

## PODCAST 2

# ESG FRAMEWORK FOR ENTERPRISES



Today we will discuss EcoHarmony's Green Hotel practice, which is a great example of how to effectively manage ESG risk while integrating sustainability into your daily operations.

Risk is defined as uncertainty about the outcome of an event, is caused by external or internal vulnerabilities, and is an integral and unavoidable part of business. In recent years, the scale of climate disasters has been a major topic of discussion. The tourism sector faces certain challenges, including pricing, difficulties and volatility of profits and capital, and capacity constraints. Catastrophes generally result in large numbers of individual, multi-insurance claims that are directly related to ESG risk.

For the tourism sector, the purchase decision and insurance coverage are part of the costs/benefits, including the assessment associated with the process risk management decision. The highest share of global risk concerns environmental threats. Environmental threats include extreme weather events, climate change, water crises, natural disasters, biodiversity, and the human-made ecosystem and environment, which also leads to disaster.

Before entering the world of EcoHarmony, let's consider why travel companies today have a responsibility to address ESG issues. These companies are experiencing increasing pressure from both regulation and industry-wide targets.

Investors and consumers also exert significant influence on these companies. Investors are seeking socially responsible investments, demanding transparency in non-financial information, while increasingly environmentally conscious consumers are showing greater satisfaction and loyalty to companies that employ sustainable practices.

The space and the question of why tourism companies have a direct and measurable interest in reporting ESG information also remain to be defined. ESG reporting practices enable travel companies to demonstrate their commitment to sustainability, meet regulatory requirements, attract socially responsible investors, and build stronger relationships with environmentally conscious consumers.

The risk management process and its activities have become established in the business world over the last few years of the decade. Many companies in the travel industry are now accustomed to dealing with a high frequency of financial and operational risks that impact their operations.

The same type of risk management framework applies to catastrophic risks related to ESG management. In fact, insurance is one of the most efficient and resilient existing and available mechanisms for dealing with low-frequency and high-severity risks such as natural environmental disasters. However, insurance alone is not a sufficient solution. Therefore, alternatives should be considered throughout the process, including ex ante measures such as loss control/mitigation and ex post loss financing through financial institutions.

An economy can only exist if it is connected and able to withstand the occurrence of one or more major disasters in the world.

However, before we look deeper into EcoHarmony, let's look at the areas of tourism where ESG plays a key role:

- Customer acquisition
- Customer retention
- Risk and regulatory management
- Gaining access to sustainable financing
- Investor relations management

Now we move to EcoHarmony's Green Hotel to see how this ESG framework is implemented in practice. EcoHarmony is an example of excellent ESG risk management practice in the hotel industry. Starting with sustainable architecture, the hotel minimizes its impact on the environment by using energy-saving lighting and ventilation systems and sustainable building materials.

Social responsibility is another pillar of EcoHarmony. Investments in local communities, training, employment in social projects are just some of the activities the hotel undertakes for the local community.

The hotel's social responsibility activities take many forms. Social responsibility is an integral part of their mission, and their involvement in local communities is visible on many levels, including:

- **Investments in local communities:** EcoHarmony actively invests in the development of local communities. Through partnership programs with local non-governmental organizations and public institutions, the hotel supports projects aimed at improving living conditions, education, health care and local infrastructure. For example, EcoHarmony sponsors the construction of local schools, playgrounds and cultural initiatives, contributing to the overall well-being of the community.
- **Participation in social initiatives:** EcoHarmony actively cooperates with local social enterprises, offering employment to people from marginalized groups or groups requiring support. The hotel focuses on equal opportunities on the labor market, creating jobs for people from various backgrounds. This not only benefits employees, but also builds strong relationships with local communities.
- **Partnerships with local companies and manufacturers:** EcoHarmony partners with local companies and manufacturers to promote their products and services. This partnership supports the growth of the local economy and enables the hotel to use local resources, which in turn reduces the environmental impact associated with transportation and deliveries.
- **Support for cultural and social initiatives:** The hotel is also committed to the cultural heritage of the community by supporting local cultural events, festivals and social initiatives. This not only works to promote local culture, but also builds strong bonds with the community, making EcoHarmony an integral part of the local social landscape.

Through these various activities, the Green Hotel EcoHarmony not only contributes to improving the living conditions of local residents, but also integrates social responsibility into its business concept, which translates into the sustainable development of the community and the hotel itself.

Does all this have an impact on customer acquisition? Yes! Guests increasingly prefer hotels that engage in sustainable practices.

The EcoHarmony Hotel consistently conducts regular ecology training for its employees, aimed at increasing their awareness and commitment to achieving ESG goals. This strategic approach has a beneficial impact on various aspects of hotel operation.



Above all, it improves the experience of customers who increasingly appreciate sustainable practices. Moreover, investors looking for responsible investments gain trust in EcoHarmony, which may have a positive impact on financial relations. Additionally, involvement in environmental training can open access to sustainable financing, consistent with the requirements of ESG-minded investors. Finally, customer retention is becoming more likely as more and more people attach importance to the ethical and ecological values of companies, which causes them to choose places that share their ideas. In short, consistent ecological training at EcoHarmony has a decisive impact on the hotel's sustainability, contributing to its attractiveness to both customers and investors.

In short, social responsibility and ecology training not only educate employees, but also build organizational culture, raise work standards, shape a positive image and facilitate ESG risk management, contributing to the sustainable and sustainable development of the hotel.

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