

# Reporting in line with the EU Corporate Sustainability Reporting Directive (CSRD)

Recommendations for the hospitality industry

This guidance is designed for hotel companies looking to report on their sustainability in line with the new EU legislation.

## Contents

1.0	Introduction.....	2
2.0	Background on the CSRD requirements.....	2
	What are the current and new requirements?.....	2
	Does my company fall within the scope of the criteria?.....	2
	When do I need to report? .....	3
	What disclosures need to be made?.....	3
	What is double materiality? .....	3
	Example of how impacts and dependencies can interact with one another.....	4
	Is there a requirement for independent assurance? .....	4
3.0	Impact materiality assessments.....	4
4.0	Recommended steps.....	5
5.0	Tips for best practice.....	6
6.0	Further reading and resources.....	7
	Appendix A: European Sustainability Reporting Standards (ESRS).....	8
	Appendix B: Example of a materiality assessment mapping process.....	10
	Appendix C: Example of a social impact assessment.....	12

## 1.0 Introduction

The EU Corporate Sustainability Reporting Directive (CSRD) is here to stay, and EU and non-EU hospitality companies must consider how the directive applies to them, including timelines, scope and reporting requirements. This is a tremendous opportunity for the hospitality sector to improve and work towards Net Positive impact. This guidance is intended to help hospitality companies address frequently asked questions and consider some steps to prepare for mandatory and robust reporting.

## 2.0 Background on the CSRD requirements

### What are the current and new requirements?

The EU Corporate Sustainability Reporting Directive (**CSRD**) replaces the existing Non-financial Reporting Directive (**NFRD**) and establishes wider ESG reporting requirements within a distinct section for the management report.

To comply with CSRD, companies will be required to report according to the European Sustainability Reporting Standards (**ESRS**) to prepare their ESG disclosure information.

In addition, the Corporate Social Due Diligence Directive (**CSDDD**) is also under development. CSDDD complements CSRD as it focuses on corporate action. CSDDD sets out due diligence actions required to identify, mitigate and remedy adverse impacts of a business, especially across value chains within and outside Europe. A draft of the CSDDD was released on 1<sup>st</sup> June 2023, with the final text to be approved by early 2024.



### Does my company fall within the scope of the criteria?

The CSRD sets out criteria to determine who is within scope to comply with this legislation, and when. Even if it is not yet mandatory for your business, it can be advantageous to report in line with CSRD recommendations as it is likely that provision of capital by banks and investors may increasingly become linked to compliance with CSRD reporting. In addition, even if your business is not directly in scope, your supply chain is likely to be impacted.

#### Criteria A: Large EU Companies in scope

Any two of the three criteria are met:

1. Total assets exceed EUR 20M
2. Annual revenue exceeds EUR 40M
3. Employees over 250

#### Criteria B: Small and medium companies in scope

Small companies are defined as:

1. Less than EUR 10 million annual turnover and/or balance sheet total
2. Employees between 10-49
3. Listed on the EU regulated exchange

Medium companies are defined as:

4. Less than EUR 43 million balance sheet total
5. Less than EUR 50 million net turnover
6. Employees between 50-249
7. Listed on the EU regulated exchange

### Criteria C: Third-country non-EU Companies in scope

Annual revenue over EUR 150M in two most recent years and one of the two criteria is met:

1. An EU subsidiary meets the above criteria
2. EU branch with EUR 40M in revenue

### When do I need to report?

#### Timelines for entity type

Entities already subject to NFRD

Large entities not currently subject to NFRD, meeting criteria A

Small / medium entities listed on EU regulated exchange, meeting criteria B

Third-country undertakings, meeting criteria C

#### Financial year      Reporting year

2024

2025

2025

2026

2026

2027

2028

2029

### What disclosures need to be made?

CSRD requires reporting on company governance, strategy, impact, risk, opportunity, as well as metrics and targets.

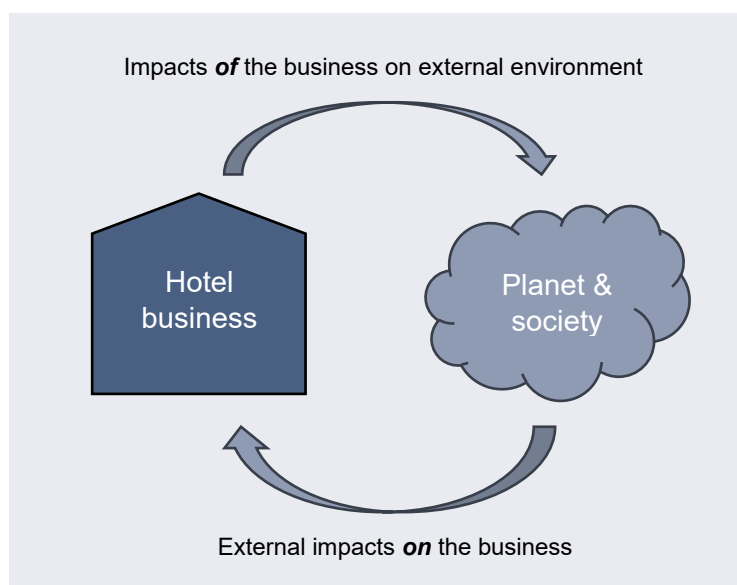
CSRD requires companies to disclose on a range of metrics across their environmental, social and governance practices. These areas are set out in the newly released ESRs standards (see Appendix A). The ESRs are broken down into 4 categories:

1. General disclosures
2. Environmental
3. Social
4. Governance

Topics under categories 2-4 only need to be reported on if they are deemed “material” to a business. When assessing whether a topic is material, a double materiality assessment will be required. The reporting boundary will need to be expanded to include the entire value chain, covering the full life cycle of products from production to disposal.

### What is double materiality?

CSRD mandates that materiality be assessed through a double lens, considering both the impacts and dependencies *of* the business on people and environment where it operates (‘impact materiality’), as well as external impacts and dependencies *on* the business and its financials (‘financial materiality’).



**Impact materiality** includes how the hotel affects the environment and people in its own operations and across its value chain.

- It includes the hotel's actual or potential effect on people and the environment, including positive and negative effects over a short-, medium- and long-term horizon.
- Here materiality is based on severity, which includes: scale, scope, irreversibility of impact and likelihood of impact.

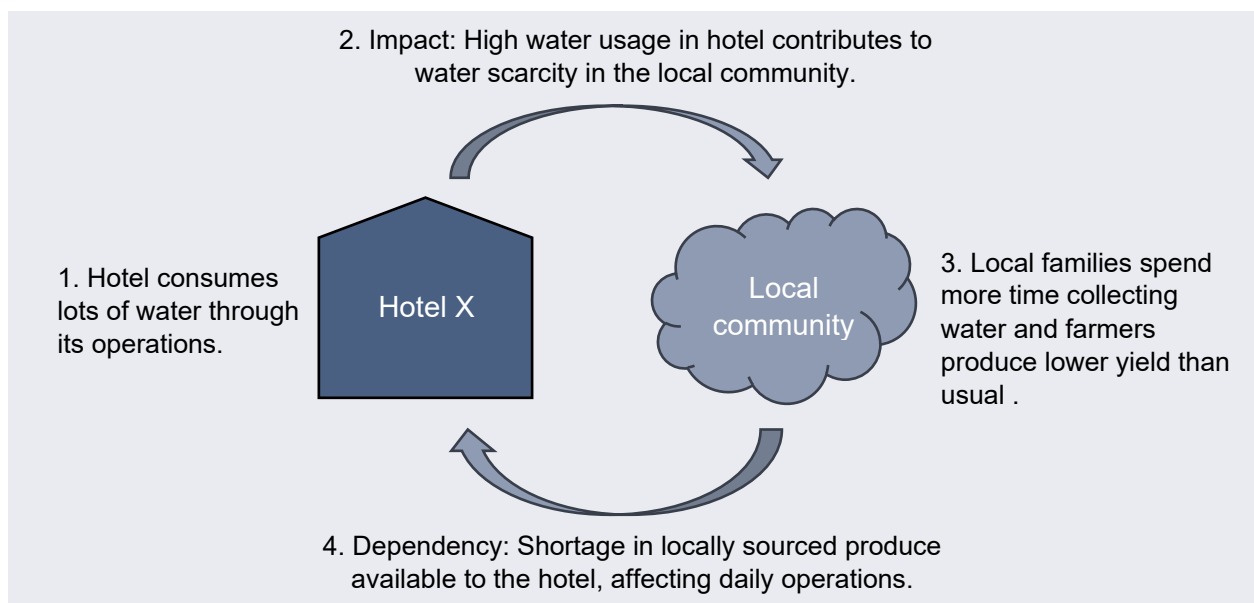
**Financial materiality** is the effect of external sustainability factors on a hotel's position, including cash flows, development, performance, position, access to finance.

- Here materiality is based on risks and the likelihood of occurrence and severity of potential financial effects.

In this context, 'impacts and dependencies' include things which are:

- Actual *and* potential.
- Positive *and* negative ('opportunities' or 'risks').
- Short-, medium- *and* long-term.
- Things directly related to the business, *as well as* to its full value chain (e.g. supply chain, customers, users).

#### Example of how impacts and dependencies can interact with one another



#### Is there a requirement for independent assurance?

From the first year a company will be required to obtain limited assurance based on documents reviewed by auditors on compliance with the ESRS, the underlying materiality assessment process and some reported metrics. In the future if approved by the European Commission assurance may move towards reasonable assurance, which is based on auditor visits to operations and value chain to verify document information.

### 3.0 Impact materiality assessments

Impact materiality assessments are used to understand how external factors could impact the business, as well as the effects of your business on the wider environment and society. Lots of guidance exists to support companies with conducting materiality assessments.

Where materiality assessment will help your business identify ESG topics that matter the most, social impact assessment will identify positive and negative impact of business activities on people, environment and communities. By doing so you can better understand and plan to reduce harm and increase positive impact.

Appendix B gives an example of a possible approach to conducting impact materiality assessments in line with ESRS topics.

### Carrying out a social impact assessment

Social impact assessment (which includes impact on employees at the hotel, those in value chain, customers, and the wider community where a hotel is operating) may seem like an impossible task as often it is thought the impact data cannot be quantified. However, that is not the case. The qualitative data may be collected from a representative sample and codified for quantitative weightage, ready for analysis. Please see below guidance on how to assess social impact of hotels on people and communities:

1. Identify hotel or value chain **activities** that are related to ESRS standards (see Appendix A).
2. Identify **who** is most likely to be impacted by your business and ESG activities.
3. Develop questions to assess economic, social and emotional **impact** on people.

Activities	Who is impacted	Impact
Employment of staff	Own employees	<b>Economic:</b> earnings, savings, resilience against shocks (e.g. health, economic, natural disaster)  <b>Social:</b> difference in relationship with family and friends, difference in relationships within own community, new relationships beyond own community.  <b>Emotional:</b> change in sense of own wellbeing, change in ambition / goals, change in ability to deal with stress.
Engagement with local businesses	Agency workers	
	Workers from outsourced services	
	Workers in direct supply chain (goods)	
Training & apprenticeship	Trainees / apprentices at your property	
Community projects	Individuals or families directly participating in projects	
Waste management	Local community	
	Workers from outsourced services	

Appendix C contains an example of a social impact assessment.

## 4.0 Recommended steps

### 1. Identify which areas count as material

- Perform an impact materiality assessment to identify relevant ESRS topics to report on (see Appendix B for an example of a possible approach).
- Engage all relevant departments, as well as external experts where necessary, to help work out what areas should be shortlisted.
- Ensure thorough assessment of environment, social, and governance topics across the value chain (corporate office, hotels, outsourced services, and supply chain).
- Identify and address gaps between the ESRS requirements and the information you currently have available.
- *Team responsible: ESG or CSR leads, Heads of Departments, and/or General Manager*

### 2. Gather data for material topics

- Collect relevant data for material topics.
- Prepare for and obtain limited assurance.

- *Team responsible: ESG or CSR leads*

### 3. Gather information on the financial risks and opportunities of material topics

- Collect relevant data for material topics.
- See [reporting in line with TCFD](#) for example guidance on how to carry out financial reporting.
- *Team responsible: ESG or CSR leads, Finance team, legal team or council*

### 4. Carry out due diligence

- Prepare for CSDDD by piloting the process and measuring results at the earliest possible convenience.
- Carry out due diligence on human and labour rights, and environmental considerations in own operations, subsidiaries and across direct suppliers of services (such as cleaning, gardening, security) and goods.
- Prioritise segments of the supply chain that are at high risk for human and labour rights (some services, such as labour recruiters, employment agencies, and where there are migrant workers; and goods such as rice, tea, cotton produced in countries with weak human rights regulations), and include in the due diligence process as early as possible.
- Due diligence should focus on identifying, bringing to an end, preventing, and mitigating for negative impacts, and providing remediation for identified adverse impacts.
- Monitor effectiveness of the due diligence policies, processes, and measures.
- *Team responsible: ESG with procurement leads*

## 5.0 Tips for best practice

Early preparation is highly recommended as several challenges may be faced when companies move towards mandatory sustainability disclosures. Some things to consider for hospitality companies include:

- **Don't overcomplicate.** The legislation can feel overwhelming, and it is easy to create more work than is necessary.
- **Ensure you have set aside time and resources.** This may be required where data processes, systems and controls may not already exist, and capacity building and training of both corporate office and hotel staff for upgraded processes is needed.
- **Invest in data quality, availability, and volume.** Data quality and transparency may be currently limited especially across business partners and suppliers in the value chain. They will need to perform assurance procedures, some for the first time, and prepare datasets in line with CSRD with evidence available to support disclosures made.
- **Engage internal and external stakeholders** in a more robust and thorough process, including those who have not participated before. Stakeholders may include owners, franchisees, labour recruiters, employment agencies, service providers, supply chain businesses, civil society organisations, and those negatively impacted or their legitimate representatives.
- **Review procurement processes and supplier contracts** (existing and new). These may need review for compliance standards, code of conduct, and include potential social audits by the hotel/brand company or external party.
- **Check technology solutions to manage data and data safety.** It may not be possible to use a single technology product to collect all data, especially data related to migrant workers, service providers, or workers in supply chain businesses. Appropriate apps that can link into business management systems may need to be identified and tested for API connection into existing hotel systems.

- **Be mindful of the audience you are reporting to.** Think about what audience the information is aimed at, for example, investors, corporate customers, or other major stakeholders. Keep this in mind when preparing your reporting.

## 6.0 Further reading and resources

- [European Commission: Corporate sustainability reporting](#)
- [EFRAG: First Set of draft ESRS](#) – includes downloads of detailed documents for each ESRS
- [ESG Exchange](#) – organisation hosting regular free webinars on CSRD and producing guidance for businesses
- [pwc: CSRD - Double Materiality Assessment](#)

## Appendix A: European Sustainability Reporting Standards (ESRS)

Topical ESRS	Sustainability matters covered in topical ESRS		
	Topic	Sub-topic	Sub-sub-topics (where provided)
ESRS E1	Climate Change*	Climate change adaptation	
		Climate change mitigation	
		Energy	
ESRS E2	Pollution	Pollution of air	
		Pollution of water	
		Pollution of soil	
		Pollution of living organisms and food resources	
		Substances of concern	
		Substances of very high concern	
ESRS E3	Water and marine resources	Water withdrawals	
		Water consumption	
		Water use	
		Water discharges in water bodies and the oceans	
		Habitat degradation and intensity of pressure on marine resources	
ESRS E4	Biodiversity and ecosystems	Direct impact drivers of biodiversity loss	Climate Change Land-use change Direct exploitation Invasive alien species Pollution Others
		Impacts on the state of species	Examples: <ul style="list-style-type: none"> <li>Species population size</li> <li>Species global extinction risk</li> </ul>
		Impacts on the extent and condition of ecosystems	Examples: <ul style="list-style-type: none"> <li>Land degradation</li> <li>Desertification</li> <li>Soil sealing</li> </ul>
		Impacts and dependencies on ecosystem services	
ESRS E5	Circular economy	Resources inflows, including resource use	
		Resource outflows related to products and services	
		Waste	
ESRS S1	Own workforce	Working conditions	Secure employment Working time Adequate wages Social dialogue Freedom of association Collective bargaining Work-life balance Health and safety
		Equal treatment and opportunities for all	Gender equality and equal pay Training and skills development Employment and inclusion of persons with disabilities Measures against violence and harassment in the workplace Diversity
		Other work-related rights	Child labour Forced labour Adequate housing Privacy
ESRS S2	Workers in the value chain	Working conditions	Secure employment Working time Adequate wages



			Social dialogue Freedom of association Collective bargaining Work-life balance Health and safety
		Equal treatment and opportunities for all	Gender equality and equal pay Training and skills development Employment and inclusion of persons with disabilities Measures against violence and harassment in the workplace Diversity
		Other work-related rights	Child labour Forced labour Adequate housing Water and sanitation Privacy
ESRS S3	Affected communities	Communities' economic, social and cultural rights	Land-related impacts Security-related impacts Adequate housing Adequate food Water and sanitation
		Rights of indigenous peoples	Free, prior and informed consent Self-determination Cultural rights
ESRS S4	Consumers and end-users	Information-related impacts for consumers and/or end-users	Privacy Access to (quality) information
		Personal safety of consumers and/or end-users	Health and safety Security of a person Protection of children
		Social inclusion of consumers and/or end-users	Non-discrimination Access to products and services Responsible marketing practices
ESRS G1	Business Conduct	Corporate culture	
		Protection of whistle-blowers	
		Animal welfare	
		Political engagement and lobbying activities	
		Management of relationships with suppliers including payment practices	
		Corruption and bribery	Prevention and detection including training Incidents

\* Companies must disclose on all of ESRS E1 regardless of materiality assessment outcome.

## Appendix B: Example of a materiality assessment mapping process

Topic ESRS	Topic	Sub-topic	Example of impact of the business / impact on the business*	Areas of a hotel business this sub-topic might apply to
ESRS E1	Climate Change	Energy	Use of electricity from non-renewable resources <ul style="list-style-type: none"> <li>• <u>Impact of:</u> carbon emissions to atmosphere.</li> <li>• <u>Impact on:</u> financial impacts of inflated prices during energy shortages; reputational damage resulting in fewer customers.</li> </ul>	<ul style="list-style-type: none"> <li>• Lighting</li> <li>• HVAC systems</li> <li>• F&amp;B</li> <li>• Petrol or diesel cars or shuttles</li> </ul>
ESRS E3	Water and marine resources	Water use	Use of water in operations <ul style="list-style-type: none"> <li>• <u>Impact of:</u> depletion of resources; damage to local communities and ecosystems.</li> <li>• <u>Impact on:</u> financial impacts caused by disrupted operations during water shortages.</li> </ul>	<ul style="list-style-type: none"> <li>• F&amp;B</li> <li>• Housekeeping</li> <li>• Guest rooms</li> <li>• Spas and swimming pools</li> </ul>
ESRS E4	Biodiversity and ecosystems	Impacts and dependencies on ecosystem services	Recreational opportunities <ul style="list-style-type: none"> <li>• <u>Impact of:</u> damage to local habitats and ecosystems through construction, pollution, etc.</li> <li>• <u>Impact on:</u> financial impacts as a result of reduced desirability of destination</li> </ul>	<ul style="list-style-type: none"> <li>• Hotel grounds and surrounding areas</li> <li>• Tour or activity offerings in the local area</li> <li>• Procurement</li> <li>• F&amp;B</li> </ul>
ESRS E5	Circular economy	Waste	Generation of non-recyclable waste <ul style="list-style-type: none"> <li>• <u>Impact of:</u> risk of pollution caused by improper disposal on or off-site</li> <li>• <u>Impact on:</u> financial impacts as a result of reduced desirability of destination</li> </ul>	<ul style="list-style-type: none"> <li>• F&amp;B</li> <li>• Procurement</li> <li>• Housekeeping</li> <li>• Guest rooms</li> <li>• Construction during renovation / new-builds</li> </ul>
ESRS S1	Own workforce	Working conditions	Staff contracts based on minimum standards where there are weak local labour regulations <ul style="list-style-type: none"> <li>• <u>Impact of:</u> labour rights exploitation</li> <li>• <u>Impact on:</u> financial impacts as a result of low job applicants and high turnover</li> </ul>	<ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Hiring managers</li> <li>• Legal</li> </ul>
		Equal treatment and opportunities for all	Low-skilled workers in entry level positions without support for equitable opportunities <ul style="list-style-type: none"> <li>• <u>Impact of:</u> labour exploitation and exclusion</li> <li>• <u>Impact on:</u> financial impacts as a result of losing or not attracting talent</li> </ul>	<ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Hiring managers</li> <li>• Communications</li> </ul>

		Other work-related rights	Migrant workers <ul style="list-style-type: none"> <li><u>Impact of</u>: unethical recruitment practices</li> <li><u>Impact on</u>: financial and reputational impact as a result of legal cases</li> </ul>	<ul style="list-style-type: none"> <li>Human Resources</li> <li>Procurement</li> <li>Housekeeping</li> <li>Outsourced services (e.g. laundry, security)</li> <li>Legal</li> <li>Communications</li> </ul>
ESRS S2	Workers in the value chain	Working conditions	Supplier due diligence <ul style="list-style-type: none"> <li><u>Impact of</u>: earning below living wage with excessive hours</li> <li><u>Impact on</u>: financial impact as a result of low customer confidence</li> </ul>	<ul style="list-style-type: none"> <li>Procurement</li> <li>Housekeeping</li> <li>Laundry</li> <li>Kitchen</li> <li>Landscaping</li> <li>F&amp;B</li> <li>Sales</li> <li>Construction during renovation / new-builds</li> </ul>
		Equal treatment and opportunities for all	Use of local suppliers <ul style="list-style-type: none"> <li><u>Impact of</u>: exclusion of diverse suppliers and SMEs</li> <li><u>Impact on</u>: financial impact as a result of unmet customer preference</li> </ul>	
		Other work-related rights	Supplier audits <ul style="list-style-type: none"> <li><u>Impact of</u>: use of child labour</li> <li><u>Impact on</u>: finance and reputational impacts as a result of negative press</li> </ul>	
ESRS S3	Affected communities	Communities' economic, social and cultural rights	Waste disposal to landfill <ul style="list-style-type: none"> <li><u>Impact of</u>: lower quality of life and economic opportunity</li> <li><u>Impact on</u>: financial impacts as a result of reduced desirability of destination</li> </ul>	<ul style="list-style-type: none"> <li>F&amp;B</li> <li>Procurement</li> <li>Housekeeping</li> <li>Guest rooms</li> <li>Construction during renovation / new-builds</li> </ul>
ESRS S4	Consumers and end-users	Information-related impacts for consumers and/or end-users	Certifications for operations <ul style="list-style-type: none"> <li><u>Impact of</u>: mis-information to customers</li> <li><u>Impact on</u>: financial and reputational impact for greenwashing</li> </ul>	<ul style="list-style-type: none"> <li>Procurement</li> <li>Legal</li> <li>Communications</li> </ul>

*\*Refer to diagram on p3 for further guidance on impacts of vs. impacts on*

## Appendix C: Example of a social impact assessment

Sustainability is one of *Aroosh Hotels*' basic principles during procurement. A basic sustainability screening on environment, anti-corruption, human and labour rights, and non-discrimination is carried out for each procurement project. All suppliers that pass the selection process undertake to adhere to the principles in Aroosh's Code of Conduct for Suppliers.

Aroosh sees social impact assessment as an opportunity to determine a baseline. The baseline data will help Aroosh to engage the supplier in discussion on potential areas for future improvement and measure progress. They also want to identify potential follow-up actions related to service provider's labour practices and opportunities within their own CSR programme.

### **Social impact assessment by Aroosh Hotels**

**1. Identify hotel or value chain activities that are related to ESRS S1-4:**

*Several services are outsourced by Aroosh hotels, including housekeeping, security, and maintenance of green areas. The service providers' employees work at the hotel premises regularly but are managed by their employer, including allocation of shifts, compensation, and benefits. The hotel has no direct control over working conditions except workplace safety while working at the hotel premises.*

**2. Identify who is most likely to be impacted by your business and ESG activities.**

*Employees of the outsourced service providers.*

**3. Develop questions to assess economic, social and emotional impact on people.**

*Social impact assessment via employee survey for outsourced service provider workers (ESRS - S2 Workers in the value chain).*

*To be completed by workers on hotel premises and used in 1-1 interviews with a sample group.*

Scoring		2	1	0	Follow up notes
<b>Economic wellbeing</b>					
	<b>Earnings</b>				
1	How much do you earn per day/week of work?	(in local currency)			Check against local living wage
2	Are you compensated for all the overtime hours?	Always	Sometimes	No	Check shift hours of workers in outsourced services
	<b>Saving</b>				
3	How often are you able to save from your earnings:	Monthly	Sometimes	None	
4	Are you the only earner in your family?		No	Yes	
	<b>Resilience</b>				
5	Do you get medical support from your employer which you can access when you or your family need?		Yes	No	If low score raise concern with service provider and consider exploring a collaborative solution
6	If there is an emergency, are you able to ask for support from your:	Employer	Family/Neighbour	No one	
7	Do your children go to school?		Yes	No	

8	If you need support for your children's education, is your employer able to support?		Yes	No	<i>If low score, consider targeted CSR activity</i>
<b>Social wellbeing</b>					
	<b>Family</b>				
9	Do you feel your family &/or friends support you in your current employment?		Yes	No	<i>Explore reasons given to understand good practices and what may need improvement</i>
10	Describe why they do/do not support you:				
	<b>Community</b>				
11	Do you feel you have a community or a group you can engage with during times of celebration or distress?		Yes	No	<i>Check if workers are from a predominantly dis-included or minority group, (e.g. refugees, immigrants, people with disabilities, ethnic/racial/religious minority, survivors of trafficking)</i>
12	If yes, name or describe group(s) you feel a part of:				
	<b>Wider relationships</b>				
13	Since you have been working at Aroosh Hotels, have you formed any new relationships beyond your family / community / group?		Yes	No	<i>If low, check training and career progression opportunities provided by employer; consider support through staff skills-based volunteering or access to company training programme</i>
14	Share some examples of new relationships you have formed since you have been working at the hotel:				
<b>Emotional wellbeing</b>					
	<b>Own wellbeing</b>				
15	Has your perception of your own wellbeing changed since you started working at our hotel?		Yes	No	<i>If low score, consider exploring further to find underlying causes.</i>
16	If yes, how has it changed?		Better	Worse	
17	Describe some of the changes:				
	<b>Goals &amp; ambition</b>				
18	Has your goal or ambition for yourself changed recently (past 1-2 years)?		Yes	No	<i>Check against training or career progression opportunities</i>
19	If yes, describe what has changed / If no, what has not changed:				
	<b>Emotional resilience</b>				
20	Do you feel you are able to deal with stress when something doesn't go well?	Yes	Sometimes	No	<i>If low, consider exploring further to find underlying causes</i>
21	Give an example of a stressful situation and how you managed it:				