

An Overview of Sustainability Reporting and Its Benefits

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03/24/2010



Although existent for more than a decade in other industries, only within the last few years has sustainability reporting become integrated into sustainability strategy within the hotel industry. Just as in the case of carbon, new terminology has been introduced and many questions have arisen. This article aims to answer common questions by providing an overview of sustainability reporting, its contents, its benefits, and its use within the industry.

What is Sustainability Reporting?

By definition from the Global Reporting Initiative (GRI), sustainability reporting is “The practice of measuring, disclosing, and being accountable for organizational performance while working towards the goal of sustainable development.”

A sustainability report is a periodic report which discloses a business entity’s approach and performance in relation to relevant sustainability issues. An evolution from corporate social responsibility (CSR) reports and environmental reporting, these reports encompass the broad sustainability spectrum of company information with the timeliness and seriousness of an annual report.

What Does a Sustainability Report Contain?

A sustainability report can be distinguished from a CSR report in three ways. First, effective sustainability reporting quantifies, measures, and tracks environmental and social performance in the same form it tracks financial performance: with metrics analyzed over time. Report readers expect to be able to analyze company performance in a balanced and transparent form.

Second, where CSR reports provide qualitative information on company programs, sustainability reporting goes one step further by asking a business to explain why it performs its CSR initiatives, why those issues and initiatives are important to stakeholders, and why they are important within the context of sustainability. This requires reports to address multiple audiences.

Finally, this tracked performance measurement approach implies that companies report in a balanced and continuous manner, rather than merely disclosing positive performance and current initiatives without any reference to past or future.

Reporting can be developed from standards, guidelines, or even certification criteria. But the best sustainability reports will follow guidelines developed specifically for reporting. One example is the Carbon Disclosure Project, whose framework addresses a company’s greenhouse gas emissions and climate change strategies. The most widely used all-encompassing reporting framework is the GRI, a global non-governmental organization headquartered in Amsterdam which develops its framework and guidelines through stakeholder collaboration. Sustainability reports produced using the GRI’s latest G3

guidelines follow a series of policy disclosures, management disclosures, and performance indicators that cover the following aspects: economic, environmental, labor, human rights, society, and product responsibility.

Reports are tiered by application levels A, B, or C, depending on the quantity of disclosures and performance indicators. These reports may be checked and/or assured by third parties. By using the framework, sustainability reports provide transparent communication of the company's position and performance on the sustainable development issues most important to its stakeholders.

In addition to its standard guidelines the GRI works with industry sectors to develop supplements, which are used by companies within that sector to address specific disclosure and measurement criteria particular to that industry. Fifteen supplements currently exist or are being developed, which include the sectors of events and real estate.

Reporting or Certification?

Within the "green" buzz, sustainability reporting frameworks often are placed on the same table as green certification. These two are fundamentally different concepts. Certification tells stakeholders such as guests, employees, owners and investors that the certifying body deems the business to have achieved a satisfactory or exemplary level of sustainability performance based on the certification criteria, and certifications do not routinely call for disclosure on performance. Sustainability reports on the other hand offer a higher level of stakeholder engagement. A report discloses the business's performance and lets the reader judge how it will view the company's performance and CSR claims. Thus reporting can be integrated with customer and supply chain 2.0 interactivity. This could have effects similar to that of TripAdvisor, which allows for user feedback on hotel facility and service quality.

Also, reporting frameworks are not in the business of certification. The GRI methodology and guidelines are made available publicly, and no fees are levied directly by the organization to produce reports bearing its logos. Conversely, as the responsibility falls on the reader to evaluate a company, the GRI does not evaluate report quality.

Finally, certification generally deals with specific properties and sustainability reporting has been addressed at corporate levels, with property-level reporting yet to be seen on such a large scale as certification. This could change however, given the cost/benefit analysis of certification and the fact that reporting is open to all, whereas certifications are meant to distinguish properties.

What are the Benefits of Reporting?

Sustainability reporting at both company and property levels offers two specific benefits. First, a report can serve as a guide to CSR and environmental programs, which facilitates continuity in the face of turnover and organizational shifts. Second, the measurement and tracking procedures that must be put in place to gather data enable analysis of energy, water, waste, and purchases. These data are in turn accessible for making decisions on capital expenses, retrofits, and programs. These data are also useful when those planning meetings or events have green measurement or performance clauses inserted into the RFP.

What are the Industry Trends?

Lack of awareness, perceived value, data collection processes, and measurement methodology had inhibited the lodging industry from following other industries' reporting lead. Through early 2010 few hotel companies had produced GRI sustainability reports. These companies include InterContinental Hotels Group, NH Hoteles, Rezidor, Xanterra, and Delaware North. Yet the trend indicates an increase in reporting within the industry. Accor discloses GRI sustainability reporting data on its company website. Marriott produces biennial CSR reports, and its 2007 report demonstrated a shift toward quantitative measurement with goal setting and tracking. Hilton Worldwide last year announced reporting as part of its commitment to sustainability, and Starwood Hotels and Resorts Worldwide is working on producing a report this year as well. Some individual hotel properties also have produced sustainability reports to varying degrees, such as the Willard InterContinental Washington D.C., the Doubletree Hotel Portland (Ore.), and the Boulder Outlook Hotel (Colo.).

On a general corporate level, reporting is here to stay. The majority of the top U.S. companies currently produce sustainability reports, and many environmental, social, and governance (ESG) company valuations use sustainability reports as their base for analyzing related performance. And the "tipping point" for sustainability reporting may have come from the recent SEC ruling on guidelines for addressing climate change, which highlighted the GRI as a commonly used framework.

As reporting becomes ubiquitous in corporations, stakeholders begin to request reports, shareholders use reports as ancillary documents for evaluating managerial competence, companies see the value in the data behind reports, and investment groups evaluate companies' sustainability ratings, we will see sustainability reporting become much more commonplace within our industry. Once in place, perhaps individual properties will evaluate reporting as a strategic and cost-effective alternative to obtaining certification.

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Source: <http://www.greenlodgingnews.com/GuestColumn.aspx>