monthly basis, to avoid discriminatory practices. This investment in diversity training can help to improve worker job satisfaction as well as reduce the chance for discriminatory practices. According to research conducted by the Hilton College of Hotel and Restaurant Management, the perceived positive diversity climate has contributed to a reduction in role ambiguity and conflict, as well as increased job satisfaction for hotel managers.

Value Impact

Successful employee engagement and fair treatment of workers is likely to improve employee morale and reduce turnover, which in turn can lead to improved guest experiences, with positive impacts on revenue and growth. On the downside, mismanagement of the issue can impact customer satisfaction and brand value, especially when labor issues escalate in the media. Unfair labor practices can also result in worker strikes and generally confrontational relationships with labor groups, with potentially chronic impacts on company revenues and market share.

High turnover rates and potential increases in wage costs through outside influences such as new minimum wage regulations can also impact companies’ long-term cost structure. As the industry is subject to laws and regulations governing minimum wage requirements, overtime, immigration, employee hiring and termination labor practices can result in legal actions from employees or regulators, potentially resulting in extraordinary expenses and contingent liabilities.

While overall turnover is high in the industry, companies’ voluntary and involuntary staff turnover rates indicate how well they are managing their workforce compared to peers. Involuntary turnover is a proxy for staff engagement and a company’s ability to maximize customer experience. The amount of legal and regulatory fines and settlements from labor law violations is a lagging indicator of how well hotel and lodging companies have been managing this issue. It also indicate the probability and magnitude of the direct costs associated with large penalties and fines and remediation activities. The average hourly wage for lodging employees provides a sense of how companies are balancing maximization of profits and investments with the wellbeing and performance of customer-facing staff.
REFERENCES


4 Starwood Hotels & Resorts Worldwide In., FY 2013 Form 10-K for the Fiscal Year Ending December 31, 2014, p.5, (Filed February 24, 2014)


10 Hilton Worldwide Holdings, FY 2013 Form 10-K for the Fiscal Year Ending December 31, 2013, p.10 (Filed February 14,2014)


13 Bloomberg Professional service, accessed October 1, 2014, using the BICS <GO> command. The data represents global revenues of companies listed on global exchanges and traded over-the-counter (OTC) from the Hotels & Lodging industry, using Levels 3 and 4 of the Bloomberg Industry Classification System.

14 Author’s calculation based on data from Bloomberg Professional service, accessed October 6, 2014 using Equity Screen (EQS) for U.S.-listed companies (including those traded primarily OTC) that generate at least 20 percent of revenue from their Hotels & Lodging segment and for which Hotels & Lodging industry is a primary SICS industry.


17 Intercontinental Hotels Group, FY 2013 for the Fiscal Year Ending December 31, 2013, P.2, (Filed February 26, 2014)

18 Marriott International Inc., FY 2013 Form 10-K for the Fiscal Year Ending December 31, 2014, p.6, (Filed February 20, 2014)


22 Starwood Hotels & Resorts Worldwide Inc., FY 2013 Form 10-K for the Fiscal Year Ending December 31, 2013, p.25 ( Filed February 24, 2014)


Hilton Worldwide Holdings, FY 2013 Form 10-K for the Fiscal Year Ending December 31, 2013, p.28 (Filed February 14, 2014)


INDUSTRY BRIEF | HOTELS & LODGING


APPENDIX I:
Five Representative Hotels & Lodging Companies

<table>
<thead>
<tr>
<th>COMPANY NAME (TICKER SYMBOL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marriott International (MAR)</td>
</tr>
<tr>
<td>Hilton Worldwide (HLT)</td>
</tr>
<tr>
<td>Starwood Hotels &amp; Resorts (HOT)</td>
</tr>
<tr>
<td>Wyndham Hotels (WYN)</td>
</tr>
<tr>
<td>Hyatt Hotels (H)</td>
</tr>
</tbody>
</table>

This list includes five companies representative of the Hotels & Lodging industry and its activities. This includes only companies for which the Hotels & Lodging industry is the primary industry, companies that are U.S.-listed but are not primarily traded Over-the-Counter, and for which at least 20 percent of revenue is generated by activities in this industry, according to the latest information available on Bloomberg Professional Services. Retrieved on October 1, 2014.
# APPENDIX IIA:
Evidence for Sustainability Disclosure Topics

<table>
<thead>
<tr>
<th>Sustainability Disclosure Topics</th>
<th>Evidence of Interest</th>
<th>Evidence of Financial Impact</th>
<th>Forward-Looking Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HM</td>
<td>IWGs</td>
<td>EI</td>
</tr>
<tr>
<td>Energy &amp; Water Management</td>
<td>75*</td>
<td>96</td>
<td>1</td>
</tr>
<tr>
<td>Ecosystem Protection &amp; Climate Adaptation</td>
<td>67*</td>
<td>71</td>
<td>3</td>
</tr>
<tr>
<td>Fair Labor Practices</td>
<td>46</td>
<td>89</td>
<td>2</td>
</tr>
</tbody>
</table>

**HM:** Heat Map, a score out of 100 indicating the relative importance of the topic among SASB’s initial list of 43 generic sustainability issues; asterisks indicate “top issues.” The score is based on the frequency of relevant keywords in documents (i.e., 10-Ks, 20-Fs, shareholder resolutions, legal news, news articles, and corporate sustainability reports) that are available on the Bloomberg terminal for the industry’s publicly-listed companies; issues for which keyword frequency is in the top quartile are “top issues.”

**IWGs:** SASB Industry Working Groups

%: The percentage of IWG participants that found the disclosure topic to likely constitute material information for companies in the industry. (-) denotes that the issue was added after the IWG was convened.

**Priority:** Average ranking of the issue in terms of importance. One denotes the most important issue. (-) denotes that the issue was added after the IWG was convened.

**EI:** Evidence of Interest, a subjective assessment based on quantitative and qualitative findings.

**EFI:** Evidence of Financial Impact, a subjective assessment based on quantitative and qualitative findings.

**FLI:** Forward Looking Impact, a subjective assessment on the presence of a material forward-looking impact.
### APPENDIX IIB:
Evidence of Financial Impact for Sustainability Disclosure Topics

<table>
<thead>
<tr>
<th>Evidence of Financial Impact</th>
<th>REVENUE &amp; EXPENSES</th>
<th>ASSETS &amp; LIABILITIES</th>
<th>RISK PROFILE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue</td>
<td>Operating Expenses</td>
<td>Non-operating Expenses</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy &amp; Water Management</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Ecosystem Protection &amp; Climate Adaptation</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Fair Labor Practices</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

- MEDIUM IMPACT
- HIGH IMPACT
APPENDIX III: Sustainability Accounting Metrics | Hotels & Lodging

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>ACCOUNTING METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy &amp; Water Management</strong></td>
<td>Total energy consumed, percentage grid electricity, percentage renewable</td>
<td>Quantitative</td>
<td>Gigajoules (GJ), Percentage (%)</td>
<td>SV0201-01</td>
</tr>
<tr>
<td></td>
<td>Total water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress</td>
<td>Quantitative</td>
<td>Cubic meters (m³), Percentage (%)</td>
<td>SV0201-01</td>
</tr>
<tr>
<td><strong>Ecosystem Protection &amp; Climate Adaptation</strong></td>
<td>Number of lodging facilities located in FEMA Special Flood Hazard Areas or foreign equivalent</td>
<td>Quantitative</td>
<td>Number</td>
<td>SV0201-03</td>
</tr>
<tr>
<td></td>
<td>Number of lodging facilities in or near areas of protected conservation status or endangered species habitat</td>
<td>Quantitative</td>
<td>Number</td>
<td>SV0201-04</td>
</tr>
<tr>
<td></td>
<td>Description of environmental management policies and practices to preserve ecosystem services</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>SV0201-05</td>
</tr>
<tr>
<td><strong>Fair Labor Practices</strong></td>
<td>(1) Voluntary and (2) involuntary employee turnover rate for hotel staff</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>SV0201-06</td>
</tr>
<tr>
<td></td>
<td>Amount of legal and regulatory fines and settlements associated with labor law violations*</td>
<td>Quantitative</td>
<td>Number, U.S. Dollars ($)</td>
<td>SV0201-07</td>
</tr>
<tr>
<td></td>
<td>Average hourly wage for hotel employees, by region; percentage of staff earning minimum wage</td>
<td>Quantitative</td>
<td>U.S. Dollars ($), Percentage (%)</td>
<td>SV0201-08</td>
</tr>
</tbody>
</table>

*Note to SV0201-07: Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.
APPENDIX IV: Analysis of SEC Disclosures | Hotels & Lodging

The following graph demonstrates an aggregate assessment of how representative U.S.-listed Hotel & Lodging companies are currently reporting on sustainability topics in their SEC annual filings.

The graph shows the percentage of hotels and lodging companies that are disclosing sustainability topics in their SEC filings. The topics include:

- Energy & Water Management
- Ecosystem Protection & Climate Adaptation
- Fair Labor Practices

The graph uses a color-coded chart to indicate the percentage of companies that have made no disclosure, boilerplate disclosure, industry-specific disclosure, or metrics.

<table>
<thead>
<tr>
<th>Type of Disclosure on Sustainability Topics</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
<th>90%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy &amp; Water Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>96%</td>
<td></td>
</tr>
<tr>
<td>Ecosystem Protection &amp; Climate Adaptation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>71%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair Labor Practices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>89%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

IWG Feedback*:

*Percentage of IWG participants that agreed topic was likely to constitute material information for companies in the industry.