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Exposure Draft

IFRS[®] Sustainability Disclosure Standard

[Draft] IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure requirements

Volume B52—Hotels & Lodging

Comments to be received by 29 July 2022



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Introduction

This volume is part of Appendix B of [draft] IFRS S2 Climate-related Disclosures and is an integral part of that [draft] Standard. It has the same authority as the other parts of that [draft] Standard.

This volume sets out the requirements for identifying, measuring and disclosing information related to an entity's significant climate-related risks and opportunities that are associated with specific business models, economic activities and other common features that characterise participation in this industry.

The industry-based disclosure requirements are derived from SASB Standards (see paragraphs B10–B12 of [Draft] IFRS S2 *Climate-related Disclosures*). Amendments to the SASB Standards, described in paragraph B11, are marked up for ease of reference. New text is underlined and deleted text is struck through. The metric codes used in SASB Standards have also been included, where applicable, for ease of reference. For additional context regarding the industry-based disclosure requirements contained in this volume, including structure and terminology, application and illustrative examples, refer to Appendix B paragraphs B3–B17.

Hotels & Lodging

Industry Description

The Hotels & Lodging industry is composed of companies that provide overnight accommodation, including hotels, motels, and inns. It is a competitive industry that is primarily comprised of large hotel chains and in which customers base purchase decisions on a wide range of factors including quality and consistency of services, availability of locations, price, and loyalty program offers. Businesses are often structured in one or more of the following ways: direct revenue from hotel services, including room rental and food and beverage sales; management and franchise services with fee revenue from property management; and vacation residential ownership with revenue from sales of residential units.

Note: Select companies in the Hotels & Lodging industry are also engaged in activities of the Restaurants industry. The SASB standards for such activities are outlined in the Restaurants industry standards. For the purposes of this standard, it is assumed that hotels and lodging companies do not provide food and beverage services, and therefore issues such as food safety, waste, and sourcing, which may be material for companies that offer food and beverages, are not covered by this industry standard.

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	SV-HL-130a.1
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m ³), Percentage (%)	SV-HL-140a.1
Climate Change Adaptation	Number of lodging facilities located in 100-year flood zones	Quantitative	Number	SV-HL-450a.1

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of available room-nights	Quantitative	Number	SV-HL-000.A
Average occupancy rate ⁹¹	Quantitative	Rate	SV-HL-000.B
Total area of lodging facilities ⁹²	Quantitative	Square meters (m ²)	SV-HL-000.C

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⁹¹ Note to SV-HL-000.B – Measured as number of (1) occupied room-nights divided by (2) available room-nights across all properties.

⁹² Note to SV-HL-000.C – The scope includes facilities that were owned, operated, leased, or franchised during any portion of the reporting period.

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ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of lodging facilities and the percentage that are: (1) managed, (2) owned and leased, (3) franchised	Quantitative	Number, Percentage (%)	SV-HL-000.D

Energy Management

Topic Summary

Hotel buildings require a significant amount of energy resources to operate, which represent a substantial portion of hotel operating expenses. The majority of the industry's electricity usage is commercially purchased. This purchased electricity indirectly leads to the release of greenhouse gas (GHG) emissions, which is a large contributor to climate change. Companies in the industry are implementing energy management best practices in order to reduce operating expenses and environmental impacts and to improve their reputations with guests, who are increasingly concerned about environmental sustainability.

Metrics

SV-HL-130a.1. (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable

- 1 The entity shall disclose (1) the total amount of energy it consumed as an aggregate figure, in gigajoules (GJ).
 - 1.1 The scope of energy consumption includes energy from all sources, including energy purchased from sources external to the entity and energy produced by the entity itself (self-generated). For example, direct fuel usage, purchased electricity, and heating, cooling, and steam energy are all included within the scope of energy consumption.
 - 1.2 The scope of energy consumption includes only energy directly consumed by the entity during the reporting period.
 - 1.3 In calculating energy consumption from fuels and biofuels, the entity shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).
- 2 The entity shall disclose (2) the percentage of energy it consumed that was supplied from grid electricity.
 - 2.1 The percentage shall be calculated as purchased grid electricity consumption divided by total energy consumption.
- 3 The entity shall disclose (3) the percentage of energy it consumed that is renewable energy.
 - 3.1 Renewable energy is defined as energy from sources that are replenished at a rate greater than or equal to their rate of depletion, such as geothermal, wind, solar, hydro, and biomass.
 - 3.2 The percentage shall be calculated as renewable energy consumption divided by total energy consumption.

- 3.3 The scope of renewable energy includes renewable fuel the entity consumed, renewable energy the entity directly produced, and renewable energy the entity purchased, if purchased through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs) or Guarantees of Origin (GOs), a Green-e Energy Certified utility or supplier program, or other green power products that explicitly include RECs or GOs, or for which Green-e Energy Certified RECs are paired with grid electricity.
 - 3.3.1 For any renewable electricity generated on-site, any RECs and GOs must be retained (i.e., not sold) and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
 - 3.3.2 For renewable PPAs and green power products, the agreement must explicitly include and convey that RECs and GOs be retained or replaced and retired or cancelled on behalf of the entity in order for the entity to claim them as renewable energy.
 - 3.3.3 The renewable portion of the electricity grid mix that is outside of the control or influence of the entity is excluded from the scope of renewable energy.
- 3.4 For the purposes of this disclosure, the scope of renewable energy from ~~hydro and biomass sources is limited to the following:~~
 - 3.4.1 ~~Energy from hydro sources is limited to those that are certified by the Low Impact Hydropower Institute or that are eligible for a state Renewable Portfolio Standard;~~
 - 3.4.2 ~~Energy from biomass sources is limited to~~ materials certified to a third-party standard (e.g., Forest Stewardship Council, Sustainable Forest Initiative, Programme for the Endorsement of Forest Certification, or American Tree Farm System), materials considered eligible sources of supply according to the *Green-e Framework for Renewable Energy Certification, Version 1.0* (2017) or Green-e regional standards, and/or materials that are eligible for an applicable state renewable portfolio standard.
- 4 The entity shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kilowatt hours (kWh) to GJ (for energy data, including electricity from solar or wind energy).

Water Management

Topic Summary

Hotel buildings require a relatively large amount of water resources to operate. While water is not the industry's greatest operating cost, reduced water availability or significant price increases could impact financial results. This impact may be particularly acute in water-stressed region due to supply constraints. Companies in the industry are implementing water management best practices in order to reduce operating expenses and environmental impacts and improve to their reputations with guests, who are increasingly concerned about environmental sustainability.

Metrics

SV-HL-140a.1. (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress

- 1 The entity shall disclose the amount of water, in thousands of cubic meters, that was withdrawn from all sources.
 - 1.1 Water sources include surface water (including water from wetlands, rivers, lakes, and oceans), groundwater, rainwater collected directly and stored by the entity, and water and wastewater obtained from municipal water supplies, water utilities, or other entities.
- 2 The entity may disclose portions of its supply by source if, for example, significant portions of withdrawals are from non-freshwater sources.
 - 2.1 Fresh water may be defined according to the local laws and regulations where the entity operates. Where there is no legal definition, fresh water shall be considered to be water that has less than 1,000 parts per million of dissolved solids ~~per the U.S. Geological Survey.~~
 - 2.2 Water obtained from a water utility in compliance with ~~U.S. National Primary Drinking Water Regulations~~ jurisdictional drinking water regulations can be assumed to meet the definition of fresh water.
- 3 The entity shall disclose the total amount of water, in thousands of cubic meters, that was consumed in its operations.
 - 3.1 Water consumption is defined as:
 - 3.1.1 Water that evaporates during withdrawal, usage, and discharge;
 - 3.1.2 Water that is directly or indirectly incorporated into the entity's product or service;
 - 3.1.3 Water that does not otherwise return to the same catchment area from which it was withdrawn, such as water returned to another catchment area or the sea.
- 4 The entity shall analyze all of its operations for water risks and identify activities that withdraw and consume water in locations with High (40–80 percent) or Extremely High (>80 percent) Baseline Water Stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct.

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- 5 The entity shall disclose its water withdrawn in locations with High or Extremely High Baseline Water Stress as a percentage of the total water withdrawn.
- 6 The entity shall disclose its water consumed in locations with High or Extremely High Baseline Water Stress as a percentage of the total water consumed.

Climate Change Adaptation

Topic Summary

Hotels operating in climate change-exposed areas may be impacted by physical climate risks including inclement weather and flooding. Inclement weather may damage property and disrupt operations, thereby reducing asset values and revenues. In addition, hotels may face higher insurance premiums for buildings located in coastal regions or may be unable to insure their properties. Hotel operators will likely need to adapt to shifting climate trends such as rising sea levels, hurricanes, and flooding in order to maintain their climate-exposed revenue-generating properties.

Metrics

SV-HL-450a.1. Number of lodging facilities located in 100-year flood zones

- 1 The entity shall disclose the number of its lodging facilities that are located in 100-year flood zones.
 - 1.1 100-year flood zones are defined as land areas subject to a one-percent or greater chance of flooding in any given year. Such areas may also be referred to as being subject to the one-percent annual chance flood, the one-percent annual exceedance probability flood, or the 100-year flood.
 - 1.1.1 Examples of 100-year flood zones may include, but are not limited to, coastal flood plains, flood plains along major rivers, and areas subject to flooding from ponding in low-lying areas.
 - 1.2 ~~For lodging facilities located in the U.S., 100-year flood zones shall include those land areas designated by the U.S. Federal Emergency Management Agency (FEMA) as special flood hazard areas (SFHA).~~
 - 1.2.1 ~~SFHAs are defined as land area in the flood plain subject to a one-percent or greater chance of flooding in any given year. The area may be designated in the applicable flood insurance rate map, as per the U.S. National Flood Insurance Program, as Zones A, AO, AH, A1-30, AE, A99, AR, AR/A1-30, AR/AE, AR/AO, AR/AH, AR/A, VO, V1-30, VE, and V. This definition is derived from U.S. 44 CFR 59.1.~~
- 2 The scope of disclosure shall include all of the entity's lodging facilities that are located in 100-year flood zones, regardless of the country of their location.