What SITE Members **Need to Know** About the EU Corporate Sustainability Reporting Directive and Its Impact on the MICE Market

A comprehensive guide for SITE members on the European Union CSRD and its impact on sustainability, travel, and incentives.

By Bruce Bolger,
Founder, Enterprise Engagement Alliance

Powered by site Foundation


About SITE Foundation

SITE is a professional association with a global membership. SITE Foundation is a charitable organization with US-based 501(c)(3) status. This means SITE Foundation can legally receive tax deductible donations, and raise and disburse funds.

SITE Foundation primarily serves as SITE's fundraising arm but like SITE, it is guided by a clearly articulated mission statement that defines the purpose of its fundraising activities: to drive the business case for incentive travel & motivational experiences and support professional development within the industry.

Since its formation in 1987, SITE Foundation has invested over USD$10M in our industry. This money has supported: Education and Professional Development, Research and Content Creation and Grants, Scholarships and Financial Contributions.

This study was funded by a grant from the SITE Foundation.

For further information about the SITE Foundation, to read its Impact report or to make a donation, please see www.siteglobal.com

site Foundation

What SITE Members Need to Know About the EU Corporate Sustainability Reporting Directive and Its Impact on the MICE Market

A comprehensive guide for SITE members on the European Union CSRD and its impact on sustainability in meetings, incentives, conferences, and exhibitions market.

By **Bruce Bolger**, Founder, Enterprise Engagement Alliance

Created for:

- Any organization that is directly or indirectly subject to the European Union Corporate Sustainability Reporting Directive (CSRD)
- Sales and support teams dealing with customer inquiries and requests about sustainability
- Sales and marketing teams who are seeking to create sustainable products and services for the travel field
- Marketing teams tasked with writing copy for corporate sustainability reporting or about sustainability
- Travel service providers seeking to help the hospitality industry grapple with employee recruitment and retention challenges

Table of Contents

Key Findings and Implications

Here is a summary of the key conclusions.

1. People Are the New Sustainability

Sustainability is no longer only about the environment. How organizations treat their customers, employees, supply chain and distribution partners, and communities are becoming increasingly important considerations. This trend will be accelerated by the stakeholder management disclosure requirements of the European Union Corporate Sustainability Reporting Directive covered in this report.

2. The Vendor Vetting Process for Suppliers Will Intensify

- Given that the new EU CSRD is expected to have as much impact on international business as the EU General Data Protection Regulation (GDPR) has had on marketing, there will be more pressure than ever on agencies and DMCs to carefully vet the suppliers they work with to make sure there is no risk of embarrassment related to how they treat employees, customers, supply chain and distribution partners, communities, and the environment.
- SITE members need to have a general understanding of how their organizations will be potentially measured over time on how they create opportunities and risks for customers, employees, supply chain and distribution partners, communities and vice-versa—a concept known as **double-materiality**.

3. Many Corporate Responsibility Reports Are Now Obsolete

- As a result of the elevated level of transparency required by the new law, companies that today publish corporate responsibility reports should carefully re-evaluate them to make sure they do not appear like greenwashing, the practice of sugar-coating business practices.
- It's now important to provide more specific information in these reports addressing the management of all stakeholders — customers, employees, distribution and supply chain partners, communities, as well as the environment — consistent with the framework of the new EU CSRD.

4. Opportunities to Create and Market Authentic Local Experiences

The new interest in sustainability has fostered an enormous opportunity for destinations and destination management companies (DMCs) to create new experiences that bring the locality's culture and environment authentically to life.

5. A New Strategy to Engage End-Users and Agencies

- Given the enormous retention and recruitment challenges and their impact on the hospitality industry, the incentive travel community has an opportunity to expand its outreach program to include educating the hospitality industry on engagement.
- This in turn could be used to attract end-users to SITE chapter meetings with a format designed specifically to help not only the hospitality industry but other local businesses enhance engagement.

Section I. The European Union Corporate Sustainability Reporting Directive

Introduction

If the General Data Protection Regulation (GDPR) is any indication, the recently enacted European Union Corporate Sustainability Reporting Directive (CSRD) will over time change the competitive landscape in business by introducing a new level of transparency in the way organizations manage their customers, employees, supply chain and distribution partners, communities, and the environment. By applying to any organization doing business in the European Union with 250 or more employees, €40 million ($44 million) in sales, or certain balance sheet thresholds, the law will not only affect about 60,000 companies, including at least 10,000 outside of the EU, but also many smaller companies in their supply chain or distribution channels.

The main impact over time of the CSRD in the MICE market will be the increasing risks of doing business with organizations and even destinations with substandard operations and from whom corporate sustainability reports could begin revealing less-than-appealing practices on how they engage with customers, employees, supply chain, distribution partners, and the environment. As the reports become increasingly prevalent by 2026 on a public database maintained by the EU, it will likewise become easier for people to access and compare corporate sustainability reporting about individual companies in addition to aggregate reports likely to come from numerous publishing companies enhanced by AI.

Because most MICE programs are planned years in advance, it will be important for program planners to start taking into consideration provisions of the law now.

On the positive site, this new level of transparency will generate demand for SITE members who apply effective practices in their own services to engage all stakeholders to ensure customer satisfaction; who add services that enrich the human experience of their customers and program participants, and that minimize and/or offset environmental impact to the extent possible.

Just as the EU GDPR has had a profound impact on privacy protection in marketing and management around the world, the new EU CSRD is expected to affect many large companies even if based outside of the EU. This is because most multinationals have a large enough presence in one or more EU countries to be subject to the law. They not only will have to submit corporate sustainability reporting, with precise requirements highlighted below related to how they create opportunities and risks for all stakeholders and the environment, and vice-versa; these reports must be independently audited by the same firms that audit their financial reporting or by other qualified auditors. France has already announced criminal sanctions for management who disobey the law. Other countries are likely to follow.

What does this mean for SITE members who work for large organizations subject to the law? The biggest long-term impact, from a practical sales and marketing standpoint, is an end to any ambiguity of what to send prospects and clients when sustainability information is requested. By surpassing in detail any current disclosure requirements in the world, with independent audits potentially subject to criminal sanctions, and by being publicly available to anyone on the internet, simply sending a prospect or client a link to your organization's EU Corporate Sustainability Report should be more than sufficient to meet any organization's requirements for compliance purposes or otherwise. Depending on the size of your company, this probably won't be possible until 2026, although your company's legal team should have some idea of the pace of compliance. The largest companies already to subject to prior EU disclosure laws have to start complying in 2025.

While most SITE members do not need to have a detailed understanding of all the law's provisions, it pays to understand the overall intent of the law because it can have an impact on actual program delivery in terms of making sure that the employee, customer, distribution and supply chain management, community and environmental aspects of the law are addressed in your planning. This could include making sure that all suppliers used in your program will not subject your organization's reputation to risk by being called out for poor stakeholder management or environmental practices.

The most important questions to ask in designing a program for clients in the new era of CSRD disclosures, corporate sustainability management, and reporting include:

1. Are the employees of airlines, hotels, food services, and DMCs handling the program paid at least a living wage, with health care and other benefits supportive of their well-being and safety? Are there major pay inequities between gender or demographic groups, or excessive discrepancies of pay between employees and high-level executives that could be exposed in mandatory disclosures? This information will become public at large companies starting as soon as 2025 in the EU and elsewhere in 2026.

2. Does the supplier have any practices that could be disclosed related to a failure to keep promises to customers; make false claims or fail to disclose policies or terms that could be detrimental to the host or participants? Is there a risk that unethical practices could be publicly disclosed? Is the supplier in compliance with environmental regulations?

3. Similarly, is there a risk that information about a supply chain partner (hotel, airline, DMC, agency, etc.) could be engaging in any practices creating undisclosed or unmitigated risks for customers, including failures to disclose known practices contrary to the spirit of the CSRD law, or making false claims related to people, health, or environmental practices?

4. What environmental reputational risks would doing business with a particular supplier entail? Could it come out that the facility to which your company brought a group has been accused of human trafficking, underpaying employees, slow-paying suppliers, or polluting the environment?

As intended, the law uses market forces and transparency driven by legal, audited disclosure requirements to reduce the risks organizations impose on stakeholders and society and to focus on creating opportunities for stakeholders rather than risks.

Note: In a related move, EU member states in the European Council have reached an agreement on a scaled-back version of Corporate Sustainability Due Diligence Directive (CSDDD), a companion law to CSRD which sets mandatory obligations for large companies to address the possible negative impact on human rights and the environment in their supply chains.

According to a **report** in Reuters, under the revised proposal, which still requires approval by the European Union legislative body as of spring 2024, the rules will apply only to companies that have more than 1,000 employees and a net worldwide turnover above €450 million ($489.9 million). Once approved, the rules will be phased in over a year, initially applying to firms with more than 5,000 employees and €1.5 billion in turnover. The law is expected to pass in its "watered-down" version, which at first applied to firms with 500 employees. Nonetheless, the law will have an impact on all suppliers to these companies, who will surely have to create their own human capital reporting disclosures or otherwise satisfy information requests from potential customers.

Overview of the EU CSRD

The Corporate Sustainability Reporting Directive was passed to reduce “greenwashing,” or the practice of making misleading statements about an organization’s commitment to sustainability; to reduce the risks imposed on society by organizations; and to focus attention on creating opportunities for society. The intent is to transparently level the field so that free market forces promote more sustainable practices.

The law is now in effect with most reports due beginning in 2026 for 2025 activities and metrics compared with those of 2024. The new law requires organizations subject to the law to begin publishing independently audited corporate sustainability reports including details and over 80 metrics on:

- The material impact, or risks and opportunities an organization has on the environment and its employees, customers, distribution and supply chain partners, and the environment, and, reciprocally, the risks and opportunities these stakeholders and the environment have on the organization
- The means by which organizations define and determine double-materiality — the risks and opportunities they create for all stakeholders and the environment, and vice versa
- Policies, practices, and outcomes of employee policies, as well as those of employees in the distribution and supply chain partners, and what is being done to enhance outcomes
- Risks created for and commitments made to customers, how they are kept, and what is done to continuously mitigate risks and improve service
- Policies related to the management of distribution and supply chain partners; how they are monitored and enhanced
- Practices to enhance relationships with the communities within which the organization operates and how they are measured and improved
- Environmental practices, outcomes, and continuous improvement processes encompassing Scope 1-3 emissions material to an organization

Most hotels, airlines, cruise and rail lines, DMCs, and incentive companies will be affected in one way or another by the law. If they themselves are not subject to the law, it is likely they will have customers who are affected.

General Impact of the EU Directive on Segments of the MICE Market

The new law, considered by many in the legal and management consulting business to be a “game changer,” redefines the concept of sustainability by requiring companies subject to the law to make detailed disclosures not only on their environmental goals and practices but on the ways they manage their own employees; the employment practices of the companies in their supply and distribution chains, as well as their management practices for customers, supply chain and distribution partners, and communities.

The core purpose of the law is to reduce greenwashing by large companies and to “level the playing field” by requiring audited, public reporting following a standardized format for ease of comparison, and to enable all stakeholders to assess an organization’s double-materiality; that is, the impact it has on its stakeholders and the environment, including benefits and risks, and the impact stakeholders and the environment have on its success, including opportunities and risks.

While the task of creating EU CSRD-compliant corporate sustainability reports seems daunting at first, in actual practice the process can help organizations improve alignment and efficiency by focusing all stakeholders on a common purpose, goals, objectives, and values.

The new law is quite explicit in requiring disclosures related to practices and policies on terms and other aspects of relationships with distribution and supply chain partners, upon which the travel industry particularly depends. This includes information on pricing and other policies such as credit terms that are material to supply chain and distribution partners.

Sales departments will benefit by having access to unprecedented information about the purpose, goals, objectives, culture, and metrics of a prospect's organization to create more thoughtful proposals and provide more tailored services.

Here is an overview of the potential general impact on the MICE market:

- It will make it easier for organizations to find solution partners or potential business partners with values and practices more aligned with their own.
- The easy availability of highly comparable data will introduce a new competitive element in business, as buyers will be able to access independent information verified by auditors, rather than relying on what suppliers claim.
- Enterprising travel companies will help clients identify venues and services in line with their clients' sustainability objectives.
- Travel suppliers focused on sustainability will use the new reporting law to stand out from their less sustainable competitors.
- The law gives the industry a new opportunity to make its case that effectively designed incentive programs and events enhance employee, customer, and distributor partner engagement. For the first time, many large companies will be required disclose information on employee turnover, skills development, inclusion, health and safety, and more.
- The new law will also reduce the need for companies to respond to ad hoc requests for sustainability information in various jurisdictions because of its comprehensive requirements and use of widely recognized international standards.

CSRD Law Impact by SITE Member Segment

Here are other potential impacts on specific segments of the SITE community.

Corporate meeting and incentive travel planners

Many meeting and incentive planners and their agencies already are being asked by management to obtain more information on the sustainability practices of potential venues or other services, mostly focused today on the environment.

With the CSRD, those questions will now extend to employees, the employees of supply chain and distribution partners, and practices related to the management of customers and distribution partners, communities affected by the organization, and the environment.

When the law fully takes effect, planners will be able to directly access (through a publicly available database) the audited corporate sustainability report of any company subject to the law, containing far more information than most organizations disclose today.

Travel suppliers

For SITE members who work for hotels, airlines, cruise and rail lines or other companies subject to the law, the task of compliance will fall to senior management and the legal team and will have little effect on most of their jobs, except perhaps for requests for information from their own management practices or metrics related to employees, supply chain and distribution partners, and the environment.

Beyond fulfilling requests for these reports as they become available, SITE members will be affected to the extent that their organizations' reports shed unfavorable light or raise questions about their practices, since the reports will require independent audits by the same firms that audit financial reports and will be comparable with other firms.

Destination management companies (DMCs)

Creative DMCs can benefit by helping clients reduce risks. They can help organizations source venues and services in line with client sustainability requirements under the new broader definition encompassing people as well as the environment, and they can help select experiences that support efforts by their clients to foster great alignment among their participants.

DMCs will be able to use the corporate sustainability reports to learn much more about their clients' purpose, goals, objectives, and culture. With only a few exceptions, most DMCs are not large enough to fall within the reporting scope of the new law; however, most would do well to provide a short corporate sustainability report of their own aligned with the information required by companies subject to the law.

Incentive and meeting planning companies

In the same way travel suppliers and DMCs can use the new reports to enhance their proposals and sales prospecting, incentive companies will find a treasure trove of information, including on employee turnover, health, and wellness rarely before available. These reports can be used to identify new prospects and to help design more effective programs for employees, distribution partners, supply chain partners, and communities.

Since only a few will meet the threshold of the new law, most will benefit from creating basic corporate sustainability reports to demonstrate their understanding of the law and its intent.

Section II. Sustainability Demystified

What frontline sales and marketing MICE professionals need to know about sustainability

Chances are anyone in incentive travel and meetings sales or marketing will at one time or another receive questions from clients or prospects or request for proposals with specific sustainability questions. These might be related to what is often known as ESG, including the environment, social, and governance issues, but even sometimes information about your suppliers, distribution partners, and communities.

The bigger the potential prospect or the larger your own company, the greater the chances that you will be asked questions about sustainability. If yours is a large company, specifically in the European Union, you are already being asked for corporate sustainability reporting and will be asked for more details in the coming years, more focused on people — customers, employees, distribution, and supply chain partners, in addition to the environment.

Concerns about environmental sustainability already are having an impact on business travel because it's an easy way for companies to cut costs and meet carbon-reduction targets. On the other hand, sustainability is potentially beneficial to the group and individual incentive travel market because in these cases, travel is used for the purposes and the people considered most critical to the organization's goals and objectives.

In light of the emergence of the new anti-greenwashing **European Union Corporate Sustainability Reporting Directive**, about which **SITE first published an article** in fall 2023 outlining the impact on the travel industry, it is important for almost anyone in travel sales, marketing, or product and service development to have a fundamental understanding of sustainability in terms of the planet, people, and corporate governance.

What Is Sustainability?

Background. Sustainability is defined by Oxford Dictionary as the ability for a business to be maintained at a certain rate or level while avoiding the depletion of natural resources. In practical terms, as will be explained below, the concept has been extended in business to include not only the environment, but also customers, employees, supply chain and distribution partners, and communities. The goal is for organizations to create value for their investors and stakeholders without offloading their costs on to society, such as by paying employees so little they need welfare or other public support, or work in dangerous conditions; selling deceptive or dangerous products and services; extorting supply chain and distribution partners with untenable terms and causing pollution or damage to community infrastructure.

The roots of sustainability in business go back decades. Sustainability was a mission of the **World Economic Forum** founded in Davos in 1973 when it coined the term "stakeholder capitalism." Its principles were embraced in a **United Nations Global Impact** report published in 2005, underwritten by some of the largest financial institutions in the world, that first used the term environmental, social and governance (ESG). The focus was on how to create value for shareholders, stakeholders, and society in a responsible, sustainable matter, rather than extracting value from customers, employees, distribution and supply chain partners, communities, and the environment.

Sustainability started to become a controversy, mostly at first in the US, and to some extent Australia and Great Britain, and now even on the European continent, during the period of heightened social disturbances in the US in the late 2010s and growth of right-wing movements in Europe. The initial US backlash was ignited in part by the 2020 murder of George Floyd in Minnesota, which caused many US companies to make public statements about Black Lives Matter.

The **Business Roundtable**, a prestigious business organization, had already changed its charter in 2019 to address the needs of all stakeholder; the World Economic Forum re-stated its commitment to stakeholder capitalism, and **Larry Fink**, CEO of BlackRock, a leading investment firm, proclaimed the need for organizations to address the needs of all stakeholders. While shedding light on what was until then a little-known strategic management theory based on ethical practices dating back decades, these announcements stirred a controversy that has begun to spread to Europe. Left-wing opponents call these practices greenwashing and virtue-signaling, alleging companies make false claims for appearances only. The right wing opposes what it calls attempts to impose left-wing orthodoxy on free enterprise and that diverts profits from shareholders to the pet causes of CEOs. This has led to early advocates backing off the use of the term ESG in the West in general but has had no measurable impact on those organizations that consider sustainability to be a competitive benefit or even a necessity in the face of customer, employee, community, and investor pressures.

Sustainability is more than the environment. In most people's minds, the term "sustainability" evokes images of environmental causes, but in fact it encompasses three areas known as ESG: environmental, social, and governance. This term emerged out of the United Nations report, "**Who Cares Wins"** to plot a more sustainable path to value creation. The scope of the study included environmental practices; better management of all stakeholders summarized by the term "social"; and governance, the practices used by organizations to ensure they comply with all laws and regulations and act in an ethical manner that minimizes risks for society.

Today, social means all stakeholders. What is new in recent years is a focus on "S," which might as well be known as stakeholders, because the S encompasses employees, customers, supply chain partners, and communities. Ironically, this interest in people has created growing demand for eco-tourism as well as authentic cultural experiences, including authentic cuisine and entertainment, which by their very nature brings the benefits of tourism to a broader slice of local communities (more on this in Section III).

What Does Sustainability Have to Do With Sales and Marketing?

Size and geographic location matter. Depending on the geographic location, size, and culture of your client or prospects, you will likely be asked questions about specific environment, social, and governance issues. You only need to have a basic understanding of these principles to make sure the necessary information is quickly provided. You will most likely receive these requests from multi-nationals based in the European Union, the United Kingdom, the United States, Canada, Australia, New Zealand, and Japan. Unless your organization has made a strategic commitment to sustainable issues or the development of related products, it's safest to stay in your lane to simply ensure the client or prospects get the information they have requested without the risk of making misleading representations.

Sustainable products and services. In addition, depending on the type of company you work for, there may be opportunities for new activities or services that fall under the umbrella of sustainability, including eco-tourism, authentic local dining and entertainment, and supporting local charities. See Section III, *What Customers Want*.

What Do You Need to Know Without Being an Expert?

Depending on your type of organization or client, there are essentially three areas of sustainability you could be asked about: environmental, social, and/or governance.

Environmental. This has to do with your organization's impact in three key areas. Scope 1 are direct emissions that are owned or controlled by a company such as a manufacturing facility or heating source — for example, a utility, or an airline or cruise ship company. Scope 2 consists of indirect emissions that are a consequence of the activities of the company but occur from sources not owned or controlled by it, such as by a utility from which your organization obtains electricity. Scope 3 involves products your company purchases from other companies.

The greater your organization's impact on carbon emissions, food or water resources, the more likely you will be asked about your organization's practices and ratings. Airlines, hotels, and food services are by far the types of travel services most subject to questions about environmental practices because they all have potentially three scopes of impact. Incentive, meetings, and destination management companies (DMCs) have far less exposure to these requests because of their minimal direct environmental impact, unless they operate in European Union countries. In this case, they will be subject to the same European Union Corporate Sustainability Reporting Directive stakeholder disclosure requirements if they fall within the minimum size requirements — 250 or more employees and €40 million in annual sales.

Depending on your type of company, you might be asked for your LEED (Leadership in Energy and Environmental Design) rating for buildings owned by your organization. You might be asked about a **Green Marine** rating if you work for a cruise line or about **Atmosfair** standards. **Airlineratings.com** singles out what it calls the most environmentally friendly airlines each year.

Anyone who works in sales probably already has received many requests for sustainability information and knows where to find one's company's environmental impact statement or corporate sustainability report on its web site. In almost all cases, there is nothing more to do but to send the requested information. If any additional information is requested, senior sales management or the legal department is a good place to start.

Social. This pertains to the way organizations manage all their stakeholders — employees, supply chain and distribution partners, as well as customers and communities. Large companies subject to new disclosure requirements and many others facing pressure from their own customers or supply chains are providing much more information in their corporate sustainability reporting on the purpose and practices related to how they treat and pay employees; the employee management practices of their key supply chain and distribution partners; how they keep their promises to customers, supply chain and distribution partners; and create opportunities and/or risks for the communities in which they operate.

Under the Corporate Sustainability Reporting Directive (see Section I), large multi-national companies operating in the European Union starting in 2026 will have to publish in a public database detailed information on employee demographics, pay equity, turnover, safety, complaints, as well as related information on key supply chain and distribution partners. The law also requires disclosures on the risks and opportunities companies create for customers and communities.

What large perspective companies increasingly want to know today are your organization's specified practices related to employee pay, health, and safety, and compliance with all age and anti-trafficking laws or regulations to minimize the risks of a future public relations scandal. As with environmental disclosures, most large companies already publish what are often called corporate sustainability or corporate responsibility reports. Once the EU CSRD is fully in effect, any company subject to the law will have to provide all sustainability information in a single format, which is likely to become the governing document for such disclosures.

Governance. This term refers to the more arcane topic of the processes an organization uses to ensure it operates in an ethical manner compliant with all laws and regulations. Depending on the size of company, basic governance topics include the type and location of the organization, purpose, corporate structure, operating system, and compliance principles and processes for addressing grievances. Once again, these disclosures are included in the corporate sustainability and/or responsibility reports of most organizations.

In most cases, the corporate sustainability report is all you need and/or can send unless you have approval from your organization's legal department to provide additional information.

International reporting standards and audited reporting

Even before the passage of the European Union Corporate Sustainability Reporting Directive, there has been increasing pressure for organizations to publish meaningful reporting on ESG issues, in most cases solely to reduce the risk of litigation or regulatory issues. In some cases, this is encouraged by ESG-oriented investment companies pushing for more transparency in reporting.

Voluntary global standards include:

The Global Reporting Institute (GRI) provides voluntary standards on all stakeholders and the environment.
IFRS Sustainability Disclosure Standards are managed by the International Sustainability Standards Board (ISSB).
Stakeholder Capitalism metrics of the World Economic Forum, followed by about 150 leading companies.
ISO 30414 human capital standards, encompassing primarily employee issues and followed by but a few companies in Europe and Asia.
ISO 10018 People Engagement standards, focused on aligning the interests of all stakeholders.

How Sustainability Will Affect Your Company

Four factors will determine how the law will affect your business.

Geography. If your organization is based in the European Union and has more than 250 employees and €40 ($44 million) in sales, or has a subsidiary there of that size, you will be directly affected by the **EU Corporate Sustainability Reporting Directive**. Because this is a law that requires disclosures regarding all stakeholders and the environment, it will likely become the default corporate sustainability report for many large companies worldwide. By having a standardized approach that requires an independent audit by the organization's current financial auditors, or another authorized auditor, your company will have one single document to send to any customers or prospects requesting sustainability information of any kind. If your company does business with any company subject to this law, you likely will be asked basic information about your sustainability practices as part of its supply chain, even if you don't have to legally comply with the law. This will become especially true if the European Union parliament passes sometime in 2024 as anticipated the Corporate Sustainability Due Diligence Directive (CSDDD), applicable to companies with 1,000 employees or more doing business in the EU.

Size. Outside of Europe and, to a lesser extent the UK, which also has some basic disclosure requirements for people management of large companies, there are very few sustainability disclosure requirements of public or large companies. In the US, public companies need only disclose information on "human capital" deemed material by their management to their business. So your company, regardless of its size, will only be subject to disclosure requirements based on pressures from companies subject to the EU laws or which have voluntarily chosen to focus on sustainability as a business strategy.

Type. Obviously, companies that have a high degree of impact on the environment, employees, customers, distribution and supply chain partners, and communities, will be subject to more scrutiny than companies that provide technology or other services, or which are simply too small to have much impact on society or the environment. That said, given the concern that large enterprises have related to the risks of being aligned with an organization with a poor environmental, stakeholder management, or governance track record, suppliers of every size will need to have at least some information available related to their sustainability practices.

See Section V for an outline of the components of a corporate sustainability report based on the size of an organization.

Section III. What Customers Want

Here are specific requests you're likely to encounter from clients and prospects, along with potential new revenue opportunities these requests can create.

Sustainability is not just a compliance issue, it's an opportunity.

On the one hand, many of the requests your organization will receive related to sustainability are compliance issues: the need for a company to check off the box that it has collected the information it needs in case its sustainability claims are audited or its practices otherwise called in to question. An organization with a meaningful corporate sustainability report appropriate to its size and impact will have a competitive advantage with organizations that care about sustainability over competitors that do not.

On the other hand, corporate sustainability offers the opportunity for enterprising hotels and DMCs to create new differentiators and profit centers by creating products and services of appeal to the growing number of sustainability-oriented organizations and people. These can include corporate social responsibility projects that support the destination's environmental or social issues or unique dining and entertainment, exploration, or other activities that authentically introduce visitors to a local culture. According to research conducted both by the **Incentive Research Foundation** and **SITE Foundation**, a growing number of people value authentic cultural experiences.

See below for more specific examples of products and services of appeal to sustainable travelers and groups.

What are the types of requests SITE members can expect to get related to the topic of sustainability?

Requests will fall into two categories:

1. Clients and prospects may ask questions related to the risks and opportunities your organization creates related to the environment; your stakeholders — practices for employees, customers, supply chain and distribution partners, and communities; and governance. The common-sense, time-saving solution is for every organization affected by sustainability requests to have one standardized report that it shares with all who request one.

2. Products or services your company offers to support sustainability practices. These can include corporate social responsibility projects that support local causes in the destination selected or unique dining; entertainment; day hikes through areas of historic, cultural, or geographic interest, or other authentic experiences that both enrich the participant and the local community. See Part IV.

What types of specific information could be requested of you, and where do you get it?

Sustainability information will usually involve key environmental issues, including carbon emissions, water, and food waste. People issues will usually involve pay, benefits, safety, and human trafficking prevention, as well as practices and policies related to customers, supply chain, distribution partners, and communities, and governance, which refers to compliance with regulations and ethical practices.

Requests may also include suggestions for corporate responsibility or eco-tourism or related activities that immerse participants in the local culture.

What can your organization do to simplify responses to these requests?

By understanding what can be reasonably expected of a company of your type, size, and location in terms of disclosures, and the specific sustainable product and/or service opportunities you can provide, your organization can create a standardized sustainability report and list of sustainable-oriented products and services so that there is no need to reinvent the wheel with each request.

What types of business opportunities, if any, can sustainability requests create?

Organizations of any size can gain a competitive advantage with prospects that care about sustainability by providing corporate sustainability reporting appropriate to their size and type in terms of the scope of information provided.

Hotels, DMCs, restaurants, entertainment, eco- and related tours can generate incremental revenue by creating products and services of appeal to explorative travelers.

Section IV. Marketing Sustainability — Dos and Don'ts

Here's how to make sure your sustainability claims have a positive impact and do not get you into trouble with greenwashing accusations.

The concept of sustainability and ESG became tainted over the last few years by organizations seizing upon the growing appeal with investors, consumers, and employees to make misleading claims related to their actual practices. To avoid this trap in your disclosures and claims, the best approach is "less is more." Transparency is more important than excellence: make no claims you cannot yourself bank on. When in doubt, say nothing.

Establish the framework for and publish a single corporate sustainability report for use with all who ask. In addition, create, if appropriate, unique, and authentic products and services that offer business opportunities for local businesses without virtue-casting.

Specific ideas for monetizing sustainability: create new added-value services of appeal to travelers with a growing interest in all aspects of sustainability

Destination management companies, hotels and cruise lines can benefit from the new interest in sustainability by creating philanthropic programs to support local charities or products and services that address the interests of the growing number of people who enjoy giving back, the out of doors and having more authentic local travel experiences.

Charitable activities. Many tourist boards or chambers of commerce can connect you with local charities and causes aligned with an organization's purpose, goals, objectives, or values. These charities can organize onsite or nearby activities in a way that involves your group in a half-day or so activity with locals.

Authentic experiences. Many hotels, destination management companies and cruise lines have developed products enabling people to have more intimate experiences with the destination. These options can include:

- Eco-tours with a local guide to learn about the flora, fauna, and geography of a region, or its local people and history
- Dining at restaurants where locals eat, featuring dishes of the regional cuisine made from locally sourced products
- Attending dance, musical, or theatrical performances at local venues featuring authentic entertainment representative of the area
- Including local product products in onsite gifting programs alongside the brand names frequently used in these programs
- Hiring local story tellers and other entertainers to perform at onsite events

What to say and not say about your organization's sustainability practices and programs

Given the recent backlash against greenwashing and ESG, it's important to remain factual about your organization's sustainability practices and programs and to avoid any hype.

If sustainability is a core value at your organization, it’s important to back up any claims with clear metrics of impact. Otherwise, your statements risk sounding like virtue-signaling.

If sustainability is not an emphasis, there is no need to make false statements. Create a single corporate sustainability report appropriate for the size and type of your organization with the required information.

In the current climate, authenticity is preferable to making misleading claims. Follow the old journalism adage, “when in doubt, leave out.”

Section V. Outline for a Corporate Sustainability Report

Currently, there are very few legal requirements anywhere in the world for making corporate sustainability disclosures. US public companies must now include in their annual 10-K filings to the Securities and Exchange Commission human capital information deemed material to the organization, with almost no specified disclosure requirements. Similarly, the United Kingdom makes basic demands of large enterprises there.

As detailed in Section 1, for the first time anywhere, detailed corporate sustainability reporting will be required of companies doing business in the European Union with 250 or more employees and €40 ($44) million in sales. The new anti-greenwashing **European Union Corporate Sustainability Reporting Directive**, in full effect in 2026, is expected by legal and business experts to have the same impact on sustainability as the EU GDPR **(General Data Protection Regulation)** has had on people privacy management on commerce worldwide.

As explained elsewhere in this report, companies and major suppliers to such firms will need to provide specific information on how they create opportunities and risks for employees at their organizations for those through whom they sell their products and services, as well customers, communities, and the environment. These reports will need to be independently audited in a manner similar to their financial reporting. If your company falls into this category, your legal team will advise you on what to release when.

Given the worldwide impact of GDPR on privacy in marketing, it is advisable for any size company required by customers or committed to sustainable practices to use the overall framework of the CSRD for producing their corporate sustainability reports, even if not directly subject to them. At this stage, there is no need for companies not directly subject to the law to have these reports audited, nor to disclose all the details required by the new law, which is specifically designed to "level the playing field" by requiring all large companies to comply. Since smaller organizations are not required to publish audited reports, there is no level playing field for such reports, so only those who make sustainability a core part of their strategy need consider disclosing detailed metrics competitors have no requirement to disclose. For those who believe sustainability provides a competitive edge, disclosure of specific metrics and methods to continuously improve them can provide a competitive edge, especially if independently audited.

For most companies, it's beneficial to create a single corporate sustainability report that addresses the information below in a factual manner with whatever information your organization is willing to disclose. An effective corporate sustainability report:

1. States the purpose, goals, objectives, and values of your organization

2. Outlines the opportunities and risks you create for:

- The environment
- Employees and employees in your supply chain
- Distribution partners
- Supply chains
- Communities

3. Provides general information on:

- The goals and objectives related to each of the above factors; general metrics used to evaluate progress, and steps being taken to improve outcomes

Topics Covered

Environment. Your organization can provide an overall assessment of your environmental impact and how you are addressing these issues; the metrics used to measure any material impact; and efforts used to reduce impact.

Scope 1 emissions, which are those created or owned by your company such as emissions from facilities or factories owned by your organization.
Scope 2 emissions come from the purchase of steam, electricity, heat, steam, cooling, etc.
Scope 3 emissions refer to those caused by companies in your value chain, including air or other travel for business or pleasure.

Social (stakeholders — employees, distribution and supply chain partners, customers, and communities. To be consistent with the new EU reporting framework, your corporate sustainability report can address the following topics, how they are measured, and the steps taken to improve.

1. Leadership — purpose, goals, and objectives of your organization
2. Diversity, equity, inclusion — what is done to make DEI a business opportunity
3. Occupational health and safety — what dangers, if any, are created for stakeholders and what is done to address them
4. Organizational culture — what are the values of the organization and what is done to promote and measure their impact
5. Productivity — what measures are taken to enhance output and what measures are taken to improve
6. Skills and capabilities — what does your organization do to develop team members or other relevant stakeholders
7. Recruitment, mobility, turnover — what does your organization do to recruit and develop people and to address turnover
8. Customer engagement — what opportunities and risks are created for customers and distribution partners
9. Supply chain and channel partners — what opportunities and risks affect supply chain and distribution partners
10. Community engagement — what is done to create opportunities and reduce risks for communities affected by the organization

Section VI. Addressing the Travel Industry's "S" Problem — Turnover and Recruitment

High turnover in the hospitality workforce is a major concern of incentive travel planners, according to this **Incentive Research Foundation study** conducted last year. In the terms of the CSRD, this refers to the employee elements of the new law, which requires disclosure by large companies of employee turnover, compensation, safety, and more.

The need to engage frontline employees in the hospitality industry provides the opportunity for enterprising SITE members to create new value for their organizations by suggesting proven ways to enhance retention and recruitment using educational resources provided by SITE. This section outlines a 10-step practical framework for addressing turnover and recruitment SITE members can share with human resources and management to enhance productivity and quality of service or use in training programs at SITE chapter meetings to attract agencies and end-users.

Employee Engagement Essentials

Organizations have traditionally used recognition to express appreciation for length of service or accomplishment of specific goals related to training or wellness. Today, as more organizations begin to view employees as an asset, recognition is being used to achieve more concrete organizational goals like increasing sales, productivity, quality, talent acquisition and retention. These steps can be used to not only attract and retain hospitality employees, but to improve profitability through higher customer satisfaction and greater productivity.

The best designed program will address the findings of this 2011 research by the **Forum for People Performance and Measurement** at the Medill School of Marketing Communications at Northwestern University that there is a direct financial link between having highly engaged hospitality workers, satisfied customers, and financial results.

Use these steps, based on decades of research, to achieve the best results. You may wish to search out the services of a local incentive or recognition provider. For details on how to set up a measurable program, see this report created by the American Productivity and Quality Center for the Incentive Research Foundation, the **Master Measurement Model**.

Step 1. Be Strategic — Have a Formal Incentive Recognition Plan to Achieve a Specific Purpose, Goals, and Objectives

A. Identify specifically what you are trying to achieve — retention, referrals, increased customer satisfaction, higher productivity — making sure that your goals and objectives are focused and aligned.
B. Estimate the potential value to your organization of achieving your retention or other goals.
C. Ideally, involve a select group of employees in planning the program to encourage buy-in and continuous feedback.
D. Establish a clear purpose to be shared with all stakeholders, like enhancing experiences for customers by creating a more rewarding workplace, and related goals and objectives (such as reducing problem resolution times or enhancing the ratio of successful outcomes).
E. Identify technology or other needs to support the program: do you use employee engagement technology or other ways to survey customers and employees, communicate regularly with employees,

provide training information, support expressions of appreciation, and measure both results and the activities that led to them?

F. Set realistic goals for what you are trying to accomplish, with at least one results goal (such as higher retention or number and value of employee referrals), and two other related measures of behaviors (such as number and value of suggestions, or productivity and quality measures). Make sure to have a structure that recognizes the top 20 percent of performers, but don't overlook the middle 60 percent.

G. Know your audience: what will move who to put in that extra effort? How do they like to be appreciated?

H. Gain CEO or general manager buy-in, if possible, by having them participate in the communications program through video calls and ideally through onsite visits.

I. Make sure your campaign is woven into all training and communications efforts to support employees.

Step 2. Be Holistic

Recognize that people are complex and come in an infinite variety of needs and designs, but that in most cases:

- People's basic needs must be addressed first, or they cannot or will not give it their all. Without paying a competitive living wage and providing benefits necessary to maintain their health, wellness, and work-life balance, you will not, in most cases, get the same level of engagement people put into their hobbies, families, recreational, or spiritual activities.
- Culture and purpose are critical foundations. For most people, having a sense of purpose can give more meaning to even mundane activities. If your organization doesn't have a passion for its purpose, goals, and objectives clearly articulated to employees, you can't expect anything better from your employees than average output. Having a culture in which employees feel authentically appreciated will set the stage for better outcomes for your incentive and recognition issues focused on achieving specific goals and objectives.
- Establish a system to capture and act on employee and customer voice — not just surveys, but easily accessible means for people to express concerns or provide suggestions that get rapidly and transparently addressed. Involve employee representatives whenever possible in making key decisions that involve employees so that they feel their interests are at least considered.
- Integrate and align all the tactics used to keep people focused, such as communications, learning, social recognition, referrals, rewards, collaboration, wellness, etc., so that key messages are woven into every relevant interaction. In most cases, people need to hear information multiple times before it sinks in.
- Make sure your managers have proper training and are monitored on how to coach and listen rather than to dictate and impose, and how to express genuine appreciation for the employees who perform.
- Consider offering high-performing employees the opportunity to stay at your properties with their families or offering employees significant discounts during off-season periods so they both feel proud and experience your business from a guest's point of view.
- Remember the importance of agency or sense of ownership — people are more likely to engage in a task if they feel they have greater control over how the task is performed and if they feel confident management will listen if they have new ideas.
- Create a community — people are more likely to enjoy their jobs if they feel a sense of community. Involve employees in finding ways to authentically make that happen in an inclusive manner that enhances understanding. Make it easier for people to share jobs or cover for colleagues when necessary.

- Consider paths to career enhancement for those who seek it and a genuine mentorship program with clear goals and objectives and a means of monitoring progress so that older and younger employees develop connections.
- Institute a program for each employee in which someone other than their direct advisor checks in on a scheduled basis to see how they are doing and identify potential problems or opportunities to better engage them.

Step 3. Forecast the Potential Impact

What is the value of accomplishing the goals, whether it be to increase employee retention, referrals, or related issues such as productivity and quality? This can be calculated by determining the cost of replacing an employee; calculating overtime necessary to cover for understaffing, but also the benefits of an employee referral, or of increased productivity and quality, the latter measured by customer engagement, repeat business, or customer referrals or survey scores.

By establishing the impact of your effort, you can better determine how much to invest. To do so requires conducting some additional analysis to determine key correlations; for instance, what, if any, correlation exists between having highly engaged employees with highly engaged customers? What, if any, is the correlation between employee engagement, retention and/or engagement survey scores with the return on investment on your employee costs, a key metric for productivity?

For instance, if it costs $5,000 to replace an employee, how much is it worth investing in keeping that employee? Or, if your organization finds that customer retention increases by 1 percent for each 1 percent increase in employee engagement scores, what is that worth to your organization to make that investment? What did that incremental 1 percent of business do for the bottom line or your organization's purpose and other goals and objectives or for your brand equity?

Step 4. Establish the Budget

Having figured out the value to your organization of achieving your goals, what is it worth to increase employee retention and engagement or whatever your specific purpose, goals, or objectives?

It's a safe bet that setting aside about 2 percent of employee pay to invest in a mostly self-liquidating program to increase engagement will more than pay for itself. If the employees do not perform, points don't get issued, so the incremental costs are roughly commensurate with return-on-investment. Assuming the average hotel employee earns $50,000 a year including all benefits, costing $5,000 to replace, investing $1,000 to encourage retention, productivity, and quality can have a significant payoff, especially if the amount is not spent if the employee leaves.

The budget should have two key elements:

- A fixed cost for program design, communications, implementation, monitoring, training, etc. to cover whatever elements are necessary for implementation, regardless of outcomes. These usually amount to about 20% of overall program costs.
- A variable cost based on points issued for achieving specific goals or exemplifying the steps necessary to achieve them. These costs are based on the outcomes, i.e., how many points were issued based on designed criteria.

Step 5. Design the Program

Properly designed programs carry minimal risks because only about 20% of the costs are fixed. The rest are covered by the incremental improvements of achieving the selected purpose, goals, and objectives of the effort.

The goal is to distinguish the engagement effort from compensation and benefits, which people receive regardless of their performance as long as they remain employed. Engagement efforts are investments in specific efforts to engage people in a key purpose, goals and objectives, making sure they have the necessary tools, information, voice, and authentic sense of appreciation to engage at an enhanced level.

Types of programs. Depending on the organization and its purpose, goals, objectives, culture, and the audience, there are numerous variations on structures. These include:

- **Closed-end programs** in which only the people who achieve goals achieve tangible recognition
- **Open-end programs** in which everyone who achieves their goals or who exemplifies key behaviors achieves tangible recognition, proportionate to their performance
- **Tier-based** or **plateau programs** that reward people for achieving specific levels of achievement
- **Variations** of the above

Open-ended programs reach the greatest number of people, especially the middle 60 percent who can go either way based on their level of inspiration. Close-ended programs are used to recognize the top 20 percent who probably, out of inborn pride and talent, would have achieved the results anyway. Tiered programs, in which rewards are allocated by level of performance, encourage people to stretch to achieve a desired award or designation.

Goal setting. The key is to establish realistic goals and to express appreciation for and reward those who both achieve the goals and/or who actively participate in the steps necessary to achieve them — that is, the actions, which if conducted more effectively or frequently, lead to the desired result. The more you can involve employees in establishing these goals, the better your chances of hitting them.

In the case of a hospitality employee retention program, the goals could include:

- Retention of employees and referrals for replacements
- Productivity, using metrics already in place or that are easy to collect
- Quality, customer satisfaction scores

In this case, points are issued based on the value of the result to the organization, with most organizations willing to allocate about 10-20 percent of the incremental value to the employee.

Point values. Points are used in lieu of monetary designations specifically for the purposes of separating the program from compensation and creating an element of fun based on accomplishments, in addition to compensation, benefits, and good working conditions.

After determining the value of the result or behavior to the organization, you can estimate the value and number of points you wish to give. Assuming 10 points are issued for each $1 of estimated value to the organization, the points issued to recognize an employee who remains for one year would be 7,500,

Example of a self-liquidating program. An employee could be allocated $750 in points for staying a full year, with half given at the end of the year and the other half three months later. In addition, another $250 in points can be allocated quarterly based on achieving productivity and quality goals. In either case, no points will be issued unless the employee achieves the stated goals. Failure to achieve goals creates opportunities for a constructive sit-down with the manager to find out what's going on.

Impact analysis. In addition to tracking the specific metrics related to the program, it also makes sense to track overall stakeholder management metrics to look for correlations of even greater importance to the organization. For instance, comparing the metrics of a specific campaign with other overall goals and objectives such as sales, profits, customer satisfaction, referrals, retention, safety incidents, and/or legal actions can sometimes identify hidden opportunities and/or risks.

Step 6. Create Meaningful Rewards People Will Appreciate, Distinguished From Compensation

Involve employees in identifying the rewards and expressions of appreciation that will have the greatest impact and meaning; involve significant others, and that are buzzworthy. Customize and personalize the gifting experience.

Types of appreciation. Remember that different types of people value receiving appreciation in different ways and that it's important to personalize such expressions appropriate to each person.

Why non-cash rewards. Non-cash rewards are used for multiple reasons, usually the same reasons they are used to reward people in entertainment, sports, and education:

- To distinguish accomplishment of goals from what is already expected of people in their day-to-day jobs
- To create memorable experiences that are remembered long after a paycheck
- To foster a buzz in the organization in a way less complicated to achieve when cash is involved
- To have fun and celebrate

Types of non-cash rewards. Over the decades, a robust industry has arisen to support almost any type of reward:

- Group and individual travel, including experiences and explorational travel
- Merchandise, usually via online points catalogs
- Gift cards, e-cards, and other evolving rewards delivery platforms
- Gift cards or special offers for your own services, if they are consumer-oriented

Step 7. Have a Clear Communications Plan

Use your company communication platform or employee engagement technology to regularly provide useful information and to obtain feedback from salespeople, including case studies of success stories; facts and figures to address client questions; standings reports, etc.

Step 8. Consider a Mentorship Program

Bringing together proven leaders with newer or up-and-coming employees can not only help develop leadership skills for employees and learning opportunities for newer employees, but the process also helps build a sense of community.

Step 9. Continually Monitor the Effort

Regularly analyze quantitative versus qualitative goals and use of the employee engagement technology, if you have a platform, to correlate results from surveys, communications, recognition, feedback, and more. Look for manager, department, and/or regional differences.

Step 10. Carefully Evaluate Results

- Compare quantitative with qualitative results and engagement app use, if possible, to identify trends.
- Look at the cost of the awards issued and other expenses with the value of the actions and accomplishments.
- Regroup with the employee input group; evaluate general feedback from customers and other stakeholders.

Bruce Bolger Bio

Bruce Bolger is one of the founders of the field of Enterprise Engagement, an implementation process for what is increasingly known as stakeholder capitalism. Since 1988, he has combined a career in business publishing and content marketing with stakeholder management across the enterprise, human capital reporting, and investor relationships in all people aspects of ESG (environmental, social, governance) and corporate sustainability reporting.

Based on nine years of research conducted by the Forum for People Performance Management at the Medill School of School of Media, Journal, and Integrated Marketing Communications at Northwestern University starting in 2000, he founded the Enterprise Engagement Alliance (EEA) in 2009. There, he assembled academic and business experts in all aspects of engagement to create a formal framework for the practical implementation of stakeholder engagement practices across the enterprise.

In his capacity as principal of the EEA, an agency specializing in stakeholder engagement implementation and reporting, he and his colleagues provide high-level and tactical advisory services for organizations seeking to develop, manage, measure and report on all aspects of the "S" or "social" of environmental, social, governance, increasingly known as stakeholder capitalism. He has unparalleled experience in the practical implementation of the people aspects of ESG, human capital, and diversity, equity, and inclusion; experience working in the investment community and universities, and is an early leader in content marketing, having founded one of the first agencies specializing in the field in 1996.

Bolger works with boards, CEOs, CHROs, CMOs, and investor relations at organizations seeking to profit from formal human capital management plans, metrics, and reporting strategies that enhance performance as well as stakeholder engagement, and with investors seeking to make sense of human capital management strategies and reporting.

Highlights of Experience and Capabilities

- Author of one of the first guides on the EU Corporate Sustainability Reporting Directive
- Served as an advisor to the Conference Board on current program on human capital management
- Provider of an education program on the "ROI of DEI" for CEO Action for Diversity and Inclusion
- Overseer of the first ISO 30414 conforming human capital report detailing stakeholder engagement
- Produced the Engaged Company Stock Index to demonstrate the ROI of engagement
- An expert in strategic communications, with over 30 years of experience in publishing books, magazines, trade shows and conferences, videos, social media, blogs, portals, and marketplaces.
- Author of two books on Stakeholder Engagement — Enterprise Engagement for CEOs: The Little Bluebook for Stakeholder Capitalists, an implementation plan for senior management and boards, and Enterprise Engagement: The Roadmap, a practical guide to implementation
- Producer of dozens of high-level video interviews with leaders in all areas of ESG investment and human capital management on all aspects of stakeholder engagement
- Created and helped fund the Forum for People Performance and Management at Northwestern University
- Publisher and packager of the Short Escapes experiential travel series, first published in the 1990s by Fodor's, focusing on enriching travel experiences away from the tourist crowds: now available online

For more Information: Bruce Bolger; Bolger@TheEEA.org; 914-591-7600, ext. 230.

site Foundation