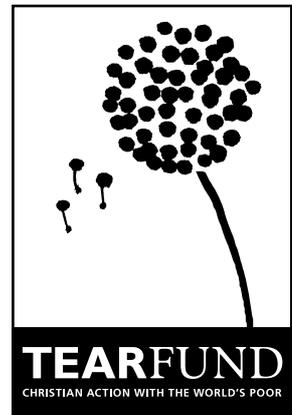




TOUR OPERATORS INITIATIVE
FOR SUSTAINABLE TOURISM DEVELOPMENT



Improving tour operator performance: the role of corporate social responsibility and reporting

*'In 2001 the Co-operative Bank put a price on its ethical stance for the first time. It calculated that its policies and practices made it £16 million better off in 2000. This was 16% of pre-tax profits and came even after the extra costs of environmental policies.'*¹

Once there was just the financial bottom line. Now companies recognise they must be accountable for their social, environmental and economic impacts – the new triple bottom line. They recognise the need to preserve the environment, to look after their workforce and to give something back to communities. All this needs to be done while running a profitable business.

This whole approach is *corporate social responsibility* or *CSR*. It is about customer satisfaction, environmental protection, and a positive contribution to development. It means developing quality products and offering customer choice. It includes training staff, providing a healthy and supportive working environment and entering long-term partnerships with suppliers.

CSR adds value through product differentiation and increased quality, as well as by preventing the degradation of the very base of the tourism experience, i.e. nature and cultural heritage.

Customers have rewarded those companies that have adopted an ethical stance. Co-op's market research found that more than a quarter of current account holders cited ethics or the environment as the reason for opening their accounts.



CSR makes sense for companies. It is not just the communities, customers and environment that gain. The business benefits of CSR enable it to be a successful model for all.

Sustainable tourism

Tourism has mixed impacts. On the positive side tourism provides jobs, brings foreign exchange and provides income to support local development. It can also directly support local industry and encourage communities to place greater emphasis on environmental protection. However, one of the main problems is that the benefits of tourism often bypass the local population, and tourism related activities can contribute to the degradation of the environment. They can put pressure on scarce local resources such as land and water, pollute the environment and

reduce biodiversity. Money may not reach the local economy, and the jobs available may be poorly paid and provide insecure employment.

Taking action to increase the positive impacts and reduce the negative impacts is vital to the future sustainability and profitability of tourism. A forward-looking business will address these issues before it is too late, and CSR can provide a useful framework by which to do this.

What is already happening?

Many tour operators are already undertaking CSR activities, such as giving money to charity, surveying suppliers on their sustainability practices, or providing information to their customers on local customs and how to protect the environment. However, these actions are often ad-hoc and may be limited to the manager or a few staff members in a company.

To be successful, CSR actions need to be part of core business and integrated throughout the supply chain. This means a systematic application of business ethics to all operations.

Reporting on performance

To judge the success of any CSR action, companies need to measure their impacts. For others to understand, they need to communicate the results. This process of *reporting* on performance has become an important tool to demonstrate these impacts.

Many companies are producing social and environmental reports. However, to be meaningful, these need reports to be comparable between companies, and provide information on all areas of business practice.

British Airways – social and environmental reporting

“By reporting on the environmental and social impact of our activities, as well as looking at the economic costs and benefits, we ensure that these aspects get the focus they deserve if we are to move towards a sustainable society. The content of the social and environmental report is not grounds for complacency but does give confidence in the progress made, particularly when we look back over 10 years of reporting on environmental performance. We are now moving into a wider area of transparency covering environmental, economic and social performance. These are clear hallmarks of a business that is properly contributing towards a sustainable society.” *Hugh Somerville, Head of Sustainable Business Unit, British Airways.*

Not everything can be done at once. The key is to start the process and do something.

Where to go next

Start implementing CSR within your own business and reporting on your performance. This briefing includes more details about CSR, how to start implementing it, and how to measure and report on business impacts. For further copies see www.abta.com, www.toinitiative.org and www.tearfund.org/acting. Tourism Concern has also produced a booklet on CSR: www.tourismconcern.org.uk.

Join the Tour Operators' Initiative (TOI). This is a network of tour operators from many different countries that have committed to integrate sustainable development into their business practices, and to develop tools and approaches to support this effort. In 2002, the TOI developed a

set of indicators for measuring performance. These indicators cover the key social, economic and environmental issues facing tour operators. The TOI is undergoing a pilot reporting project during 2003-2004, and other operators can join in with this. The full set of performance indicators and reporting guidelines can be found on www.toinitiative.org.

Join the UK-based Sustainable Tourism Initiative.

This is a collaboration of UK tour operators, UK government, and development and environment charities. It is seeking to help tour operators become more sustainable in their business practices. For more information contact roger.platt@fco.gov.uk.

'Responsible corporate engagement is one of the best prospects we have for new and effective approaches to the big challenges which face us – of renewing our disadvantaged neighbourhoods, of improving the environmental sustainability of our economy and of reducing the massive disadvantage faced by so many in developing countries.'

(Stephen Timms, Minister for CSR, July 2002)

CSR in more depth

CSR calls for a consistent set of policies, programmes and practices that will integrate social, environmental and economic principles into existing business processes. This needs to be from head office throughout the supply chain, making it part of core business operations.

According to Business for Social Responsibility², a responsible company should be active in the following areas:

- **Mission / vision / values** - reflecting CSR in the company's underlying principles.
- **Business ethics** - the integration of a company's core values into its policies, practices and decision-making e.g. policies on covering corruption and bribery.
- **Governance / accountability** - how the board of directors operates, how the company engages stakeholders and how it measures, reports and verifies its impacts.
- **Community involvement** - the company's donated resources to the communities where it operates e.g. donations of goods and money, staff volunteering time.
- **Community economic development** - increasing economic benefits to local communities e.g. favouring excluded businesses, supporting activities that stimulate wealth creation, and community participation in decision-making.
- **Human rights** - the basic standards of treatment to which all people are entitled e.g. avoiding forced and child labour, protecting indigenous rights.
- **Environment** - increasing efficiency and minimising pollution and physical degradation e.g. energy efficiency, waste reduction and recycling, reducing resource use.
- **Workplace** - the human resource policies that directly affect employees e.g. paying fair wages, training and education, non-discrimination.
- **Marketplace / consumers** - the activities involved in marketing, production and distribution e.g. accurate marketing, consumer privacy, product safety and disposal.

Why CSR makes sense for tour operators

CSR makes sense for companies. It is not just the communities, customers and environment that benefit. It is the business benefits of CSR that enable it to be a successful model.³

The business benefits for tourism include:

- **Responding to consumer demand** - market research by Tearfund in 2000⁴ showed that half of those interviewed were more likely to book a holiday with a tour operator that has an ethical code, and the majority of those were willing to pay for that guarantee. ABTA research in 2002 found that 87% of holidaymakers said it is important that their holiday does not damage the environment, and 76% feel that tourism should benefit those in the destination, through jobs and business opportunities. The research showed that 59% wanted information about local issues in their resort *before* they booked.⁵
Those operators that lead the field and become more responsible are likely to be rewarded with increased sales.
- **Improved service** - contributing to poverty reduction in a destination and having a strong commitment to the workforce can create good morale and ensure a better welcome for customers. Investment in training will improve the quality of the product and customer service. Supporting local businesses will enhance the cultural experience.
- **Risk management** - operating in a more sustainable way will greatly reduce the risks that a company faces. It will protect the company's image by dealing with problems before they get out of hand or are published in the media (as for health

and safety considerations). Investment in staff can help to keep a high morale and therefore reduce staff turnover. Supporting community development will ensure good will and co-operation, and will ultimately safeguard the company's investment. Sound environmental management will ensure that the destination is desirable for visitors and the community in the long-term.

Designing and building hotels

Inka Terra is a Peruvian hotel operator. During an expansion of the lodge network in Southern Peru (Machu Picchu area) all the buildings and most of the furnishings were made using skilled local labour and local materials.

As well as the benefits to the local community and the environment, the business benefits for Inka Terra have been numerous.

By employing and providing training to local people and sourcing local materials, costs have been reduced. It has also built loyalty and motivation, especially as salaries are twice the local rate. The license to operate for Inka Terra is high as they engage with locals, government, NGOs and scientists. This has been helpful in obtaining leases for land and expansion. Inka Terra has experienced high brand value and reputation gains.

Source: www.sustainability.com

The Inka Terra accommodation is relatively small scale, but the principles of community consultation, using local materials and labour, and careful design and planning are applicable to all hotels.

- **Cost savings** - installing energy efficient systems at head office can save money as well as protecting the environment e.g. through reducing heat loss or reducing the quantity of waste disposed. Recycling and cutting paper use can also save money.
- **Pre-empting government regulation** - governments are under increasing pressure by NGOs, unions and the general public to regulate the business sector. This pressure increases if bad practices are uncovered. Businesses that behave in a sustainable way that exceeds all existing legislation and builds on good practice can reduce the need for legislation. Those that develop their own codes of conduct and have independently verified reports will be in a strong situation to influence any proposed legislation. For the moment the UK and EU governments have favoured a voluntary approach to CSR, but this will be reviewed in the future. The onus is on companies to show that they are responsible, or face the threat of future legislation.

● Growth of socially responsible investment (SRI)

- a growing number of investors want a good return for their money in a socially responsible manner. In the last five years, investment in SRI and ethical funds quadrupled from £0.8 billion to £3.3 billion⁶ The Ethical Investment Research Service shows that 77% of pension fund members want their funds to develop an SRI policy, as long as it does not hurt their financial interests.⁷

Those tour operators that are listed and that are ethical will be the ones to gain from this increased ethical investment.

The process of CSR

For those starting to explore these issues, it can seem like a maze of terms and plethora of processes and tools to choose from. To provide some clarity we show below how a process of implementing CSR is likely to work for a tour operator, and some examples of what may be included under each step.⁸ Like any process, each step is not isolated and there is likely to be significant overlap.

These steps give a route map for implementing CSR in your company. They highlight some of the main challenges facing tour operators and also point towards some of the performance indicators of good practice.

STEP 1: COMMITMENT to being a responsible tour operator. It will involve writing a basic policy, defining goals and objectives, appointing staff members and committing funds to carry out the commitments.

- **Establish a clear policy and objectives for responsible tourism** and ensure that it covers operations both in the UK and in overseas destinations, right through the supply chain. Ensure there is support for this at board level.
- **Appoint a responsible tourism staff member** who will oversee the development and integration of these issues throughout the organisation. Commit funds to becoming more responsible.

STEP 2: PLANNING in more detail what it means to be responsible. It will involve consultation with all relevant stakeholders, developing management systems to cover environmental and social issues, and awareness raising and training of staff. It will also mean setting measurable targets, and developing guidelines and procedures.

- **Take time to research destinations** and speak to local development and environment groups and tourism associations, not just to the hotels. Find out which local businesses you could use, and with

whom you may be able to develop a partnership. Also research attitudes and expectations of tourists.

- **Train staff** at head office and in the destinations so that they understand the policies and are able to implement them.

STEP 3: IMPLEMENTATION of the policies and plans outlined above. Implementation should produce the desired improvements in product design, community development and co-operation, staff morale and performance, environmental preservation and customer satisfaction.

- **Work throughout your supply chain** to develop and implement purchasing policies that will focus on local ownership, use local labour, foods and crafts. Work with your suppliers to encourage good environmental management and build this up to include social areas such as employment standards and minimum wage levels.
- **Brief local agents** and representatives on your policies and objectives.
- **Produce and disseminate a code for tourists** to help them travel in a more informed and responsible way. Include advice on how they can support local development projects.

STEP 4: MONITORING and REPORTING

performance is vital to understanding what differences are being made, and to communicate this with all stakeholders. A report addressing the company's sustainability performance and the effectiveness of its CSR policies is the most effective way to

communicate the achievements made. The report should ideally be independently verified so that a company's claims are substantiated and therefore seen as credible.

- **Monitor your activities regularly** so that you can learn from them and plan how to increase the impact each year.
- **Publicise** your performance to clients and share it with others e.g. on the internet, in brochures and in advertising.
- **Use your annual report** to report on your performance and to gain support among your key stakeholders. How to do this is dealt with more on the following pages.

STEP 5: IMPROVING YOUR PERFORMANCE.

The reason for getting involved in CSR is to increase the benefits for everyone. Regular review of the results achieved is essential for learning and making improvements. The sustainability reports also help companies to understand in which areas the company is not performing in a sustainable manner e.g. environmental degradation, low staff morale, threatened consumer action, few benefits to local communities.

- **Set clear targets for year-on-year improvement** in terms of building partnerships, using local suppliers and encouraging social and environmental improvements in hotels.
- **Make changes to your business practices** based on the information gathered.

Reporting on the sustainability of your company

“If tour operators do not have an ethical code and are not providing information to tourists on the benefits they bring to people in the destinations, it is doubtful whether they know themselves what impacts they are having”⁹

As outlined above, reporting is the fourth stage in a process of CSR. It is absolutely essential to measure impact, be accountable to stakeholders and improve the performance of the business. It involves publicising

the positive impacts you are having and developing strategies for improvements in the weaker areas.

Benefits of reporting

- **Improved public image.** Companies with a credible report show that they are concerned about their impact and take their social and environmental responsibility seriously.
- **Improved sales** - for companies that demonstrate to customers that their holidays will bring benefits to those living in destinations, protect the environment and provide a good quality holiday.

- **Long-term sustainability.** Reporting can act as a check on whether the activities of a company are sustainable, or whether they will need to change in order to guarantee their long-term survival. It can act as an early warning system and indicate priority areas for action.
- **Better communication and co-operation** - through regular consultation and feedback with staff and those in destinations. Consultation is necessary for gathering the information needed for a report.
- **Responding to demand for increased accountability.** The Prime Minister has recently called for the top 350 companies in the UK to produce environmental reports. An independent report into the UK Company Law Review (2001) recommended that all directors report annually on social and environmental issues. The Enron and World.com situation has placed pressure for increased financial accountability. However, NGOs and customers are increasingly wary of well-written policies that are not backed up with practical evidence.
- **Monitoring and benchmarking your performance.** Reporting requires regular monitoring of a company's performance. Companies can compare their own performance year on year, and can also compare their performance in relation to other companies.

Hotelplan – sustainability reporting

“Hotelplan is reporting on its performance for a number of reasons. Firstly, we need to collect accurate information for external communication. Without reporting, our customers have no proof about the impacts of our operations. Secondly, we need the facts and figures to implement changes in our internal management practices. We also need to know the issues faced in destinations so that we can train staff effectively. A sustainable management policy is only successful when it is integrated throughout our whole operation. Reporting helps us to see that we have covered all of the necessary areas. We plan to take part in the TOI pilot project as this will help to standardise reporting across all tour operators.”

Kaspar Hess, Head – Department Corporate Ecology, Hotelplan

Reporting using the Global Reporting Initiative (GRI) guidelines

There are a number of different guidelines available to use for reporting. They focus on different areas of company operation e.g. AccountAbility 1000 looks at accounting practices and management procedures, SA8000 focuses on labour issues and the ISO14000 series looks at environmental management.

The Global Reporting Initiative (GRI) has combined and built on these major guidelines to produce one overall framework.

The GRI supports an incremental approach to reporting and companies are encouraged to start reporting on a few issues and to increase the depth and scope of their reporting each year.

In addition to the GRI core guidelines, a *Tour Operators' Sector Supplement* has been developed under the co-ordination of the Tour Operators' Initiative (TOI). Those involved include members of the TOI, representatives of tour operators' suppliers (accommodation, cruise liners, airlines, ground transport), local authorities, tourism boards, environment and development groups and labour unions.

What are performance indicators?

Performance indicators are designed to show whether an action has been taken or a desired impact achieved e.g. have you produced a policy? have you informed your customers about social and environmental issues? are local communities experiencing increasing benefits due to tourism?

To report on them companies need to give details of their actions or impacts (eg the specific contents written in the policy, the specific ways of raising customer awareness, particular ways in which communities have benefited). Performance indicators also provide a useful way of benchmarking performance within a company and between companies.

The *GRI Sustainability Reporting Guidelines (2002)* present reporting principles and guidelines for the preparation of organisation-level sustainability reports. In addition, they include 57 key performance indicators. For more information on the GRI and to download the GRI 2002 Guidelines: www.globalreporting.org

The *Tour Operators' Sector Supplement (2002)* supplements the GRI Sustainability Reporting Guidelines. It has an additional 47 performance indicators to reflect the specific areas of action for tour operators in contributing to sustainable development. These areas are 1) Product Management and Development, 2) Internal Management, 3) Supply Chain Management, 4) Customer Relations and 5) Co-operation with Destinations. For more information on the Tour Operators' Initiative and to download the supplement: www.toinitiative.org/reporting/reporting.htm

Taken together, these two documents provide all the performance indicators relevant for tour operators.

The list is quite comprehensive but tour operators can make a start by reporting on a few performance indicators and gradually building up to a full report.

TOI pilot project

The TOI plans to run a pilot project to test the guidelines. They will develop a users manual in 2003 and participating tour operators will gather information on their impacts during 2004, ready for an initial report in 2005. Those tour operators who are part of this pilot phase will be in a unique position to gain significant technical support, and will be some of the leaders in responsible business.

Ways for tour operators to start measuring their performance now

1. Start the process in your company

According to the GRI and TOI Guidelines, information in a report is organised in the following areas:

- Vision and strategy
- Company profile
- Governance structure/management system
- Performance indicators

Full details of the performance indicators are available on the websites mentioned above. Below we have selected two indicators and explained what they mean and what reporting on them might look like over time.

Companies can decide which indicators are priorities for them to start reporting on, and to test the process with these ones before they write a full social and environmental report.

Example indicator 1

State joint actions taken with suppliers, by type, to support improvements in suppliers' own environmental and social performance.

This indicator is concerned with supply chain management policies and is looking for evidence of working with suppliers to improve their own performance. This is because social and environmental improvements by suppliers can greatly enhance the positive contribution tourism makes to development. The emphasis is on joint actions, recognising that

tour operators have influence with their suppliers, but not control over them.

e.g. year 1: give technical support to 20 hotels to install waste recycling facilities.

e.g. year 2: offer this technical support to all hotels. Help the first 20 to develop policies and procedures for recruiting and training locally-based staff to management levels.

e.g. year 3: offer this training in staff development to all hotels and also to ground handlers. Work with the first 20 hotels to develop partnerships with local farming co-operatives so that they receive a regular and good quality supply of local produce to serve to guests, thus supporting local development.

Example indicator 2

Describe tools and measures used to raise the awareness of consumers of sustainable holidaymaking.

This indicator is concerned with the information and advice given to customers on how to be responsible tourists. It includes the pre-booking stage, information in brochures, briefing at the destination etc.

e.g. year 1: refer tourists to the Know Before You Go website (hosted by the Foreign and Commonwealth Office) for briefings on responsible tourism.

e.g. year 2: include a responsible tourism code in the brochures and send it out with the tickets.

e.g. year 3: give advice at the destination briefing session on using the local markets and eating in locally-run restaurants i.e. how to ensure tourism money benefits the local economy.

2. Join the TOI pilot project

For tour operators to start reporting, it can seem like a daunting task. The TOI has developed significant expertise in this area over the past two years through its members, the secretariat and other involved groups such as development and environment experts, labour groups, local authorities and tourism boards.

Members of the TOI will get support from their fellow members as well as the secretariat and a network of experts that have also contributed to the development of the indicators.

Any tour operator committed to sustainable development can join the TOI. All members have signed a Statement of Commitment and pay an annual membership fee to support joint activities.

During 2003 the pilot will develop a manual of detailed advice and guidance to enable operators to understand what the performance indicators mean, what information to gather and how to gather it. In 2004 participating tour operators will collect the information for their own reports, ready to make their first social and environmental report in 2005.

Currently UK members of the TOI are British Airways Holidays, First Choice, Exodus, Discovery Initiatives, TUI Northern Europe.

More information on how to join is available from www.toinitiative.org or by contacting Giulia Carbone in the UNEP / TOI Secretariat on +33 1 4437 1468, gcarbone@unep.fr

3. Join the Sustainable Tourism Initiative

The UK Sustainable Tourism Initiative (STI) is a body consisting of tour operators, government and NGOs. The aim is to *'work together to create a step-change in the implementation of sustainable tourism practices by the UK outbound tourism industry.'* It has been in its development phase for 18 months and is due to be launched early in 2003.

Part of its remit is to enable companies to implement changes in their own organisation to become more responsible. Operators who are not members should join and gain from the expertise and tools that are being developed.

Each member company is asked to feedback annually on their activities. The STI will therefore need to provide guidance on what tour operators should report on annually. This should be based on the GRI / TOI guidelines and indicators.

The STI should consider doing this at the earliest possible opportunity and holding a seminar to train the tour operators' staff who will be responsible for reporting.

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ABTA (Association of British Travel Agents) is the regulatory body and trade association for over 659 tour operators and 2000 travel agents. www.abta.com.

The TOI (Tour Operators' Initiative for Sustainable Development) is a network of tour operators from many different countries that have committed to integrate sustainable development into their business practices. It is supported by the United Nations Environment Programme, the United Nations Educational, Scientific and Cultural Organisation (UNESCO) and the World Tourism Organisation (WTO/OMT). www.toinitiative.org.

Tearfund is a Christian relief and development charity, working through partners in nearly 100 countries. Tearfund has been working on tourism policy for a number of years and has published various reports. www.tearfund.org/acting.

¹ Roger Cowe, *Investing in Social Responsibility, Risks and Opportunities*, Association of British Insurers, 2001.

² Business for Social Responsibility Education Fund, 2000.

³ For more information on corporate social responsibility and tourism see *Corporate Futures* by Tourism Concern, 2002. www.tourismconcern.org.uk.

⁴ *Tourism – an ethical issue*, Tearfund, 2000.

⁵ ABTA Package Holidays Survey, 2002.

⁶ Quoted in *Responsible Business*; FT Guide, November, 2000.

⁷ *ibid*

⁸ Adapted from *Tourism – putting ethics into practice*, Tearfund, 2001.

⁹ *Worlds Apart – a call to responsible global tourism*, Tearfund, 2002.