

# ESG – An introduction



## General Zurab Pololikashvili

UNWTO Secretary



“As tourism bounces back close to pre-pandemic levels, we must ensure that recovery is sustainable, inclusive, and resilient. The Goa Roadmap for Tourism as a Vehicle for Achieving the SDGs offers the G20 economies a proposed plan of action to lead the way forward towards a better future for all.



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## Shri G. Kishan Reddy

Minister of Tourism, Culture and Development of North Eastern Region, Government of India

Tourism can be instrumental in addressing many of the challenges faced by our societies while transforming itself to address its socio-economic impacts. Working together on a common roadmap for recovery and long-term sustainability will unlock its immense potential to deliver on the SDGs.

# Why Sustainable Tourism Matters?

## Economic Significance



### Global GDP Impact

Global Travel & Tourism Sector Projection:  
**11.6%** GDP by 2033,  
**5.1%** CAGR 2023-2033



### Indian GDP Growth

India's Tourism Forecast:  
• **7.1%** GDP by 2033,  
• **+8.4%** CAGR 2023-2033



### Employment Boost

Tourism in India: 58.24M Jobs, 10.2% Employment by 2033, +19.4M New Jobs.



### Global Tourism Impact

In 2022, G20 economies attracted 74% of global tourists, contributing 73% of tourism exports.

# Why Sustainable Tourism Matters?

## Addressing Global Challenges



### Urgency of Action

IPCC 2023 report alarms the diminishing timeframe to limit global temperature increases to 1.5°C and 2°C above preindustrial levels.



### National Strategy for Sustainable Tourism (2022)

In 2022, India's Ministry of Tourism devised a National Sustainable Tourism Strategy.



### Looming Environmental Crisis

Intensifying Global Climate Change and Extreme Weather's Impact on India



### Emphasis on Green Tourism

India strategically aligns with 2030 SDGs for Green Tourism Transition.





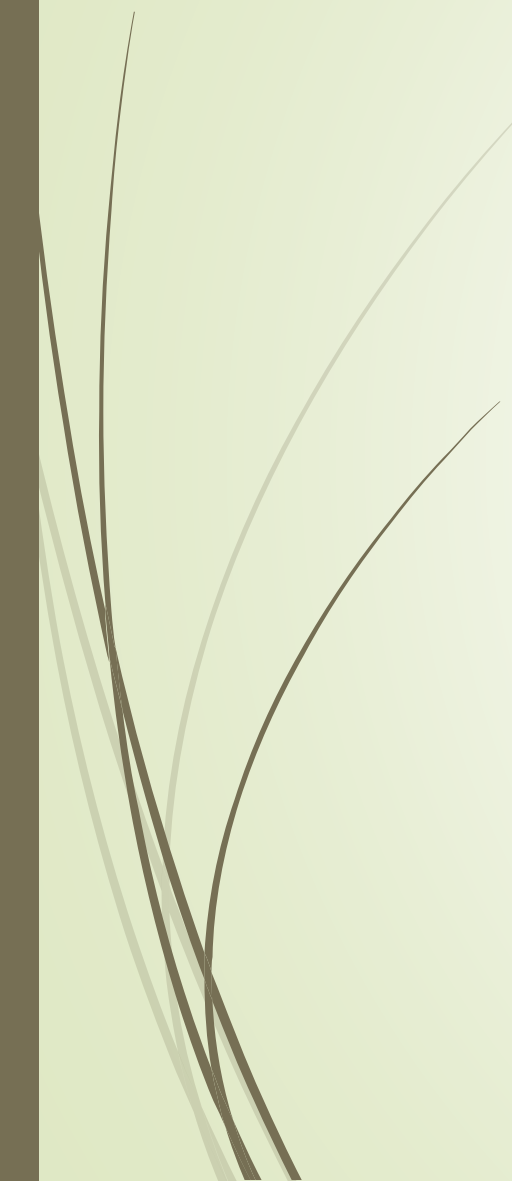
# ESG principles : comprehensive framework for evaluating a company's performance and impact beyond traditional financial metrics

■ It components are:

- **Environmental:** This dimension focuses on a company's impact on the natural environment, including its use of resources, pollution generation, and climate change mitigation strategies.
- **Social:** This aspect considers a company's relationships with its stakeholders, including employees, customers, and communities. It encompasses factors like labour practices, diversity, equity, and inclusion, and community engagement.
- **Governance:** This component pertains to a company's internal structures and processes, including its leadership, accountability, transparency, and ethical decision-making.



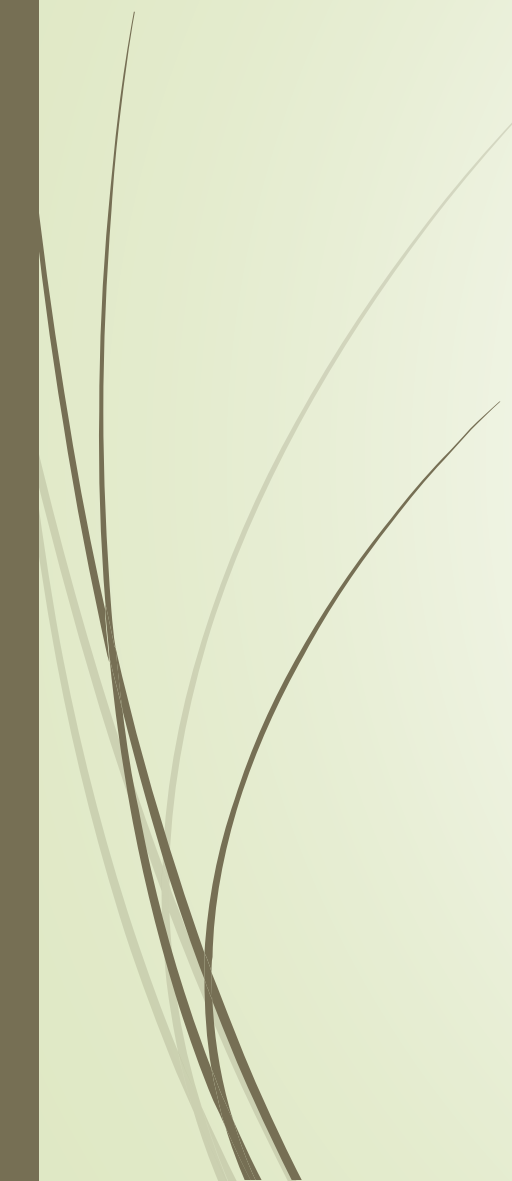
# What is Sustainability

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- Long-term viability and responsible management of environmental, social, and economic systems.
  - It emphasizes meeting the needs of the present without compromising the ability of future generations to meet their own needs.
  - Sustainability embodies a broader concept that extends beyond the confines of corporate governance
  - It is reflecting a holistic approach to business operations that emphasizes long-term viability, resilience, and positive societal impact.



# Significance of ESG and Sustainability

- cannot be overstated in today's business landscape and broader societal context
- **Risk Mitigation:** Integrating ESG factors into business operations helps companies identify and mitigate risks associated with environmental, social, and governance issues. By addressing these risks proactively, companies can enhance their resilience to disruptions and safeguard their long-term performance.
- **Innovation and Competitiveness:** Embracing sustainability often drives innovation as companies seek to develop more sustainable products, services, and business models. This can lead to a competitive advantage by capturing new market opportunities, attracting environmentally and socially conscious consumers, and staying ahead of regulatory requirements.

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- **Reputation and Brand Value:** can enhance a company's reputation and brand value. Consumers, investors, employees, and other stakeholders increasingly expect companies to act responsibly and contribute positively to society and the environment
  - **Access to Capital:** Investors are increasingly incorporating ESG considerations into their investment decisions, leading to a growing demand for sustainable investment opportunities. Companies that prioritize ESG and sustainability may find it easier to access capital as they attract investment from socially responsible investors, financial institutions offering green finance products, and impact investment funds.





# Regulatory Compliance and Stakeholder

- Expectations: Governments, regulators, and stakeholders are increasingly implementing regulations and standards related to ESG and sustainability.
- By integrating ESG considerations into their operations, companies can ensure compliance with evolving regulatory requirements and meet the expectations of stakeholders, including customers, employees, communities, and civil society organizations.
- ESG and sustainability are critical for addressing pressing global challenges such as climate change, social inequality, resource depletion, and biodiversity loss.



# Evolution of concept

- Emergence of environmental lawyer Rachel Carson and the publication of her book "Silent Spring".
- Foundation of UNESCO and the Paris Conference.
- Rise of anti-Vietnam War protests.
- Emergence of Milton Friedman's shareholder value theory.
- Introduction of the "Polluter Pays Principle" by the UN Conference on the Human Environment and UNEP.
- Chipko movement in India.
- Exxon Valdez oil spill.
- Chernobyl disaster.



# Evolution of concept

- Rio Earth Summit in 1992.
-  **2000s**: Kyoto Protocol.
- Deepwater Horizon oil spill.
- Paris Agreement on climate change.
- Formation of the Sustainability Accounting Standards Board (SASB) in 2015.
- Passage of the Inflation Reduction Act in the United States.
- COP27 in 2022.



# Evolution of concept: IMp

- *Traces its roots to various historical and socio-economic developments*
- *In corporate social responsibility (CSR) laid the groundwork for the integration of non-financial factors into business decision-making processes*
- *From the **Rio Earth Summit** to the adoption of the **sustainable development goals (SDG)** by the united nations,*



# Factors contributing To The Growing Prominence Of ESG And Sustainability:

- **Regulatory landscape:** Governments worldwide are implementing stricter regulations concerning environmental protection, social responsibility, and corporate governance.
  - **Heightened environmental concerns:** Climate change, resource depletion, and pollution are pressing issues demanding immediate attention. Businesses are increasingly held accountable for their environmental footprint.
  - **Shifting stakeholder expectations:** Investors, consumers, and employees are increasingly integrating ESG considerations into their decision-making processes. They are seeking to invest in, purchase from, and work for companies committed to responsible practices.
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# Sustainability: Frameworks, Standards, and Disclosure Systems

- Frameworks:
  - structured guidelines or methodologies developed to help organizations integrate sustainability principles into their operations, strategy, and decision-making processes.
- These frameworks provide a systematic approach for assessing, managing, and reporting on environmental, social, and economic impacts
- .They typically outline key performance indicators, metrics, and reporting requirements to facilitate transparent communication of sustainability performance to stakeholders.
- Examples of sustainability frameworks include the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the United Nations Sustainable Development Goals (SDGs).



# Sustainability: Frameworks, Standards, and Disclosure Systems

- Standards:
  - established criteria or benchmarks used to measure and assess specific aspects of environmental, social, and governance performance.
- These standards provide uniform guidelines and requirements for organizations to follow, ensuring consistency, comparability, and reliability in reporting and disclosure.
- Standards may be developed by international organizations, industry associations, regulatory bodies, or non-profit entities.
- They often address specific issues such as carbon emissions, labour practices, human rights, or corporate governance practices.
- Examples of ESG and sustainability standards include ISO 14001 for environmental management systems, the Carbon Disclosure Project (CDP) for carbon emissions reporting, and the Equator Principles for social and environmental risk management in project financing.

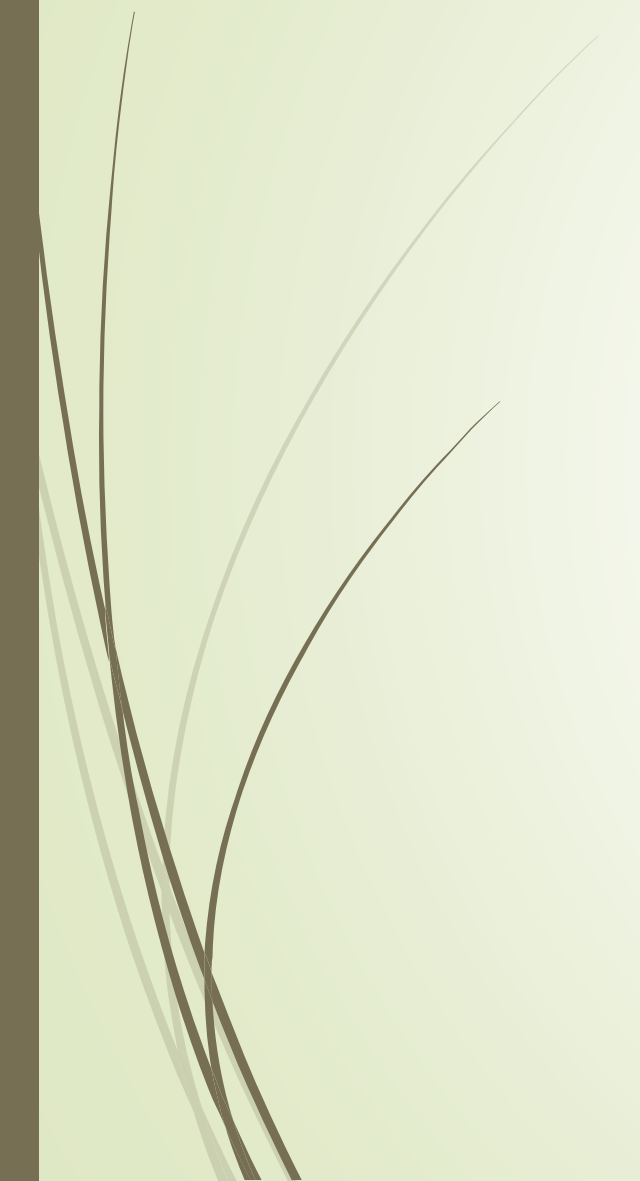


# Sustainability: Frameworks, Standards, and Disclosure Systems

- Disclosure Systems:
  - Disclosure systems refer to mechanisms or platforms through which organizations communicate their ESG and sustainability performance to stakeholders, including investors, customers, employees, regulators, and the broader community.
- These systems encompass reporting frameworks, standards, and guidelines that dictate the content, format, and frequency of ESG disclosures.
- Disclosure systems aim to enhance transparency, accountability, and trust by providing stakeholders with accurate, relevant, and reliable information about a company's environmental, social, and governance practices.
- Effective disclosure systems enable stakeholders to make informed decisions, assess risks and opportunities, and hold companies accountable for their impact on society and the environment.



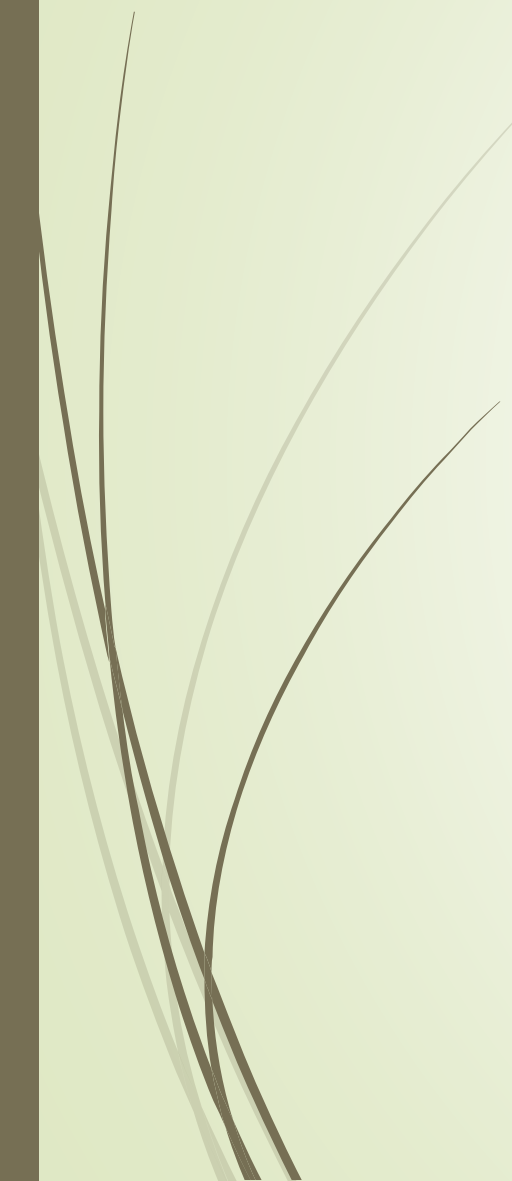
# Challenges



- The integration of environmental, social, and governance (ESG) principles is paramount, yet organizations encounter formidable challenges in its implementation.
  - Reliable data. Accurate and comprehensive data are essential for measuring progress and informing decisions, but organizations often grapple with disparate sources and inconsistent metrics, hindering effective impact assessment.
  - Significant challenges for companies striving to integrate esg principles into their operations short-termism in decision-making, wherein immediate financial gains often overshadow long-term sustainability goals, these hurdles seem daunting

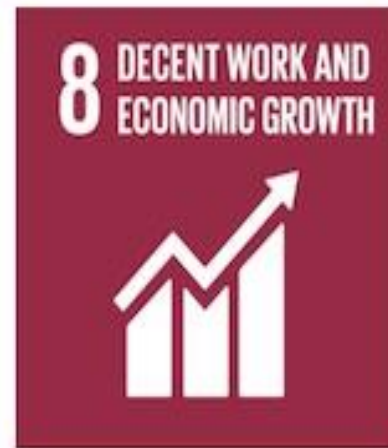


# Opportunities



- Within these challenges lie opportunities for innovation and collaboration. Proactive adoption of ESG principles can differentiate companies in the market, attract sustainability-focused investors, and enhance resilience to environmental and social risks. Collaborative efforts with other stakeholders can further amplify impact, fostering collective action towards addressing complex sustainability challenges.
- While the path to esg integration is fraught with obstacles, it also presents opportunities for forward-thinking organizations to drive positive societal and environmental change, securing their long-term success in the process.







# Sum up

- The journey towards ESG and sustainability represents a transformative shift in the way organizations perceive and manage
  - By embracing ESG principles and sustainability practices, companies can align their business strategies with broader societal goals, create long-term value, and contribute to a more sustainable and inclusive future for generations to come.
  - As the global community continues to grapple with pressing environmental, social, and economic challenges, the imperative for ESG integration and sustainability has never been more urgent or compelling. Through collective action and shared commitment, we can chart a course towards a more equitable, resilient, and sustainable world. Comparability and relevance for investors.
  - Additionally, initiatives such as the Principles for Responsible Investment (PRI) and the Carbon Disclosure Project (CDP) promote best practices in ESG disclosure, engagement, and climate risk management among investors and companies alike.
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