

+1.5°C by 2040

The heat is on for corporate travel
to be more sustainable



A positive consequence of the COVID-led hiatus on travel has been the elevated focus on sustainability. Corporates interested in the impact of reduced business travel on bottom-lines and the environment are naturally evaluating a raft of new sustainability solutions. C-suites are carefully considering the balance of needing to grow business while reducing their carbon footprint to achieve company goals.

While phrases such as ‘carbon neutral travel’, ‘going green’ and ‘travelling lightly’ have become a common occurrence in the travel industry, corporates are now expected to do more than pay lip service to this important global issue. It sounds straight forward but the shift towards sustainability in the corporate travel industry goes well beyond simple CO₂ reporting. Responsible travel now takes into consideration three streams of focus: environmental, social and governance (ESG). These are driving broader strategy across all parts of businesses.

Let’s start these conversations around sustainability in corporate travel programs. Challenge your thinking. Embrace the entire ESG movement that is well underway.

“You don’t have to see the whole staircase, just take the first step.”

MARTIN LUTHER KING, JR.

ESG explained

Before ESG, there was people, profit, planet (PPP). PPP was first described by John Elkington in 1994 as an accounting framework to report on a company's performance and broader business value. It was a great starting block, but since the early 2000s the ESG framework has become the bigger focus.



An ESG-centric travel program

If you're in procurement and in charge of direct supply management, you may be already assessing your sourcing and supplier management strategies in relation to ESG.

Research indicates, however, that the focus on ESG for the indirect supplier management sector, which includes travel, is slower to gain traction than other categories. It wasn't until 2018-19 that FCM Consulting started to see clients assessing the sustainability credentials of airline, hotel and car hire suppliers. Fast forward to 2022 and every company is analysing their travel supply chain and identifying potential practices in line with broader company ESG strategies.

And of course, it's not just in the travel category where ESG is the focus. C-suites are expanding their view on the periphery of risk and are identifying new ways to support their wider ESG strategy. With global warming now quantifiable, companies are starting to factor sustainability initiatives into the budgeting process.

In addition, the Task Force on Climate-related Financial Disclosures (TCFD) is recommending companies conduct and include climate change related scenario analyses in their financial reporting. The recommendation ensures decision makers consider risk and opportunity beyond the scope of their operations.

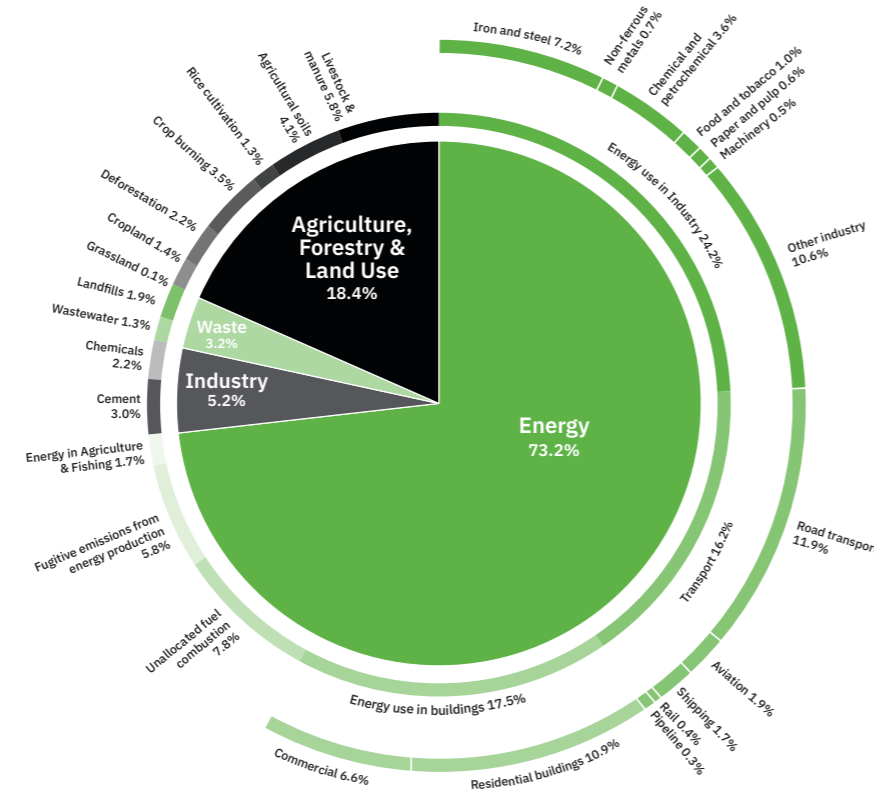
Putting the carbon lens over travel

When analysing carbon emissions by industry, the energy and resources sector is responsible for the most greenhouse gas emissions (see chart from Our World in Data). Diving into the travel supplier chain, the accommodation sector (including residential) is the largest producer of carbon emissions.

- **Air travel** → 1.9% of global carbon emissions. This includes approx. 81% of passenger air travel, of which 60% is international and 40% is domestic.
- **Rail transport** → 0.04% of global carbon emissions.
- **Road transport** → 11.9% of global emissions including cars, car rental, taxi, ride-share and public transport such as buses. 60% of road transport is generated for passenger travel.
- **Accommodation** → 17.5% of global emissions with 10.9% from residential lodging and 6.6% from commercial buildings.

Global greenhouse gas emissions by sector

Data reflects 2016 - emissions were 49.4 billion tonnes CO₂ eq



SOURCE: CLIMATE WATCH, THE WORLD RESOURCES INSTITUTE (2020)

The table shows business travel produces 1%-2% of global carbon emissions. It's enough to warrant positive action and change from the travel community. No wonder that organisations are under increasing pressure to substantiate their commitment to reducing carbon emissions and take clear, actionable steps to decrease their environmental footprint, including travel.

| Sub-Sector | Share of Global Greenhouse Gas Emissions (%) | Global Tourism (%) | Business Travel (%) |
|----------------------------|--|--------------------|---------------------|
| Road Transport | 11.9 | 0.18 | 0.04 |
| Aviation | 1.9 | 0.81 | 0.18 |
| Rail* | 0.4 | 0.26 | 0.06 |
| Shipping (**) | 1.7 | 0.425 | 0.09 |
| Residential Building (***) | 10.9 | 1.09 | 0.24 |
| Commercial (****) | 6.6 | 2.31 | 0.50 |
| Sub-Total | 33.4 | 5.08 | 1.10 |

*Estimate % of passenger rail travel = 65%

**Estimate % of passenger boat travel = 25%

***Estimate % of passenger using residential building (apartments & hotels) = 10%

**** Estimate % of passenger using commercial buildings = 35%

SOURCE: OUR WORLD IN DATA. CALCULATIONS DO NOT INCLUDE AREAS LIKE GOODS, AGRICULTURE, FOOD AND BEVERAGE, SERVICES

Putting the carbon lens over industry

The industry your business operates in will determine the specifics of what and how you approach sustainability. It will even determine how important sustainability is for your travel program.

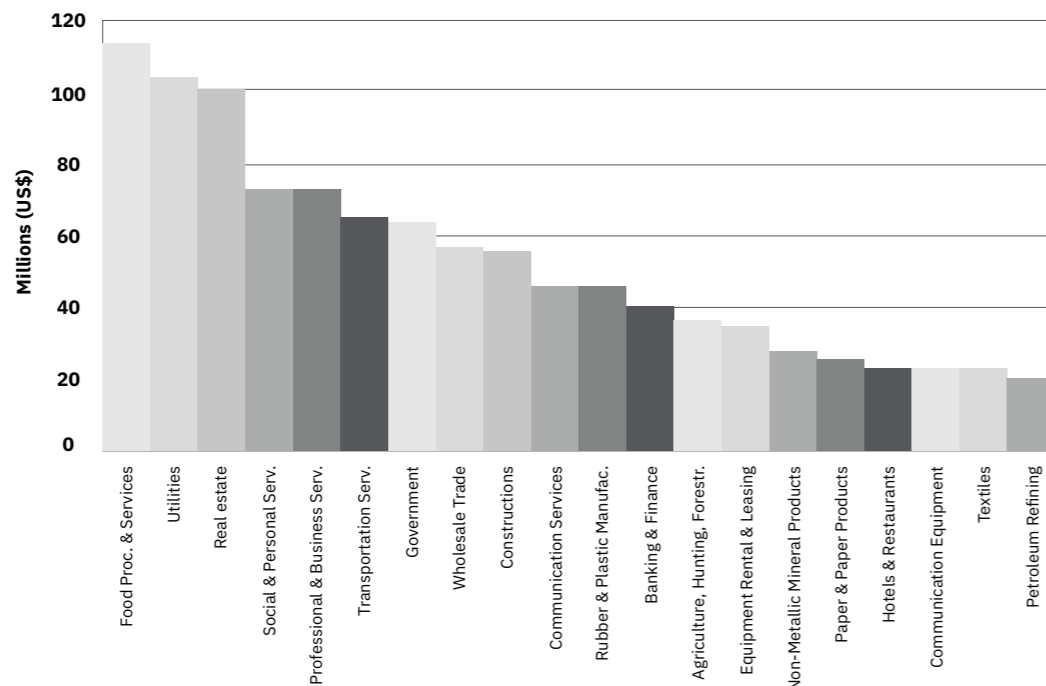
The key factors when analysing an organisation's overall carbon emissions and what portion of that comes from travel include:

1. The company's economic productive sector.
2. The industry the company operates in.

For example, the construction and resources sectors are likely to have a higher focus on the carbon emissions emitted based on their operational output. They travel, but the emission count is higher in the day-to-day. Compare that to a professional services organisation whose usual activity is low-carbon, but the amount of business trips puts sustainable travel more in the spotlight. Regardless of where the sustainability focus lies, the travel program will either align with broader company ESG objectives or be the driver.

The graphs give you an idea of where the sustainability focus lies for companies with different operational outputs and travel spend levels. Companies with the largest spend on travel generally have the most intense focus on reducing or offsetting their CO₂ emissions from travel.

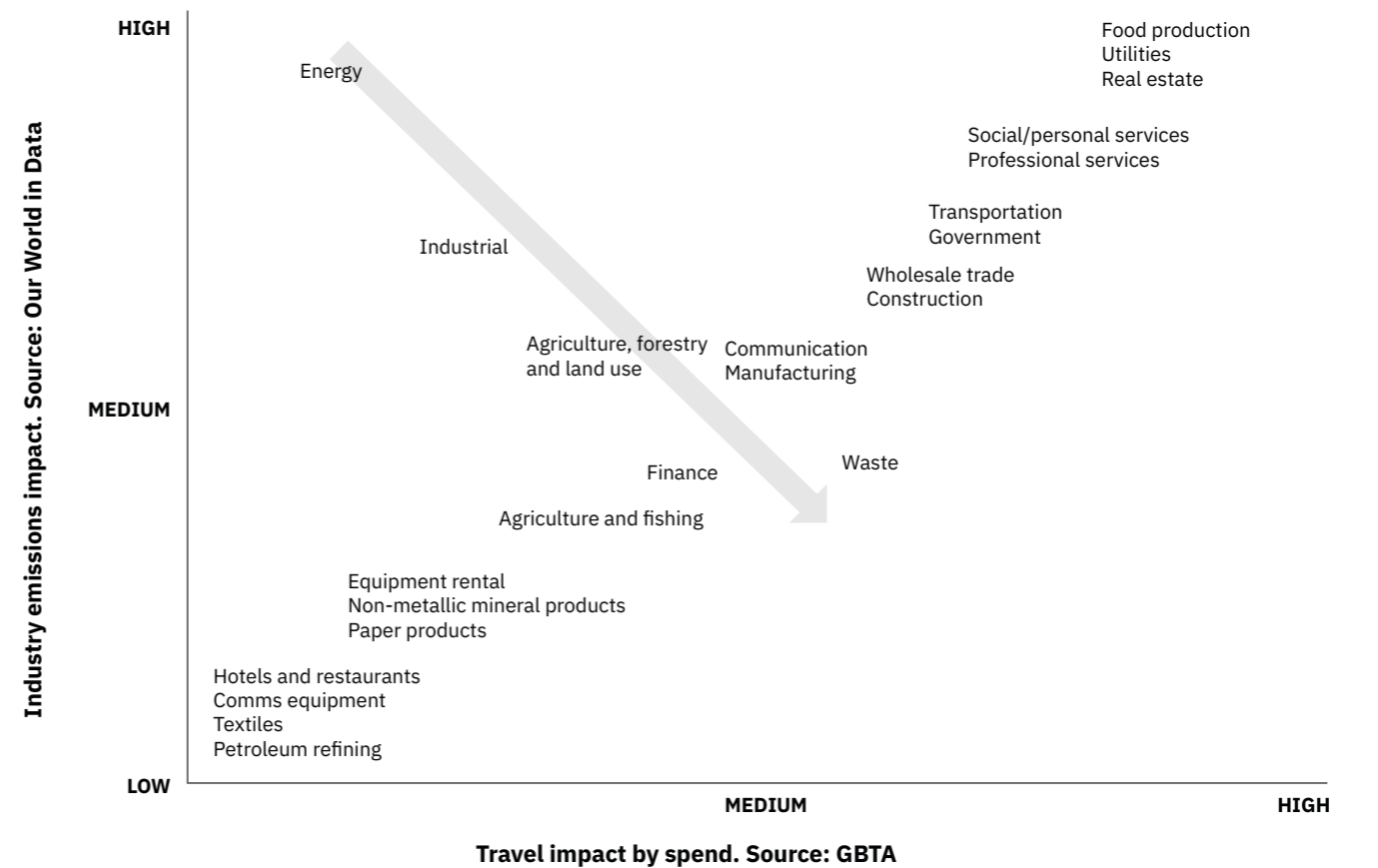
Travel spend by industry



SOURCE: GBTA'S INDUSTRY SPEND BY SECTOR



Emissions impact by sector vs biggest travel impact by spend



Industry emissions impact. Source: Our World in Data

Travel impact by spend. Source: GBTA

Time to take action: 5 steps

1. Company Alignment

Understand your company's ESG objectives.

2. Assess

Evaluate ESG objectives and integrate them into your travel program policies, practices and suppliers. Consider these questions:

- How does your travel program fit within those broader ESG goals?
- What strategies and plans do you need to make to move, change and align with the company's purpose and ESG targets/metrics?
- How quickly do you need to move?
- What external services or products do you need to bring into the travel program?

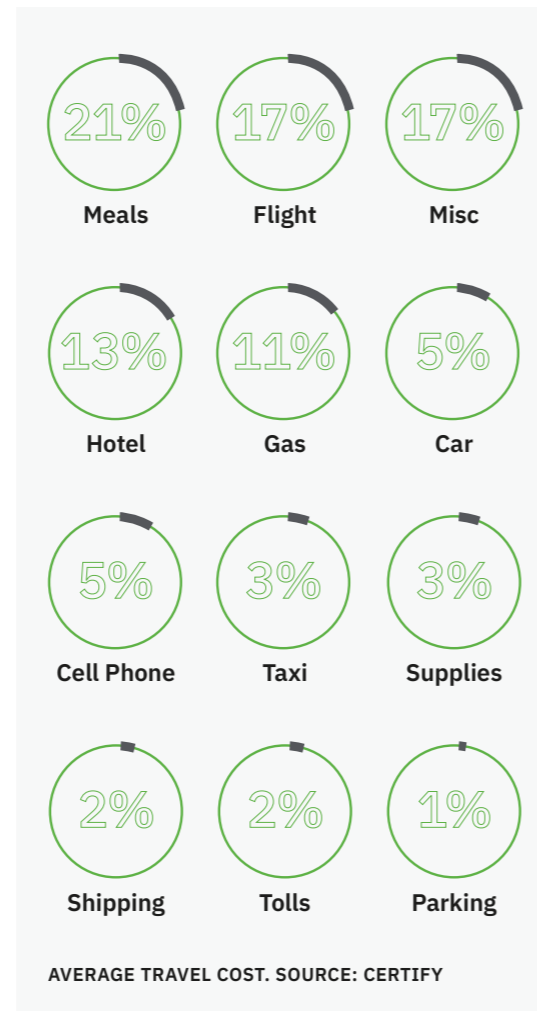
3. Segment Your Program

Identify the details: The key areas of your travel program that will contribute total emissions are wide and will vary for each organisation. We recommend using travel and expense data to determine where your travel program's largest CO₂ output is produced.

A business with a travel expense breakdown such as this may choose to focus on reducing or offsetting CO₂ emissions for the bigger spend items such as meals, flights and accommodation.

Policy review: Ensure your travel and expense policy messaging and guidelines align with your company ESG targets or sustainability metrics.

Booking process: Needs to visibly guide travellers to select suppliers with ESG targets that align with your goals.



Review travel suppliers for risks and opportunities:

Through the RFP or sourcing activity, suppliers will disclose their ESG strategies. Others will go one step further and offer partnerships or solutions to assist your company and travellers in moving towards more sustainable travel practices. Remember to include every component of your travel program.

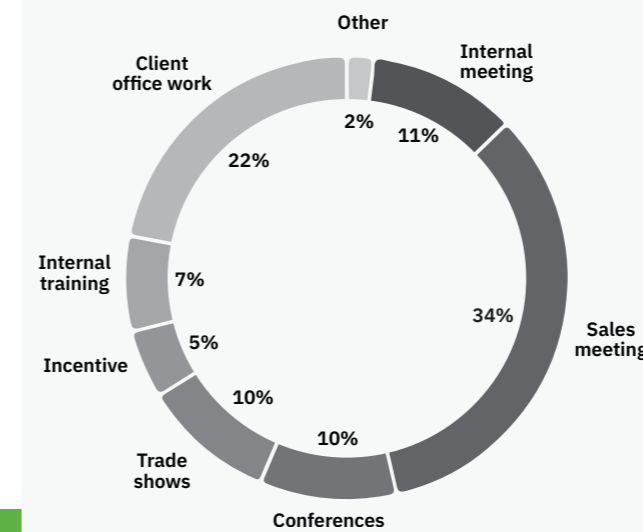
Reporting: It's critical to assess your travel program's ESG performance and see the changes you have made. You can share how you're helping move the business in the right direction.

4. Assess Why Your Business Travels

Aka demand management. It's all about knowing your company's need for travel and balancing the essential and non-essential. It is important to understand the reason why your company needs to travel, to discover ways that you can travel more sustainably. The pie chart indicates some of the most popular reasons for business travel. If you are not reporting on 'Reason for Travel' as part of your online booking tool (OBT) process, we recommend you implement this field within your OBT immediately.

Business travel spend by type of trip

% of total travel budget



SOURCE: CORPORATE EXECUTIVES SURVEY (N-300), OXFORD ECONOMICS

How can you calculate your travel program's sustainability objectives? Start by measuring your travel program's emissions. Use the data available and start creating your baseline.

5. Build An Action Plan

Once you have some baselines and targets to work towards, it's time to take action by reducing, changing or offsetting your travel program emissions. How?

- Engage suppliers and ask them how they can help you to travel more sustainably. Start by asking them what tools or technologies they have to help you measure your CO₂ emissions or ask them to provide data, such as what the CO₂ impact from one night's hotel stay or Uber ride.
- Think about traveller tools, such as mobile apps, that help to keep employees thinking about sustainability during their trips.
- Positively engage and educate your employees on ways they can reduce their own emissions from business travel and commutes.
- Build capabilities within your OBT for your travellers to make greener choices.
- Relaunch your travel policy to include a positive narrative around sustainability.
- Continue to report your emissions and results. Assess, re-assess and change.

Need to move faster? If your company's emissions targets require quick or higher results, focus on an offsetting alternative and take a deeper dive into ways of reducing corporate travel.

Recommendations from *FCM Consulting*

1. Evaluate your supply chain. Ensure your preferred suppliers are aligned with the short- and long-term objectives that your travel program requires.

Hotels

- When selecting your preferred program, ensure the majority of the properties are compliant with local or national sustainability requirements. Through the RFP process, FCM Consulting is supporting clients to select suppliers that support their sustainability targets.
- Select hotel properties and/or chains that have a strong commitment to sustainability targets but don't compromise on service, security and traveller value.
- FCM Consulting follows the recommendations of the Sustainable Hospitality Alliance for determining the sustainability of hotels in your supply chain. We work with partners that provide reporting to help manage carbon emissions.



THIS IS A SAMPLE OF HILTON'S CO₂ SUMMARY FOR CORPORATE CUSTOMERS.

Ground Transport

- Companies should have a preferred ground transport program defining preferred suppliers and car rental type.
- Include electric and hybrid car rental alternatives, as well as clear options for your travellers' local needs that may involve car sharing options or public transport.

Air Travel

- Your preferred airlines should provide key actions and deliverables to reduce emissions. Data and reporting is key to measuring progress.
- When developing your air travel program, ensure the majority of airlines are compliant with local or national sustainability requirements. Through the RFP process, FCM Consulting is supporting clients to select suppliers that support their sustainability targets.
- Select airlines that have a strong approach to sustainability and clear targets but don't compromise on service, security and traveller value.
- FCM Consulting works with technology and climate change partners that provide reporting for transparency and management of carbon emissions.

Travel Policy

- Clear direction is important for all companies.
- Travellers need to know what the company's priorities are for aspects such as spend limits and sustainability as well as the processes and benefits attached to those priorities.
- An important question to ask all of your stakeholders, including employees, is whether they value environmental and social change above comfort, convenience and price.

2. Optimise your online booking tool

Speak to your FCM Account Manager about how your current OBT solution stacks up.

3. Create a communication plan that educates, prepares and engages your travellers with what you want to achieve from a travel sustainability perspective.

So...where to from here?

Accountability breeds responsibility.”

STEPHEN RICHARDS COVEY.



Travellers

1. Make your ESG statement public. What does your business stand for on the topics of environment, social and governance? State your policy on travel demand management and state your practice for sustainable travel, ie, reduced, offset program, no-travel, etc. Be prescriptive and concise.
2. Educate travellers/bookers on what it means and the choices they have.
3. Train staff to be eco-travellers. A big consideration for clients when booking travel is what impact their trip is having on the environment. Travellers are more informed and their preferencing is shifting. Organisations need to recognise that travellers can play a part in reducing CO₂ emissions but it needs to happen prior to a booking.
4. Enable your travellers. When searching for flights, travellers and bookers can now identify sustainable choices through carbon emission displays or pop-ups for each flight. Travellers and bookers now have the information to be able select the lowest carbon emission producing flight, hotel or car that's also within policy.



Workflow

1. Re-invent your travel policy. Your ESG travel strategy needs to be embedded in the actions of your travellers.
2. Travel approvals. For tighter control pre-booking, review travel approval workflows to determine if your travellers/bookers need a tighter rein and/ or if ESG targets are so significant that travel needs to be assessed by way of carbon impact.
3. Technology OBT. Review your OBT(s) and travel apps to ensure they can guide and influence sustainable bookings behaviour – see table above.
4. TMC. Use your TMC to help guide and direct you, they're the experts. From front office to back-office platforms, there is a growing number of changes and innovations from suppliers that feed into the TMC.
5. Reporting. TMCs themselves have a wide array of reporting and analytics to breakdown your emissions by travel product, and also deep dive into your business' reporting line structures and usage. Design a reporting suite that is top-line and also detailed, which tracks your key targets.
6. Offset. If you're going straight to offsetting emissions then engage resources and organisations that are solely focused on investment. Or if you want to keep it simple, engage your TMC and partner with their initiatives.



Travel Suppliers

Ask your travel supply partners the right questions.

- How do they define ESG and what demonstrated practices and initiatives do they undertake as a business? How is their ESG strategy weaved into the services and products they offer your business?
- Do your supplier policies meet the predefined minimum criteria around ESG that compliments or surpasses your own practices?
- Openly ask suppliers to assist in evolving your ESG practices.
- What are your suppliers' targets, how progressive are they compared to others?

Don't forget that some strategies may be defined as sustainable offices, workplace diversity, procurement targets for the direct and indirect categories, etc.

Reinvent your travel supplier RFPs

It's time to ask different questions in your RFP. Ones that are travel-centric and purposeful for ESG. Do you know what questions you should be asking across the entire ESG spectrum? Do you know how to benchmark them and best score them? Below we've included a few points to consider:

- Request copies of public statements/policies on ESG practices – how does the supplier define it, is it a public statement, closed statement or nothing at all?
- When assessing statements, your procurement, risk and HR teams should review documents as per your corporate priorities and critical assessment criteria.
- Request copies of potential supplier ESG reports.
- What environmental and sustainability (E&S) guidelines and practices are suppliers aligning themselves to? For examples, airlines follow the IATA guidelines and many hotels support guidelines or standards around modern slavery and sustainability.

Procurement teams need to balance a company's focus on ESG with the core operational output and location of the business and travellers. Asking suppliers questions around sustainability, that are tailored to suit the company's core activity and need for travel will help to find the commercial and sustainability balance without impacting the travel experience.

- What E&S targets have suppliers set themselves and are these targets aligned with the global/national guidelines that your business is abiding by?
 - Example: We are currently 10% to our ESG goals and we want to be 95% complete by 2030
- What E&S practices have your suppliers implemented or are implementing to reduce or meet their own E&S targets?
 - Airline examples - changing fuel, fleet, sourcing socially responsible goods.
 - Hotel examples - double-glaze windows, water recycling, sustainable laundry options.
- How are they contributing beyond their own targets, for example with reforestation or community projects?
- What can the supplier offer your business to assist with your E&S practices, such as offset programs and joint strategies?

Register and report

Record your suppliers' innovations and strategies for ESG from the results of your supplier RFP, interviews, research and meetings. Report these results internally and report on progressive improvements and advances year on year.

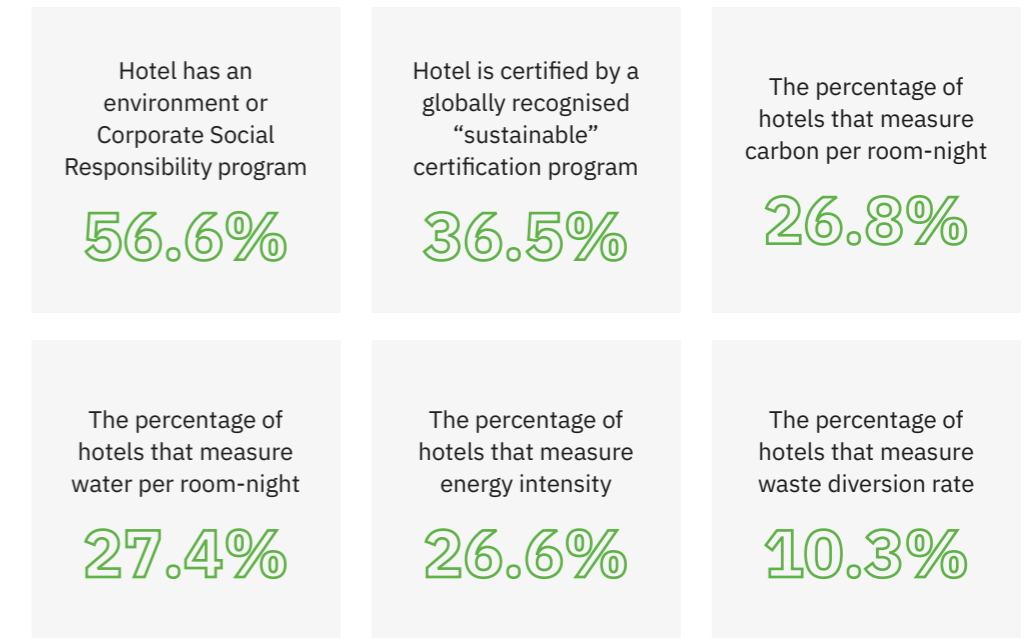




FCM Consulting and *sustainability*

FCM Consulting encourages you to integrate questions in your RFPs that support your own ESG strategies. Our team's sourcing services can help organisations just like yours to navigate supplier responses. Our specialists will help your business to score and benchmark supplier responses, meaning you select suppliers that share your values and importantly can proactively help you reach your ESG goals.

Here's just one example of how we helped a customer score the sustainability questions in a RFP.



Each company's journey to achieving higher levels of sustainability will be uniquely different. The sector your business operates in and what your core activity is will influence where the focus for sustainability is directed. If travel is your key emitter of CO₂ emissions, we recommend working with an expert to analyse where and how to optimise your program and traveller journey to achieve your ESG goals.



FCM is a single global brand providing a comprehensive range of corporate travel and expense management solutions. We have a presence in more than 95 countries and are regarded as one of the top five travel management companies in the world. FCM is responsible for the travel programs of some of the world's most successful corporate brands.

It has always been personalised service that sets FCM apart from the rest and we blend this with innovative technology and unrivalled access to content to drive the optimum performance of your travel program.

Contact us today to find out how FCM can elevate the performance of your corporate travel program.