

2024

The Hotel Yearbook
**Hospitality
ESG Edition
2024**

**Unlocking the
ESG Innovation Stack
in Hospitality**

USALI

 **Horwath**

 **EHL**

MINDCLICK

HY8



The impact of the Green Claims Directive for sustainable hospitality

From Strategy to Regulation

Xavier Font

Professor of Sustainability Marketing, University of Surrey

Synopsis

Professor Xavier Font (University of Surrey) examines the complexities of sustainable practices in the hospitality industry, highlighting the discrepancies between consumer surveys on sustainability and actual behaviors. It reveals the prevalence of 'greenhushing,' where companies undercommunicate their sustainability actions due to fear of criticism from both environmentally conscious and anti-green consumers. This contrasts with 'greenwashing,' the overstatement of sustainability practices, often superficial or misleading. The article also discusses how forthcoming EU legislation, such as the Green Claims Directive and the Corporate Sustainability Reporting Directive, will compel businesses to substantiate their environmental claims with scientific evidence and independent verification. These new regulations will impact how hospitality firms worldwide advertise and report their sustainability efforts, potentially leading to more stringent environmental claims management and operational changes. The author emphasizes the need for the hospitality industry to collectively set standards and monitor compliance to prepare for these upcoming legislative changes effectively.

If we are to believe the many surveys conducted by both industry and academics, consumers are fully aware of the negative impacts of the tourism industry, and most of them are committed to changing their ways. The reality is however rather different, in part because the surveys we see suffer from self-selection bias (the people that choose to answer them do so because they are interested in the topic of the survey) and self-deception bias (those people genuinely want to believe that they will do the right thing).

Academic studies on the attitude-behaviour gap in relation to sustainable tourism behaviours have however shown that in the heat of the moment, we all seem to believe that a sustainable product, service or experience will require a compromise on one of the attributes that really matter: price, quality, convenience, location, risk... For this reason, the hospitality industry must stop presenting sustainability as a unique selling proposition in its own right, and to start considering it as one more proof point of those five attributes that generally matter to a larger proportion of society. It's not that we don't want to be sustainable, it's just that there are other things that we want more, and more urgently, to satisfy our needs.

Maybe this is the reason why hospitality companies greenhush: that is, they deliberately undercommunicate their sustainability practices, for fear of backlash from two sides: from the "dark green" clients, who will criticise them for not doing enough, but also from the "anti-green" movement who will perceive that sustainable hospitality will turn out to mean compromising on quality or choice, yet paying a higher price. In our research, we found that 70% of the sustainability actions that had been audited as being implemented, were never communicated (Font et al, 2017).

Greenhushing is a natural industry response to the fact that, for a number of years, sustainability champions have been encouraging their teams to work hard in making changes, and hoped that consumers will reward them for these, but having misunderstood or overestimated customer demand, they are

now taking a step back. Its cousin, greenwashing, is far better known: the overcommunication of sustainability practices that are "not always" happening, or attempts to dress some sustainability actions taking place at the margins of the business operations as if they were far more transformative than they really are. Not that long ago, only 18 out of the 50 largest companies in the world were producing Corporate Social Responsibility reports (Guix et al, 2018), a shockingly small number considering that in other sectors, all the large companies would have been under pressure to produce that type of report.

Maybe it is not surprising that most of these reports were not the result of stakeholder engagement, or that the practices reported emphasised immaterial activities (those that did not matter to the hotel groups' stakeholders). To give a simple example, these hotels may report on carbon footprint savings from efficient operations (mainly a byproduct of seeking cost savings) but did not speak of the labour conditions of their staff, or the impact on local communities, other than providing some handpicked case studies. In Environmental, Social and Governance (ESG) reporting, only some aspects of the "E" were prioritised, while the activities in relation to the "S" may not go far beyond compliance with legislation. Forthcoming legislation making some aspects of non-financial reporting compulsory, following reliable and comparable methodologies, for large EU companies (see the EU [Corporate Sustainability Reporting Directive](#)).

Greenwashing takes many forms: fibbing, hidden trade-off, no proof, vagueness, irrelevance, lesser of two evils or worshipping false labels (see the [Seven sins of greenwashing](#)). The EU has found that over 50% of claims give vague, misleading or unfounded information, and that 40% of them have no supporting evidence, while half of the green labels offer weak or non-existent verification (EU, 2023). This is in keeping with academic evidence that most voluntary carbon offsetting messages from the airline industry greenwash (Guix et al, 2022), and there is no reason to think this may differ for hospitality firms. We argue that greenwashing is only possible because there weren't enough consumer and industry benefits from the true green benefit, while at the same time there wasn't the perception that the non-green or fake-green products were producing so much harm to warrant legislative effort.

Greenwashing has now raised sufficient concerns for several governments to develop legislation on this topic, and as usual, the European Union has taken the lead. At the beginning of 2023, the EU proposed the [Green Claims Directive](#), which aims to combat greenwashing by ensuring credible, comparable, and verifiable environmental information, whether related to the attributes, impact, performance, or the entity offering a product or service. Why should hospitality firms outside of Europe care? Because this Directive applies to businesses selling products or services to EU customers, irrespective of their physical location. In the tourism and hospitality sector, this entails that companies worldwide will fall under this legislation's scope. This is a game changer.

This proposed legislation primarily addresses environmental labels and claims, establishing a novel legal framework to complement modifications suggested a year ago for the Unfair

Commercial Practices Directive (UCPD), which targets deceptive greenwashing practices. The key distinction lies in setting forth minimum requirements for substantiating, communicating, and verifying such claims, with the objective of fortifying consumer trust, making it a preventive measure, in contrast to the UCPD's role in enforcement. Claims will necessitate an assessment supported by "recognised scientific evidence" and validation by an accredited and independent third party before any commercial communication, essentially creating an authorisation process. The hospitality industry has generally failed to follow independently verified, robust scientific approaches to get its house in order, and then make claims. Not all sustainable tourism ecolabels will meet the criteria of being accredited and independently third-party verified, as the interpretation of this requirement remains open.

Companies will be mandated to substantiate their environmental claims through life cycle assessments, communicate them accurately and comprehensively, and undergo external verification. Few hospitality and tourism ecolabels adhere to a life cycle assessment approach that would meet the EU standards, though, as most assess whether a company is taking action on various issues but do not demand actual measurements of environmental improvements or comparisons against industry benchmarks. Commonplace phrases such as 'net zero,' 'carbon neutral,' and 'eco-friendly' will be prohibited in advertising, social media, or packaging unless they are adequately substantiated and verified. Nowhere has this become more evident than in the proliferation of claims of hospitality firms being carbon neutral, or even more outrageously, carbon positive, because to a large extent these are the result of voluntary carbon offsetting with by purchasing carbon credits of dubious quality (Carton et al, 2021).

The Green Claims Directive is starting to materialise into specific legislation from September 2023, when the European Parliament announced its ban from 2026 for all claims that voluntary carbon offsetting leads to carbon neutral, reduced or positive products and services. Little is known at this point about what this ban will entail, or what will be the potential use of voluntary carbon offsets, if no longer relevant for carbon accounting. But one thing is clear: the two-pronged approach of having to report due to the Corporate Sustainability Reporting Directive and the stricter controls on the type of claims that can be made through the Green Claims Directive means that large hospitality businesses will need to establish a robust environmental claims management framework, which may entail adjustments to aspects of their operational model, including organisational capabilities, data management, technology, and governance structures.

In the short term, many of these hospitality businesses may find it more cost-effective to greenhush further, by limiting the number of environmental claims they make, especially if they haven't experienced tangible benefits from such claims. A growing concern is that without the perceived advantages of communicating their environmental efforts, these hospitality businesses might actually reduce their sustainability initiatives. But it is only a question of time until both regulations are applied more strictly to medium sized firms directly, and small firms because of being part of the supply chain of those large firms having to report.

How do we prepare for this change? We might not be in this mess if we had self-regulated earlier- and by this I do not mean the small and voluntary uptake of the sustainability ecolabels for the hospitality industry that we see today, and that has only marginally increased in the last 20 years. We need to work at scale, and for too long hospitality associations have been fighting government's regulation and ignored society's scepticism, resulting in many years' worth of misleading and exaggerated claims of being natural, sustainable eco, responsible, and most recently, carbon neutral. It's time to acknowledge and quickly act on the need to collectively set standards, measure and monitor the compliance of our own members, and not be afraid to de-list from our associations those bad apples that create a bad name for the sector, so we are collectively ready for the impending legislation.

References

- Carton, W., Lund, J. F., & Dooley, K. (2021). Undoing equivalence: rethinking carbon accounting for just carbon removal. *Frontiers in Climate*, 3, 30.
- EU (2023) Green Claims, https://environment.ec.europa.eu/topics/circular-economy/green-claims_en
- Font, X., Elgammal, I. and Lamond, I. (2017) Greenhushing: the deliberate under communicating of sustainability practices by tourism businesses, *Journal of Sustainable Tourism*, 25(7) 1007-1023.
- Guix, M., Bonilla-Priego, M. & Font, X. (2018) The process of sustainability reporting in international hotel groups: an analysis of stakeholder inclusiveness, materiality and responsiveness, *Journal of Sustainable Tourism*, 26(7) 1063 – 1084.
- Guix, M., Ollé, C., & Font, X. (2022). Trustworthy or misleading communication of voluntary carbon offsets in the aviation industry. *Tourism Management*, 88, 104430.

Xavier Font — Professor of Sustainability Marketing, University of Surrey

Dr Xavier Font is professor of Sustainability Marketing at the University of Surrey. He researches and develops methods of sustainable tourism production and consumption. He has published widely about sustainable tourism certification, and has consulted on sustainable product development, marketing and communication currently serving as advisor in the Travalyst coalition of Amadeus, Booking, Google, Expedia, Skyscanner, Travelport, Trip, TripAdvisor and Visa. He is the Editor in Chief of the Journal of Sustainable Tourism. He has conducted over 200 courses for more than 5,000 businesses on how to market and communicate sustainability. Recently, he was the Principal Investigator for the University of Surrey for the €23m Interreg project Experience to develop low season sustainable tourism visitor experiences .

University of Surrey | School of Hospitality and Tourism Management — surrey.ac.uk/shtm

Welcome to the School of Hospitality and Tourism Management. We combine a young and dynamic outlook with a leading international reputation in Hospitality and Tourism education and research. Our success is demonstrated through our top ranked publications and teaching, our high rates of employment for our graduates and the contribution we make to good practice in the industry. We are ranked No.1 in the UK for Tourism and Hospitality by all major league tables and university guides for 2011 (The Guardian, The Times and The Independent).