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Consistency of non-financial risk disclosure in Integrated reports and Business models

Hospitality Industry

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To my beloved guardian angel, my granny

Ennia

Abstract

Over the last years, but particularly with the advent of the pandemic, attention to non-financial risk disclosure has deeply affected the business environment.

In Europe, the introduction of the Directive 2014/95/EU represents a fundamental shift from a voluntary to a mandatory regulation in terms of non-financial information, among which non-financial risks. While in the United States, the institution of the Securities and Exchange Commission (SEC) in December 2009, has made compulsory for public companies the disclosure of both quantitative and qualitative information about market risks.

For this reason, this study specifically focuses on the disclosure of non-financial risks in the integrated reports that, as the current pandemics demonstrates, has affected the company's existence. Since the communication of information with stakeholders is really important, the development of business model disclosures has been investigated to illustrate why they are disclosed to their stakeholders. To achieve the aims of the thesis, a qualitative approach, regarding the hospitality industry, has been adopted. In depth, the analysis regards the consistency between the NFR disclosure and the BM. Finally, the thesis provides conclusions of the study which aim to summarize the results of the hospitality industry research, presenting future research avenues.

Introduction

The financial crises, now the Covid-19 pandemic, and the growing concerns regarding the social and environmental consequences of companies' activities have dramatically increased the external pressure on companies to be more accountable toward and more transparent with their investors and stakeholders.

A new trend in corporate reporting emerged to convey financial and non-financial information in one document known as the Integrated Report. The International Integrated Reporting Council, in 2013, issued a specific framework (International Integrated Reporting Framework, IIRF) to support entities in the preparation of the document. In recent years, the European Union has taken a step forward to address stakeholders' information needs regarding long-term risks as well as environmental and social sustainability.

In recent years, the European Union (EU) has taken a step forward to address investors' and stakeholders' information needs regarding long-term risks as well as environmental and social sustainability. To this end, the EU issues the Directive 2014/95/EU (EU Directive) to require large entities of public interest to disclose financial information to support organizations in providing this disclosure. The EU Directive aims to ensure that organizations provide at least a 'package' of information that is considered unavoidable and comprehensive non-financial information. In the United States, one of the most visible changes in governance requirements related to board risk oversight was instituted by the Securities and Exchange Commission (SEC) in December 2009 when the SEC introduced rules requiring proxy disclosures describing the board's role in risk oversight for all public companies whose securities are registered with the SEC (SEC, 2009). Those rules became effective for annual proxy statements issued after February 28, 2010.

Grounded on this theoretical and legislative background, since the hospitality industry has been strongly affected by the pandemic, two of the largest hotel chains in the world have been used as analysis tools: Accor Hotels and Marriott International. This study has two related research aims: first, it aims to investigate what information is disclosed by companies' business models and how they are presented. Second, the research focuses on the communication of both companies' non-financial risks.

To this end, the author runs a multiple-perspective analysis in a qualitative and interpretative way. The paper is organized as follows. Section 1 reviews non-financial risks disclosure in Integrated reports. Section 2 provides a description of the development of Business models. Section 3 presents the case studies. Section 4 presents a description of the data and discusses the findings. Section 5 concludes the study.

Chapter 1

1. Inside the term non-financial information

Since the 1990s, interest in the disclosure of non-financial information, by companies, has significantly grown. This term, abbreviated as NFI, is contemplated by stakeholders, but also by customers, investors and shareholders, relevant in assessing the company's ability to succeed and survive (Shevlin, 1996; Robb et al., 2001; Flöstrand and Ström, 2006; Arvidsson, 2011). The growing acquisition of voluntary corporate accounts can be perceived as an expression of the complementary transformation of commonly held accounting because the new focus is on making practices on contemporary forms of reporting information or to extend the existing ones. The objective of this transformation is to notice and to report non-financial nature information that tries to identify sustainability risks by increasing customers, investors and stakeholders (European Union, 2014, p. 2). As a consequence, academics, standard setters and other organizations like the Global Reporting Initiative and the International Integrated Reporting Council have shown a strong interest in disclosing non-financial information in mandatory and voluntary corporate reports over the years. Today, there are frameworks, guidelines and also standards that are usually used to produce non-financial information reports and to establish the content of them. But the problem is that they do not propose any definition of this term. Many terms have been reached for the identification of non-financial information disclosure inside reports (sustainability, environmental and integrated reporting).

In recent years, the European Union has called attention to the importance of transparency by companies concerning financial and non-financial activities. The European Union has issued the EU-directive 2014/95/EU (EU, 2014), which asks EU member states to disclose non-financial information, for large public interest companies, on integrated reports that must be available to all stakeholders that are interested in it. This directive refers to non-financial information without defining what it really is, even if a lot of examples are proposed. Although the recent prominence of this term, a shared accepted translation still does not exist (Eccles et al., 2011; Erkens et al., 2015; Haller et al., 2017). Professional and social backgrounds of people, knowledge, and competencies can influence the common interpretation. In the meantime, their ordinary understanding is relevant for companies and practitioners but it also plays a vital role in research (Bort and Schiller-Merkens, 2011). A precise development of a collective understanding is guaranteed by a common shared vocabulary (Tangen, 2005). Since it has been discovered that it is hard to understand and disclose corporate information, a transparent definition of non-financial information can help companies in shaping a shared trend. The lack of good understanding of non-financial information, besides producing confusion, permits a segmentation in people's understanding but also low comparison of non-financial information reporting. For example, Tangen (2005, p. 43) thinks that since people act with opportunistic behaviours, common definitions can surprisingly reduce confusion. Another academic, Kirk (2006, p. 207), points out that when a definition has different meanings between people, it can obviously produce an expectation gap, among different stakeholders in actual fact. When a notion is disclosed clearly and with just one meaning, it is better, in particular when dramatic economic and legal consequences can occur. This is the reason why there is a need to explore non-financial information disclosure and contribute to bringing a universal accepted definition.

In spite of the increasing number of articles regarding non-financial information and the importance of claiming the definition of this term, the regular examinations of the non-financial information definition are still limited. Erkens et al. (2015) conducted an analysis of academic papers on this. For all the authors of the study, a formal definition of non-financial information term can not be found, but rather refer to fundamental concepts of non-financial disclosure (Erkens et al., 2015). So what can be said is that the meaning of non-financial information is still ambiguous, as neither a common understanding nor a generally accepted definition of the term exists. As the emergence of the EU directive, non-financial information has often referred to data about the society and the environment, although a lot of academics define this term differently as corporate social responsibility issues, intellectual capital information, and information. So, what constitutes non-financial information is free to interpretation. This study extends the knowledge of how this term is defined worldwide through integrated reporting disclosure. This can help out to avoid the risk of an information gap between stakeholder expectations and non-financial information reporting in practice.

This term is frequently used in literature. Since a lot of studies and research have been made, the meaning of it is still ambiguous. For instance, Wurzburg (1998) thinks that companies' intellectual capital constitute non-financial information. Another author, Arvidsson (2011), used to focus his attention on intangible assets, while Cohen et al. (2012) highlighted the goal of measuring intangibles. Together, Perrini (2006) and

Chong et al. (2018), associated the non-financial information disclosure to a company's strategies and risks. Moreover, but in a different way, Farooq (2015) and Ochi (2018) positioned non-financial information into the ESG dominion. Thanks to all these definitions by academics and practitioners, two principal streams of the term can be identified. The majority of them touch on to the type and nature of non-financial information, while the rest give more importance on where this term is disclosed. All these definitions suggest that the meaning of non-financial information is clamped to the area in which it is used. But it is important to say that with the advent of the EU directive, this term started to refer to information about society and the environment (La Torre et al., 2018). Empirical studies have shown that cultural, socio-economic, national and political factors can influence the perception and the image of corporate non-financial performance (Nobes and Parker, 2000; Ringov and Zolo, 2007; Matten and Moon, 2008; Ioannou and Serafeim, 2012). Scholars prefer to define non-financial information by using a leftover definition, by explaining what the term does not mean. This confirms the scholars' awareness that non-financial information is a genus and its understanding cannot be limited to CSR, ESG or sustainability-related information. In literature, non-financial information has also been used to refer to intellectual capital information, strategy, business performance and risk. Thus, the dominant idea is that it is complementary to financial information; it may concern other topics in addition to CSR, ESG and sustainability.

1.1.Disclosure of NFI

In recent years, a harmony agreement among both scholars and practitioners has been born, assuming that corporate value is not incompletely described in financial statements due to its incapacity to seize the value originated from intangible assets. Unfortunately it seems to raise information asymmetry causing a deficiency of the efficient allocation of resources on the stock market (Kristandl and Bontis, 2007; FASB, 2001a; Diamond and Verrecchia, 1991). So, to reduce these problems, there is the need to focus more on non-financial information in corporate disclosure since it is considered to be able to capture, at least, some of the value arising from these assets (Alwert et al., 2009; Sriram, 2008; Goodman, 2006; Rau, 2005; Holland and Johanson, 2003; Mavrinac and Siesfeld, 1997; Eccles and Mavrinac, 1995). Topics concerning non-financial information are considered to contribute to complete disclosure, such as in the area of human (Royal and O'Donnell, 2008), relational (April et al., 2003), organizational (Lev and Radhakrishnan, 2003), and corporate social responsibility.

Through the use of traditional financial reporting (Burgman and Roos, 2007; Leadbeater, 2000), voluntary disclosure is considered to be vital in solving problems. This type of disclosure is found to result in a lower average cost of both equity (Botosan and Plumlee, 2002; Richardson and Welker, 2001) and debt capital (Sengupta, 1998), by decreasing information asymmetry. This is the reason why these outcomes are crucial while confirming an efficient allocation of resources on the stock market. So, to be able to overcome the insufficiency of financial statements and to obtain the benefits disclosed above, companies are asked to improve their disclosure on intangible assets (Sriram, 2008; Burgman and Roos, 2007; Chen et al., 2005; Vandemaele et al., 2005), also explaining the roles they play in their value-creation methods (Bismuth and Tojo, 2008). This is argued to be achieved including more non-financial information focused at intangible assets and developing non-financial key performance indicators (Alwert et al., 2009; EFFAS Commission on Intellectual Capital, 2008). Since it has been found that annual reports are a good intermediary for the level of voluntary disclosure a company provides across all different forms of disclosure for example like press releases, web sites and also newsletters (Gelb, 2002; Botosan, 1997; Lang and Lundholm, 1993). Looking back at earlier studies, non-financial disclosure related to intangible assets, when management teams structure how to disclose information, it is not favored by them in doing so (Lock Lee and Guthrie, 2010). However, there are some exceptions as follows. Nordic companies are found to be forerunners when voluntary disclosure on intangible assets is exercised (Lin and Edvinsson, 2008; Vandemaele et al., 2005; Arvidsson, 2003). Despite corporate disclosure has been examined, there is a lack of studies that examines how management teams think when it comes to the point of non-financial disclosure related to those assets. The actors on the stock market, when it comes to the side of corporate information, are found to request more non-financial information in addition to financial ones (Alwertet al., 2009; EFFAS Commission on Intellectual Capital, 2008; Holland and Johanson, 2003; Phillips, 2001). This could accelerate the shift fronting non-financial information focus in corporate disclosure.

Since the 2008 financial crisis, several international and national organizations have highlighted the importance of financial stability, long-term performance and sustainability. The United Nations Global Compact issued 10 universally-accepted principles focused on human rights, environment and anti-corruption. The ISO 26000 standard (International Organization for Standardization, 2010) provides guidance on how companies can operate in a socially-responsible way. The Eco-Management and Audit Scheme (EMAS) (1993) is a voluntary management tool that helps companies to enhance their environmental performance and transparency of information about energy-saving, waste management and pollution reduction procedures.

There are also some national initiatives such as the US Commission guidance concerning disclosure related to climate change, established in 2010, and an amendment to the Danish Financial Statements Act in 2008 aimed to stimulate companies acting in a socially responsible way and communicate externally non-financial information to stakeholders.

In 2009 and 2010, the French Parliament adopted two laws named the Grenelle Acts, which made the production of an annual report on CSR matters for all large companies with activities in France mandatory. Provisions for the implementation of these laws were adopted by the government in April 2012. This regulation built on legislation adopted 10 years earlier, and was the result of a large and lengthy consultation process with the various categories of stakeholders concerned with corporate social responsibility, taking place from 2007 until the end of 2011.In Spain, the government issued a law that obliges certain organizations to disclose NFI in their corporate reporting.

Therefore in the UK, since 2013, listed companies are required to provide information on greenhouse gas emissions in their financial reports (Gov. UK, 2013). All these initiatives confirm the importance of information about firms' social, environmental activities and performance. They also explicitly highlight the needs of stakeholders other than shareholders.

However, there is no established set of regulations and laws, which sets out the required form of non-financial information (Erkens et al., 2015). This is the reason why, in October 2014, EU issued Directive 2014/95/EU, amending Directive 2013/34/EU on the disclosure of non-financial and diversity information by certain large undertakings and groups, to standardize and harmonize non-financial reporting practices. It has been applied by all the member states in 2016 and became operational from the year 2017. The directive requires the communication of non-financial information and is based on a policy for improving CSR information and corporate governance by providing reporting guidelines. In practice, it requires large companies to draw up a non-financial statement that includes information on environmental and social themes, including human rights, active and passive corruption, staff issues and diversity policies for listed companies. Organizations have to describe their policy, the outcomes that derive and the related risks and management practices.

1.2. Voluntary vs Mandatory NFI disclosure

Over the past two decades, disclosure of non-financial information has attracted attention from both academics and practitioners, directing companies to implement significant changes in several key areas of corporate reporting. Recently, an important milestone has been achieved with the approval of the European Union (EU) Directive 95/2014, issued on 22 October 2014 (European Directive, 2014 amending Directive 2013/34/EU, as amended by the Taxonomy Regulation - the NFRD) and covering Disclosure of non-financial and diversity information by large companies and groups. All EU member states have to implement these requirements within domestic laws, requiring large companies (those with more than 500 employees) to disclose information on environmental, social, employee-related, diversity, human rights matters starting from fiscal year 2017. Furthermore the proposal for a Corporate Sustainability Reporting Directive has been approved (proposal by the European Parliament dated April 21, 2021 – the CSRD), which revises and extends the scope of the sustainability reporting requirements introduced by the NFRD. The CSRD’s objectives are: to improve sustainability reporting in order to better harness the potential of the European single market to contribute to the transition towards a fully sustainable and inclusive economic and financial system in accordance with the European Green Deal and the UN Sustainable Development Goals; to ensure that there is adequate publicly available information about the risks that sustainability issues present for companies, and the impact of companies themselves on people and the environment; to reduce systemic risks to the economy and improve the allocation of financial capital to companies and activities that address social, health, and environmental problems and to make companies more accountable for their impact on people and the environment; and to minimize unnecessary costs of sustainability reporting for companies, and to enable them to meet the growing demand for sustainability information in an efficient manner.

An increasing number of companies have chosen to publish stand-alone reports on corporate social responsibility (CSR), sustainability, intellectual capital, value, environmental, social and governance (ESG) and integrated reporting (IR). There is, however, no common standard or framework for disclosure of NFI (European Commission, 2017). The introduction of the directive is likely to lead to radical changes and require urgent assessment of the previous and current state of non-financial reporting and the need for new skills and competencies. In Italy, the European directive was incorporated into Legislative Decree No. 254/2016 on 30 December 2016 and was effective from fiscal year 2017 for all companies with more than 500 employees. A public consultation by the Ministry of Economy and Finance, that closed in September 2016, confirmed that the most critical issues are the following ones: the choice of reporting standard/guidelines and the placement of non-financial information within corporate reporting. The choices about the best framework and type of report may create operational problems for those responsible for preparing (Global Reporting Initiative (GRI), 2015) and assuring (KPMG, 2013) the reports, although Italian companies (Assonime, 2017) tend to refer to the standards drawn up by the international integrated reporting council (IIRC) (IIRC – International Integrated Reporting Council, 2013a, 2013b) and the Global Reporting Initiative (GRI) (2016). The new regulation is not very different from all the other guidelines and requirements on non-financial disclosure because it does not provide a definition of non-financial information, simply offering some examples of non-financial information and fairly general guidance on interpretation (Haller et al., 2017, p. 408). Disclosure on sustainability in particular and non-financial issues, in general, has been the focus of increasing interest from practitioners and academics. Over the past two decades, several academic studies have highlighted the urgent need to increase and improve the quantity and quality of non-financial disclosure (Unerman and Chapman, 2014; Unerman et al., 2014; Erkens et al., 2015). This can influence the managerial and organizational sustainability approach (Eccles et al., 2011; Comyns et al., 2013; Contrafatto and Burns, 2013; Passetti et al., 2018) with implications for the preparation and assurance of a sustainability report (Michelon et al., 2015), highlighting some important elements such as the materiality of non-financial information (Eccles et al., 2012, 2015; Mio et al., 2015; Lai et al., 2017) or the choice to publish a stand-alone or integrated report (Eccles and Krzus, 2010). One of the most interesting areas of research on non-financial disclosure is the analysis of the “determinants and [...] consequences after the adoption of major regulation changes” (Erkens et al., 2015, p. 46). The introduction of the European directive is stimulating research on its impact on non-financial reporting, but the novelty of this regulation also urgently requires an in-depth analysis that also covers the period before its introduction. To date, a limited number of studies have examined this topic (Costa and Agostini, 2016; Dumitru et al., 2017; Haller et al., 2017; Carini et al., 2018), some using content analysis and disclosure indexes (Venturelli et al., 2017; Carini et al., 2018). To address this gap, the main objective of this study was to assess whether the radical shift from voluntary to mandatory non-financial disclosure was influenced by previous sustainability reporting practices in a sample of the Italian companies covered by the mandatory regulation on non-financial reporting. EU Directive 2014/95/EU represents a significant change for NFI disclosure in Europe, as it shifted the disclosure of NFI from the voluntary to the mandatory realm. The Directive is signaling to the market that NFI is as important as financial information, and it paves the way for a deeper engagement with such information by investors (Mio et al., 2020). Companies with larger boards are disclosing more information in the mandatory setting, consistent with the idea that companies with larger boards (an expression of dispersed ownership) have greater agency problems and thus provide more NFI to reduce information asymmetry (Adams, 2002; Eng & Mak, 2003; Frias-Aceituno et al., 2013; Healy & Palepu, 2001).

The EU directive is part of a broader European strategy to promote CSR. The use of a strong legal instrument such as a directive to require non-financial disclosure is very different from the much softer approach used previously. Many people believe that CSR issues, for the fact that they are about responsibility, should remain a private and voluntary choice in each company. The chosen approach cannot be predicted by norms because it is part of the common space of every company. The advocates of the voluntary approach note that a mandatory reporting system could be viewed as a burden, leading companies to produce non-financial statements that are compliant with the legislation but qualitatively poor. The choice between mandatory or voluntary reporting has been widely debated in the literature (Cooper and Owen, 2007). For example, in the accounting field, several studies have examined management commentary disclosure (Cormier et al., 2005; Beattie and McInnes, 2006; Hüfner, 2007; Beattie et al., 2008; Fraser and Henry, 2010). The main issues are why disclosure regulations have to be established (Beyer et al., 2010) and how to design an effective model of disclosure requirements (Rutherford, 2003). It is difficult to set an appropriate level of detail on mandatory information (Diver, 1983; Baldwin et al., 2011). The lack of sufficient detail can lead to a failure of the regulation change, but the rationale behind European directives is to allow the same rules to be applied in different countries (Directive 2014/95/EU). Some studies have shown that a low level of detail leads to poor effectiveness of directives and a low level of comparability among corporate reports in different countries (Van Hulle, 1993; Theunisse, 1994; Thorell and Whittington, 1994; Herrmann and Thomas,1995). A high level of specification on mandatory requirements may also limit management discretion (Diver, 1983; Baldwin et al., 2011). Some scholars, however, criticize giving more discretion because of the lack of a regulatory system in the corporate narrative disclosure regulation (Beattie and McInnes, 2006; Hüfner, 2007; Bini et al., 2017). The question of mandatory or voluntary reporting is very difficult to solve because of the lack of a generally accepted definition of non-financial information. There is no common understanding of the concept, which can make corporate communication less efficient and effective (Haller et al., 2017). Companies tend to prefer voluntary approaches to non-financial reporting (Fallan and Fallan, 2009; Maltby, 1997) but the perception of the users of non-financial information is less clear (de Villiers and van Staden, 2010; Stubbs and Higgins, 2018). A mixture of voluntary and mandatory regulatory approaches (KPMG et al., 2013) seems to be an intermediate solution that can meet all different needs from the practitioners' view. For large companies disclosure on extra/non-financial information is becoming the norm, rather than exception (KPMG, 2008, p. 4). Recently the development of several studies on the expansion in non-financial reporting provide interesting insight about the heterogeneity on non-financial reporting practices and the type of channels used to report non-financial information, as well as on the different definitions and concepts (Stolowy and Paugam, 2018). Although it is worthwhile to note an increase in the amount and kinds of non-financial information, it is not clear if more and better information can determine improvement of corporate reporting. The adoption of the European directive may offer a great opportunity for several large companies but at the same time, the legislative-driven regulatory initiative can provide an additional reporting requirement that can decrease the quality and effectiveness of reporting.

2. Non-financial risk management

Studying risk disclosure is important because corporate transparency about risk is vital for the well-functioning of capital markets. To achieve and maintain an accurate valuation of a company's stock, confident and well-informed investors are necessary. Lacking adequate disclosure, managers have superior information to outside investors, who may not fully understand the underlying risks and rewards of a firm's business (Hutton, 2004). By providing investors with information about the risk associated with pursuing the company's strategic goals, managers can increase transparency and eliminate disparities between what investors understand but also expect and what management can deliver. This disclosure enables investors to make more accurate corrections for risk when they value their investments, thereby preventing stock prices from becoming unhinged from intrinsic business value. According to Fuller and Jensen (2002), "Trying to mask the uncertainty that is inherent in every business is like pushing on a balloon; smoothing out today's bumps means they will only pop up somewhere else tomorrow, often with catastrophic results" (p. 43). Consequently, being clear about the risks and uncertainties involved can prevent severe damage to the reputation and long-term health of a company that may otherwise result from overvalued corporate equity (Fuller & Jensen, 2002). Recognizing the potential benefits of risk disclosure to investors and the long-run health and reputation of a company, an important question becomes whether managers are forthright about the underlying risks in their firms' business. On the one hand, they may understand the benefits of risk disclosure and realize that markets will penalize companies that provide inadequate information relative to their peers. As a result, an increasing number of managers may perceive that risk disclosure is a competitive advantage in attracting capital. Furthermore, managers may fear litigation and reputation costs if they do not provide sufficient risk information to investors (Skinner, 1994, 1997). On the other hand, being clear about risk can cause the stock price to fall to a more sustainable level in the short run. Short-sighted managers may not recognize that the associated pain of this is slight compared to that arising from colluding in myth-telling (Fuller & Jensen, 2002). Verrecchia (1983) develops a model in which concerns of revealing proprietary information rationally limit voluntary disclosure despite its apparent benefit. In his model, withheld information cannot be treated unequivocally as less favorable due to management's tradeoff between the benefit of a lower cost of capital and the cost of higher competitive pressure. Unlike in the full disclosure models, traders must consider proprietary costs as a reason for withholding the information. Thus, they cannot discount firm value until full disclosure is optimum. Instead, a threshold level of disclosure is obtained. A firm with higher proprietary costs will enjoy a lower discount from withholding information. Additionally, disclosure is not a costless undertaking (Botosan, 1997). First, creating and distributing timely and accurate risk information consumes valuable management time. Second, managers may perceive that there is a cost imposed on the firm by competitors who exploit the information to the detriment of the disclosing firm. Third, there is the possibility of litigation in connection with a disclosure. Finally, companies may be afraid to set a disclosure precedent they cannot stick to (Hutton, 2004).

2.1.The development of non-financial risk management

In general, financial risk primarily involves the business of being into the business, concerned with maintaining profits, sustaining economic growth and protecting investments and shareholder value from market fluctuations. Through the risk management process, the complexity has been reduced to the benefit of ease of use and transparency. In the same way, non-financial risk management is viewed as the way to allow stakeholders who need a simple transparent view of a company's situation to interface with the concept of corporate sustainability. On the whole, non-financial risk management mainly covers both environmental and social concerns that relate to the sustainability of any organization (Mehta, 1997; Geczy et al.,1999; Milne and Adler, 1999; Ritchie and Brindley, 2000; Solomon and Darby, 2005; Morgera, 2007; Spedding and Rose, 2008). Referencing from the documents of the United Nations Environment Programme's (UNEP) Financial Initiatives (2003), for instance, the non-financial side of risk is essentially managing risk related to the issues of sustainable development. Anderson and Anderson (2009) argue that corporations are being pressured to address their environmental and social responsibility performance, which are mostly of intangible and of non-financial nature. From a sustainability perspective, the main benefit in non-financial risk management is its ability to include a wider range of sustainability issues, environmental risks and social risks into the corporate boardroom than merely corporate environmental management.

Non-financial risk management is an essential measure for any business (Welford, 1999; UNEP, 2003; Spedding and Rose, 2008; Anderson and Anderson, 2009). Society increasingly demands that large multinational corporations improve their performance in the areas of human rights, environment, labour standards and other important governance issues (Schwartz and Gibb, 1999; Welford, 1999; Welford, 2000; Solomon and Darby, 2005; Sapountzaki, 2007; Spedding and Rose, 2008). Businesses that fail to address the environmental and social outcomes of their operations may create significant risk to the corporate sustainability (Epstein, 2008; Galea, 2009). It is important to recognize that the incorporation of environmental and social aspects into business also creates risks (Anderson and Anderson, 2009; Bischoff, 2008; Epstein, 2008; Galea, 2009). But while non-financial risk could be viewed as irrelevant to the bottom line, companies should take note of the upside of embracing non-financial risk management. Through identifying and managing non-financial risks, new opportunities and solutions can be found. Value can be added to the business enhancing the sustainability of the corporation (Anderson and Anderson, 2006). The emergence of sustainable development as a core business issue, for many corporations worldwide, creates many examples of the "upside" of non-financial risk (Epstein, 2008; Aras and Crowther, 2009; Galea, 2009). All of these factors suggest that the risk management of both financial and non-financial items is becoming of equivalent strategic value for the global extended firms and so, must be mainstreamed into the entire organization's value proposition and strategic risk management paradigm. This is the reason why non-financial risk now must be treated with equal importance of risks' financial aspects on risk agenda (Ruggie, 2003). Viewing non-financial risk management in the same way as risk management is a way to bring the focus of merging environment and economics in decision making into the boardroom. In contrast to this, other more intangible and rather unpredictable factors such as environmental and social concerns receive less attention, as definite scientific or quantifiable proof might be lacking, or because precise probabilities of occurrence are difficult to estimate (Busch and Hoffmann, 2007).

2.2. Significance of non-financial risk management

Non-financial risk management provides a place for incorporating uncertainty in the analysis and decision-making process for the organizations, in an explicit way (Thomas, 2006; Schwartz and Tilling, 2009). The objective of non-financial risk management can be seen as a useful mechanism through which organizations achieve corporate sustainability and their main business goals. Beside helping to reach business' goals, the non-financial risk management system tries to minimize such risks and the negative aspects of unsustainable practices by businesses. First of all, the objective of such an approach can reduce overhead and material costs; second, it can increase compliance followed by the reduction of fines or penalties; and, finally, improve competitiveness and marketing opportunities (Porter, 1985; 1991; Porter and van der Linde, 1995; Welford, 2000; Spedding and Rose, 2008). Morhardt et al. (2002) further highlights the following reasons to explain the significance for corporations to engage non-financial risk management as a mean to manage their environmental and social risks: stricter regulations; regulatory requirements and proactive cost reduction of future; compliance with industry environmental codes; reduction of operating costs; promotion of stakeholder relations; the perceived environmental visibility of the firm; the notion that reporting on such issues can yield competitive advantages.

In the past, inside the companies, improving environmental conditions and the ones of workers used to be thought of as a social cost (Frankental, 2001). Now firms, pursuing non-financial risk management, build a better reputation, enhancing financial performance and improving competitive advantage. It is a multifaceted approach designed to help business managers make informed decisions as part of a sustainable development strategy. Non-financial risk management is also a process that translates the intangible environment and social risks, such as stakeholder protest or reputation damage, but also environmental impacts, into a identifiable and systematic element through the development of risk management strategies (Bowden et al., 2001; Henriques and Richardson, 2004).

Nowadays, being aware of environmental and social costs and benefits, which is the company's exposure to potential non-financial risk, can assist the company's management in its strategic planning and, consequently, help to reduce the company's exposure to future non-financial risks and liabilities. Without adequate and appropriate systems to identify and account for such costs, it is unlikely that companies will be able to meet the future expectations of their stakeholders and the requirements of a more stringent regulatory environment and environmentally and socially aware population (Henriques and Richardson, 2004). Businesses that adopt non-financial risk management will clearly have an advantage. Apart from increasing a corporation's performance in sustainable development, non-financial risk management is also about innovation and the opportunity to achieve excellence in sustainable performance for businesses at the same time. Capitalizing on sustainability, however, requires a shift away from seeing non-financial risk issues only as hazards to be avoided; there can actually be opportunities providing business growth and providing significant possibilities for fresh competitiveness. Developing the capability to recognize opportunities where people usually see obstacles, requires a change in the management mindset. This is a critical journey for financial professionals interested in helping their organizations better manage and benefit from social and challenges. Companies can become leaders in corporate sustainability by developing proactive strategies that increase profits and create opportunities rather than using only passive strategies that respond to government regulation, consumer pressure or industry standards. Many companies are looking for workable models for responding to and capitalizing on environmental and social issues. And a number of mainstream companies want to be more responsible, but they do not know how increased social and environmental responsibility and accountability relate to shareholder value, or in short, translating the key concept of maximizing sustainable performance. The business case and payoffs must be clear, as should the systems and metrics, to develop, measure and implement innovations around these issues. Critical elements for companies seeking market success in this challenging realm include: leadership committed to sustainability as a vehicle to market success; sustainability strategies that flood throughout the organization; and effective management controls, performance measures and organizational capacity to integrate sustainability into corporate strategy. Some companies may have superior organizational knowledge and capabilities that permit them to accept risk and respond to it effectively, while their competitors avoid potential opportunities because of their organizations' assessments of these risks. Some may be able to identify voids in the marketplace that provide opportunities for innovation that others may not see. Innovation and market success often result from a company's superior ability to recognize and manage those opportunities. The challenge for companies, then, is to develop strategies that anticipate the changing business landscape and use environmental and social pressures as sources for innovation. Transforming environmental and social risks into opportunities for market success is a three-step process: identifying opportunities; aligning opportunities with strategy; and evaluating opportunities.

Within the management of environmental and social risks, there are opportunities for both technological and business model innovation. Technological innovation can include new products and services, process technologies and enabling technologies. Stakeholder engagement also plays an important role. According to Bekefi and Epstein (2008), evaluating impacts and the level of trust from the perspective of external stakeholders (activists, consumers and suppliers) and internal stakeholders (including employees and the top management team) is important. Effective stakeholder engagement can improve trust and reputation, and it presents opportunities for responding to concerns through innovative products.

2.3.Opportunities & benefits of non-financial risk management

Technologies and scientific developments, even when not related to one specific industry, can also be sources of opportunity. For instance, the cell phone and tablets are revolutionizing communication in parts of the developing world where land lines sometimes don't exist or take years for private citizens to get. Nokia considers the developing world a huge, expanding market. It has developed two cell phones aimed at the vast number of African households that will be cell phone users by 2010. According to Kytle and Ruggie (2005), in South Africa, the cell phone company MTN Group has teamed up with Standard Bank to create a cyber bank aimed at the vast number of rural poor. It requires only a phone call and a government-issued identity number to subscribe. As seen from these sources of opportunities it can prove beneficial for the companies that adopt a proactive approach. While such a risk management system can demonstrate that being environmentally and socially responsible is good for business (Welford, 1999), it may be that there are more business opportunities through energy savings, waste mitigation management, better workplace, higher productivity, new product lines or increasing market share (Salahuddin, 2005; Frost and Burnett, 2007; Spedding and Rose, 2008). According to the non-financial reporting directive made by the EU, non-financial risks include environmental matters, employee and social aspects, anti-corruption and respect for human rights, diversity on boards of directors (COSO Framework, 2008). Non-financial risk management can be applied both to assess impacts during an operation of any business and to help businesses capitalizing on new opportunities when identifying potential non-financial risk, enhancing sustainability and profitability (Porter, 1985; Bernstein, 1998; Welford, 1999; Benko and D'Archy, 2004). While these opportunities are not likely to be at the vanguard of non-financial risk management, they could considered alongside with managing the risk of a business during any operation. First of all, intangible value is quite often of higher value than tangible value. Reputation is seen as a driver to enhancing or destroying this intangible value of organizations; whether they are listed or not, similar factors apply. Respected reputation is built over a long time, as it is a combination of reliability, credibility, responsibility and trustworthiness, and these reputation qualities are hard won. It is not just a company's overall reputation that is important, but how its reputation is aligned with and meets the expectation of its stakeholders. If this is achieved, then value will be created (Welford, 2000). There is evidence to show that the public reputation of a listed company and its share price movement in the future have a strong correlation. This research was conducted by Mori, the polling company, which found that the favourability rating of the analysed companies led to corresponding moves in share performance, with a lag between 3 and 12 months (Financial Times, 2005). Apart from improving staff productivity and reputation of a firm (Bixner et al., 1999; Knox and Maklan, 2004), the benefits of reducing overall operational risks and associated costs (Gouldson, 1999; Welford, 2003), attracting investors (Loh, 2001; Bowden et al., 2001), easing public fears connected to globalization and free trade (Holme and Watts, 2000; Welford et al., 2003) and enhancing market reach through competing with other businesses and through differentiating brand and products (Porter and van der Linde, 1995) have all emerged at the forefront of what is sometimes referred to as the business case for sustainable development (Welford, 1997a; Welford, 2003; Welford et al., 2003). Furthermore, Walley and Whitehead (1994) imply that there is an overall advantage for business to engage in the management of environmental and other related social issues, which can be interpreted as profit maximization through lowering the cost of risk and raising overall revenues (Knox and Maklan, 2004). Others (Porter, 1985; Shrivastava, 1995a; Bonifant et al., 1995; Garrod and Chadwick, 1996) argue that, apart from raising the bottom line, the main benefit of managing environmental and social issues is improving the company's competitiveness. As reflected, the benefit of such a system is to gain competitive edge through cost reduction and differentiation strategies (Porter, 1985). The system is also preferable because of the complex interactions between areas such as the ecological and social environment that cannot be addressed by the alternative process (Wood, 1991; Shrivastava, 1995b; Gough, 1997; Mehta, 1997; Welford, 1997b; Etherton, 2007; Spedding and Rose, 2008). Non-financial risk management provides a consistent framework for the analysis of all potential adverse effects, and this allows different aspects of activities to be compared on a common basis (UNEP, 2003). The incorporation of different types of non-financial risks allows various information to be included, such as economic, social, cultural, ecological and technical that are essential for business to be competitive and sustainable in the market.

2.4.Relevance of risks disclosure

Stakeholders need to understand which risks companies take to create value. For this reason, they need information on the sustainability of current value-creation strategies. Surveys of institutional investors (pension funds, investment trusts, unit trusts, and insurance companies) revealed a strong demand for increased corporate risk disclosure in order to improve portfolio-investment decisions (Solomon, Solomon, Norton, & Joseph, 2000). This is the reason why top managers must guarantee investors that risks and also uncertainties are well managed (DeLoach, 2000). This requires effective communication about the risks that affect a firm's strategies and the actions that management plans need to take to minimize risk of failure, through the capitalization of emerging opportunities. If listed companies communicate information about uncertainties and existing risks, the external investors' ability to deal with risk diversification is undermined above the management of their investment portfolios. That may lead to a lack of confidence in the reliability of institutional financial information. Nonetheless, the status of current regulation of risk reporting reveals a piecemeal approach, focused predominantly on market risk associated with the use of derivatives like IAS 32, and IAS 39. Italian Legislative Decree no. 254 of 30 December 2016 transposed the EU directive into Italian law and became effective in the financial year beginning 1 January 2017. The decree applies to bodies or groups of bodies, of public interest of significant size. Amongst others, bodies of public interest include listed companies with an average of more than 500 workers over the reporting year. Leopizzi et al. (2019) examine a sample of 202 Italian companies obliged to follow the Decree 254/2016, to assess the extent and the characteristics of non-financial risk disclosure provided through annual reports or, where present, in sustainability and integrated reports during the period 2016 to 2017. They find a prevalence of environmental, health and safety risk disclosure, past or present-oriented and neutral or positive information (James Guthrie et al., 2020).

In the United States, one of the most visible changes in governance requirements related to board risk oversight was instituted by the Securities and Exchange Commission (SEC) in December 2009 when the SEC introduced rules requiring proxy disclosures describing the board's role in risk oversight for all public companies whose securities are registered with the SEC (SEC, 2009). Those rules became effective for annual proxy statements issued after February 28, 2010.

SEC registrants disclose both quantitative and qualitative information about market risks (potential losses arising from adverse changes in interest rates, foreign currency rates, commodity prices, and equity prices). The SEC does not mandate specific content or actions that boards should perform as part of their risk oversight responsibilities, leaving the nature of activities and extent of those disclosures to the discretion of the reporting entity (Beasley et al., 2021).

The United Kingdom, the Operating and Financial Review (OFR), the equivalent of the MD&A, introduced in 1993 for listed companies, but still non-mandatory, recommends a review of key risks. The Combined Code on Corporate Governance, published by the London Stock Exchange in 1998, requires listed companies to maintain an internal control system and to explain how it works. The guidance emphasizes the need for internal risk-management procedures, encouraging companies to report externally, without making it mandatory, their key risks. (Woods & Reber, 2003). In the United Kingdom, a research study found that, of those companies which had provided an operating and financial review, only 13% made available some clear discussion about the trends that affected the future and 18% identified uncertainties and relevant risks in the main lines of business that could have an effect on future results (ICAEW, 1998).

In Germany, according to GAS5, information about risks must be presented in a self-contained section of management report that accompanies consolidated financial statements. Moreover, no specific classifications are imposed since it is known that risks are firm specific. Risks should be classified according to the classification scheme adopted fo internal risk management. Empirical evidence reveals significant deficiencies regarding these mandatory risk disclosures (Kaju ̈ter, 2003). In highly regulated countries, current reporting regulations focus on a narrow set of risks: market and credit risks and those connected with the use of financial instruments (Young & Guenter, 2003). Reporting regulation on the disclosure of risks also focuses on special circumstances. For example, security offerings tend to contain more information about companies' risk profile than the annual requested reports by different financial markets regulatory bodies. This happens because of the pressure put on companies' prospectuses. Unfortunately disclosures on risk tail off after flotation (ICAEW, 1999). Therefore, corporate risk disclosure is still at the discretion of the board of directors of individual companies, but always under current provisions. It is more a matter of voluntary disclosure than a question of complying with regulations. Only a limited number of academic studies have applied a broad perspective to corporate risk disclosure. The role of forward-looking information in voluntary disclosure has been associated with a more accurate level of share-price anticipation (Schleicher & Walker, 1999) and with more accurate analysts' earnings forecasts (Barron, Kile, & Keefe, 1999). Carlon, Loftus, and Miller (2000) studied the annual reports of 54 Australian companies operating in the mining sector, signaling relevant variations in the extent and detail of voluntary risk disclosures. Shrives and Linsley (2002) analyzed voluntary risk disclosures through the OFR for 82 UK companies listed on the London Stock Exchange and did not find correlation between risk disclosures and market betas. Lajili and Ze ́ghal (2003) analyzed the MD&A of 300 Canadian listed companies and found that voluntary risk disclosures in annual reports are almost entirely qualitative in nature and lacking in specificity and depth. Comparative studies on the disclosure practices of United Kingdom and German listed companies (Shrives & Linsley, 2003; Woods & Reber, 2003) reach different conclusions about the role of regulation in promoting the quality of risk disclosures. Risk disclosure is just becoming a serious topic for research.

2.5. Voluntary disclosure of risks

When managers decide to disclose risk information, they can take into consideration guidance on direct voluntary disclosure provided by professional academics, in the absence of specific arrangements to adopt. A framework for voluntary disclosure has been proposed by the American Institute of Certified Public Accountants (AICPA,1994), with the objective of improving the effectiveness and the quality of financial reporting. To provide information for investors, companies should disclose information and data along five lines: company background, management's analysis of financial and non-financial information, information on managers and stakeholders, financial and non-financial data but also forward-looking information. The intangible-asset dimension, due to its raising importance, has been added to the existing five lines (FASB, 2001). Wallman's (1996) framework for disclosure supplements information that meets current financial statements with information that does not meet the following criteria: risk measures, R&D, customer satisfaction and intellectual capital. The Canadian Institute of Chartered Accountants' reporting guidelines (CICA, 2001) suggests a reporting framework that includes information regarding a company's business strategies, critical success factors, capabilities to achieve desired results, expected results and connected risks and opportunities.

All the considered frameworks propose to enhance financial reporting by including a section dedicated to the communication of forward-looking information and to the tie of the company's risk profile. According to ICAEW (2000a, p. 14) "risk can only be appreciated in the broader context of a company's strategy." For this reason, the reporting of risk must consider information on performance, strategies and actions in addition to information that is only focused on risk. In agreement with the CICA framework (CICA, 2001), forward-looking information completes retrospective financial and non-financial information to facilitate a better appreciation of the impact of decisions, actions and events.

Non-financial types of risk are currently disclosed on a voluntary basis to a large extent and mostly in the MD&A sections under the condition of risk exposure and materiality, which might give management a chance to exercise their discretion in choosing to publicly disclose potentially relevant risk information. With regard to corporate governance, The CICA 2001 report on corporate governance in Canada highlights the role that boards of directors should play in corporate governance and proposes amendments to the disclosure requirements and guidelines by the Toronto Stock Exchange (sections 473 to 475). In the US, the recent COSO (i.e., Committee of Sponsoring Organizations of the Treadway Commission) report (2004) proposes a global framework for enterprise risk management to facilitate information sharing and communication between directors, managers and other employees. The CICA (2001) report stresses the distinction and separation between managing or running the firm (management's role) and overseeing and monitoring management's actions and decisions and holding it to account (the board of director's major role). This view is consistent with agency theory since it emphasizes the separation between the agent's and the principal's actions and responsibilities and also the separation of ownership and control since the board of directors exist to protect the best interests of the shareholders.

3. Integrated reporting

The dispute of sustainability and transparency, over the years, has increasingly created strictness for management and stakeholders (Couldridge, 2014; 2015; Gore and Blood, 2010). Moreover, stakeholders are very interested in business management, in the potential risks for the future and on the impacts on society. They also want to be aware of the effects of companies' activities on the environment but more than that about the financial position. In this competitive world, to be sustainable and attractive, companies are required to meet stakeholders' demand by disclosing financial and non-financial information through a portfolio of different reports.

Integrated reporting shows the holistic picture of a company about future targets besides links between financial and non-financial performances (Jensen and Berg, 2012). For this reason, it appears as the most effective way to interact with stakeholders. In favor of IR, practitioners of integrated reporting assert that this activity brings more transparency on corporate commitment to sustainability by showing the links between financial and sustainable performance in a single document (Adams, 2013; Eccles and Krzus, 2010). It also "brings governance, financial capital, intellectual capital, social capital, and environmental capital onto a common platform" (Morros, 2016). So, integrated reporting is just not about reporting, but in reality, is an element of better business reporting with higher benefits (Steyn, 2014).

3.1.IR adoption

Companies with financial reports in their websites have always been an added value to be shared with stakeholders. Since times are changing, but also since the financial crises, now the pandemic and also globalization, businesses have started to react more aggressively to their stakeholders and investors' demands. The most frequently asked demand was including non-financial information inside the reports. During the years, non-financial information has gained more importance. This is why investor's consciousness of non-financial information has increased because of the growth of social investments (Renneboog et al., 2008). Non-financial information focuses on the company's future in the way that investors like. Moreover, reporting requirements have started to change, so a new sphere of corporate reporting has been introduced. The so-called integrated report, made by financial and non-financial information in just one report. It has been created with the intention of reporting information about a company's strategy, performance but also governance to all its stakeholders. In fact, letting them know this kind of information could be vital for a company's success since they have always had an active and important role in the growth of a company. This is just to explain why the integrated report of a company must be presented in the interest of its investors and stakeholders. Freeman, 1984, defined stakeholders as "any group or individual who can affect or is affected by the achievement of the activities of an organization". What the author would say is that stakeholders, at the end, are the ones that decide implicitly what must be presented in the report. Westerforst & Vesterberg, 2011 say; "the principle of stakeholder inclusiveness emphasizes that interest and expectations from company's stakeholders are important to determine the scope and content of a report". Furthermore, what he wanted to say is that information included in the report, that a company discloses, can help its activities in an interesting and reasonable way. So the first motivation of a report in an integrated form is a benefit in the interest of the company's stakeholders. By saying this, the theory of the decision usefulness approach comes to mind. This approach to financial reporting helps companies in the preparation of financial and non-financial information that emphasizes the theory of investor decision making to be able to infer the organic and types of information that investors need (Decision Usefulness Approach, 2009). This approach has usually been adopted with the goal of satisfying the primary needs of investors and stakeholders. Regarding the question of what is an integrated report, the simplest definition found is that it is a single document that contains a company's financial and non-financial, environmental, social, and governance (ESG)-performance (Eccles &

Saltzman, 2011, p.57). So the integrated report provides information on the company's strategy, performance and corporate governance in an organized form. The IIRC defines Integrated Reporting as follows: “Integrated Reporting is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation, preservation or erosion over time and related communications regarding aspects of value creation, preservation or erosion” (IIRC, 2021).

3.2.The evolution of IR

Since the industrial society, integrated reporting started to develop from the 1930’s. But the model did not initially provide a backwards-looking review of performance and neither information for the current decision-making. So the idea to disclose non-financial information in order to support financial information, became more interesting at this time period (Krzus, 2011). The financial information has been criticized for years, for not giving enough information about a company or trying to predict future performance. While companies criticized the financial information, the non-financial one was positively seen by investors and stakeholders, providing information of the company’s intangible assets and future performance. This is one of the objectives that the IIRC has always wished to clarify through the disclosure of the integrated report, since it enables the reader to understand in a better way the cause and effect relation between financial and sustainability performance for instance. In the 1980s, corporate reporting started to develop an additional step. It included financial statements, management commentary, governance and remuneration, and environmental reporting. Years and years later Elkington (1997) introduced the term triple bottom line. The meaning was that economic, environmental and social performance started to be disclosed into the company reports (Eccles & Serafeim, 2011). Integrated reporting continues to gain impetus worldwide. Furthermore, the IIRC started to cooperate with other standard setters to ensure that integrated reporting plays a role in improving corporate reporting. In 2014, IIRC cooperated with Sustainability Accounting Standards Board (SASB) to accelerate the practical implementation of integrated reporting (SASB, 2014). In April 2017, IIRC developed a partnership with GRI to discuss how GRI standards could be incorporated into the integrated reporting process (IIRC, 2017). Finally, also in 2017, IIRC cooperated with IASB and FASB to explore alternative reporting models (IASB, 2017). At the European level, the recent non-financial reporting directive (EU 95/2014) plays an important role in promoting integrated reporting.

3.2.1. Traditional Reporting and Integrated Reporting

Traditional reporting models, in business reporting, are the separated annual report, the social report and the environmental one (Jensen and Berg, 2012). Often these types of reports, that have different purposes, are touted only for investors and shareholders (Simnett and Huggins, 2015). Unfortunately traditional reporting fails to provide extensive information about business activities. So, it lacks in terms of transparency (Weybrecht, 2010) and communication with stakeholders because they want both financial and non-financial information together in a single report (Eccles and Krzus, 2010; Serafeim, 2015). Moreover, traditional reporting has been criticized for its historic focus as well as short-term performance and value creation. It has also been denounced that financial statements fail to provide adequate disclosure concerning risks and uncertainty (Cabedo and Tirado, 2004; Serafeim, 2015). Many companies experienced this reporting system but it has not been substantial for carrying out stakeholder's demand regarding different aspects of information on business operations (Hughen et al., 2014). This is the reason why a lot of companies provide other types of disclosures on different aspects like sustainability, environmental and corporate social responsibility reporting (Eccles and Krzus, 2010). Nevertheless, disclosing many reports trying to prioritize every stakeholder is difficult for companies. This is the reason why many companies try to create a special framework to provide all the information stakeholders look for. In order to mitigate this problem, in 2006 the GRI proposed to incorporate all the reports into a single one made by the sustainability reporting and the financial one. In 2010 the IIRC developed the integrating reporting framework with the aim of facilitating one consolidated report, in which companies are able to synthesize all the reporting concerns and performance indicators for its stakeholders. This report is also known as the integrated report. The two authors defined the integrated report as a single document that is able to combine financial and non-financial information found in a company's annual report and information found in a company's sustainability report (Eccles and Krzus, 2010). It is also true that the International Integrated Reporting Council (IIRC, 2011) claimed integrated reporting being beyond financial reporting (Jhunjhunwala, 2014). In any case, the integrated report brings together financial and non-financial information in one piece of the report and it additionally shows the links between financial and non-financial performance metrics (Eccles and Saltzman, 2011). For instance, the kind of information that may be included in integrated reports are: "How much water does a company use per unit of production compared to its competitors? To what extent do energy-efficiency programs reduce carbon emissions and lower the costs of production? What is the impact of training programs on improved workforce productivity, lower turnover, and greater customer satisfaction? How do improvements in customer satisfaction lead to greater customer loyalty, a larger percentage of the customer's spending, and higher revenue growth? How is better management of reputational risk through good corporate governance contributing to the value and robustness of the company's brand? (Eccles and Saltzman, 2011. p. 59)".

3.2.2.Sustainability Reporting and Integrated Reporting

In the process of integrated reporting, the sustainability one is really important. The GRI Reporting Framework defines "sustainability reporting as the practice of measuring and disclosing performance and being accountable to internal and external stakeholders for organizational performance intended to further sustainable development (GRI, 2011)."
Even if this type of reporting provides topics regarding social, governance but also environmental, unfortunately other information needs to be administered. This is the reason why some academics criticized the sustainability report since alone it does not help stakeholders to make decisions (King, 2011). Furthermore, the topics disclosed result less accessible than financial information because it makes it hard to measure and quantify. Moreover, King (2011) revealed weaknesses of sustainability reports in particular that it is frequently dissociated from companies' financial reports, usually backward-looking, and that it forgets to provide a link between sustainability matters and companies' core strategy (King, 2011; IOD, 2011). One of the main objectives of integrated reporting is to build a solid and sustainable society. Therefore, "IR is expected to encourage companies to consider sustainability risks and adopt sustainable business practices, and in time, create a more sustainable society" (Armbester et al., 2011). Another core purpose of integrated reporting is to improve the quality of

information accessible to stakeholders. It can be made linking the different constituents of reporting (management, financial and sustainability reporting) in an exhaustive way to be able to explain a company's ability to create and sustain value (IIRC, 2011). Hence, an integrated report offers similar disclosure as sustainability reports also provide (Wadee, 2011). Therefore, academics and researchers asserted that integrated reports provide similar needs as sustainability reports offer (Eccles and Saltzman, 2011; Stacchezzini et al., 2016). Also it has been argued that sustainability reports provide just triple bottom line disclosures, but integrated reports interconnect financial and non-financial information for a better comprehension (Hughen et al., 2014). Further, to help stakeholders understand how a company creates value, integrated reports include other material information (Frias-Aceituno et al., 2014).

3.3.Integrated reporting disclosure

3.3.1.IIRC's Pilot programme

In September 2011 the IIRC started a pilot program to help contribute to the development of the international integrated report framework. In this program different companies, from different countries in different sectors, decided to participate. The participants of the Pilot Program were made by some groups of companies that had the possibility to decide on the development and on the representation of global leadership, in the new field of corporate reporting (IIRC, 2013).

Business environments but also investors were responsible to decide throughout the Pilot Program whether the content, the application and the principle of integrated reporting are being tested and developed. Their experience proves that integrated reporting is not just about producing reports; it is about integrated thinking and the way an organization creates value over time (IIRC Pilot Program yearbook 2013). The Pilot Program was effective till September 2014 since participants must have the time to test the framework during their reporting cycle. The Pilot Program was amended to help but also to guide companies on how to implement integrated reporting, through two approaches, the Business Network and the Investors Network. The first one had a quantitative approach of eighty organizations worldwide from multinational corporations to public sectors. While the second approach, Investors Network; accounts for over thirty institutional investors internationally (IIRC, 2013).

The IIRC Pilot Program Business Network was founded in 2011. Since then, companies are fully engaged and dedicated in the process of IIRC, for example through the Pilot Program community website and other networks. Companies are provided with the possibility to challenge and discuss technical material, share their experiences and its applicability. Businesses in the IIRC Pilot Program are tackling key interconnected areas of Integrated Reporting: the use of capitals, the definition of the organization's business model and the value creation. Therefore the main purpose of the Pilot Program Business Network has been the one to present IIRC with responses on its key building block in the framework, in the meaning of fortitude businesses towards the execution of integrated reporting. One year later the Investor Network was founded, in 2012. The IIRC cooperates with Principles for Responsible Investment trying to supplant the Pilot Program Investor Network. The goal of the Investor Network was to provide investor's insights on deficits of already existing corporate reporting, presenting feedback and challenges on emerging reporting from the pilot program reporting organizations but also to ensure the development of the International Integrated Reporting Framework. Furthermore, another objective was to maintain the relationship with the investor's community on integrated reporting (IIRC, 2021). The purpose of the IR Framework is to establish Guiding Principles that govern the overall content of an IR, informing the content of the report and how information is presented (IIRC, 2021):

<u>Connectivity of information</u>

Connectivity implies "the organization's ability to maintain a big picture view, connect time horizons and develop a strategy for consistent messaging, which fosters a connected mindset and informs report content" [International Integrated Reporting Council (IIRC), 2013d, p.1]. Under IR, connectivity includes at least the following three aspects:

1. to bridge time horizons, i.e. connecting past performance and future prospects;
2. to reach effective connections between qualitative and quantitative information; and
3. to connect users with issuers of IR, responding to stakeholders' legitimate needs, interests and expectations.

The use of technology and internet devices, such as online platforms, allows organizations to provide online information in many different presentations regarding financial and non-financial outcomes, getting a deeper detail and clear relationships between them, through drill-down capabilities and several multidirectional tools to analyse information (Eccles and Krzus, 2010).

The connectivity improves if the IR has a logical structure, linked sections, cross-references, feedback loops and navigation devices such as icons, Quick Response codes and other tools that inform about what is material to report, based on what matters to stakeholders [International Integrated Reporting Council (IIRC), 2013d].

Materiality and conciseness

The issues that are considered material in the financial statements, in sustainability reports or other forms of reporting may also be material for purposes of IR, if they are of such significance and importance that could change the assessments of providers of financial capital with regard to the organization's ability to create value [International Integrated Reporting Council (IIRC), 2013e].

Conciseness should also be understood together with the principle of materiality. Indeed, it is stated that an integrated report should provide condensed information, meaningful to the assessment of the ability of the organization to create value in the short, medium and long term [International Integrated Reporting Council (IIRC), 2013e]. The definition of priorities and material issues for the organization should be based on the concept of stakeholder engagement. In other words, the company should analyse the needs of both stakeholders, internal (employees) and external (investors, customers, suppliers, local communities, NGOs and government entities), with the aim of meeting their needs and concerns, considering their dependence and impact (either positive or negative), on the capital of the company [International Integrated Reporting Council (IIRC), 2013e].

Business model

There is not a single and generally accepted definition of business model [International Integrated Reporting Council (IIRC), 2013c]. However, the IIRC explores and reconciles the different approaches to this concept to propose a definition of business model valid for IR purposes. More specifically, the IIRC states that the business model is "the organization's chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term" [International Integrated Reporting Council (IIRC), 2013c, p. 6]. The business model is the vehicle through which an organization creates value [International Integrated Reporting Council (IIRC), 2013c].

Governance

An integrated report is not complete unless it includes how management is involved in the preparation and issuance of the report. An integrated report requires the organization to disclose the body of government supervising the production of the IR [International Integrated Reporting Council (IIRC), 2013a].

Adequate IR disclosure practices include practices of good governance to ensure compliance with corporate governance principles, even in the absence of a legal authority to order mandatory compliance [IoDSA, 1994, 2002; Institute of Directors in Southern Africa (IOD), 2009]. As regards to governance disclosures, an integrated report should describe the governing bodies and significant policies as well as remuneration practices (including cash payments, deferred compensation, benefits after retirement and payments in shares) [International Integrated Reporting Council (IIRC), 2011, 2013a].

3.3.2.IR and value creation

An important aspect of integrated reporting is the examination of its benefits. Krzus (2011), in fact, discusses some critical benefits as follow:

- Greater clarity: for the author a company achieves a better understanding about the relation between financial and non-financial performance, review and monitoring controls can be improved and business processes should be able to see increased efficiencies and effectiveness. This will have an impact on the way users of an integrated report will better understand the relation between financial and non-financial performance of the company.
- Better decisions: better information and measurement leads to better decisions. Better-informed decisions about the relation between financial and non-financial

performance are able to improve the efficient and effective use of capital and other important resources.

- Lower reputational risk: the integrated report can push a company towards more integrated risk management processes since it drives a chain of events that can help companies to focus more on risks.
- Deeper engagement: making use of the internet central to the process of presenting the integrated report in the form of paper. Stakeholder engagement is reached through the use of the internet, social media, blogs but also podcasts. Stakeholders have more access to detailed information regarding financial and non-financial outcomes and the relation between them. So a company's website must be easy and simple in order to navigate and permit visitors to perform their own analysis of information provided by the company.

Moreover this paragraph discusses financial and non-financial performances. Dragu and Tiron-Tudor (2013a) examined the financial and non-financial disclosure in integrated reports. The example concerns 16 Asian-Pacific companies that participated in the pilot program. The study found a correlation between non-financial information disclosure and financial ones like ROE and ROA indices. Furthermore the authors concluded that it appeared that there was either an indirect or no correlation between the metrics. Churet et al. made a study research where they were able to give an answer if integrated reporting led to better financial performance.The return on invested capital has been used as the measure of financial performance, precisely the 10-year average. The sample integrated reports from the companies were statistically identical from the broad one. No evidence has been found that integrated reports practices correlated with companies achieving a higher indice. The sample was derived from the RobecoSAMCorporate Sustainability Assessment analyses which contained 2000 companies, all over the world. A systematic search for a number of specific indicators of integrated reporting in the 2011 and 2012 annual reports from publicly traded companies. The method was as follows. First of all, RobecoSAM looked for examples of social and environmental initiatives that led to either cost savings or new revenue streams. Second, the assessment was strictly confined to the principal section of the AR, in most cases the Management Discussion Section (Churet et al., 2014). However the analysis was repeated using a five-year ROIC and a two-year ROIC average. But still no evidence of a correlation has been found. When the results were analyzed by sector, a positive relation was found between IR and FP for the healthcare and Information technology sector. According to Eccles et al., 2011, there is a significant time lag before better ESG performance results in superior financial performance since the benefits are not immediate. Secondly there is also a time lag between implementing integrated reporting and getting the benefit from it.

Chapter 2

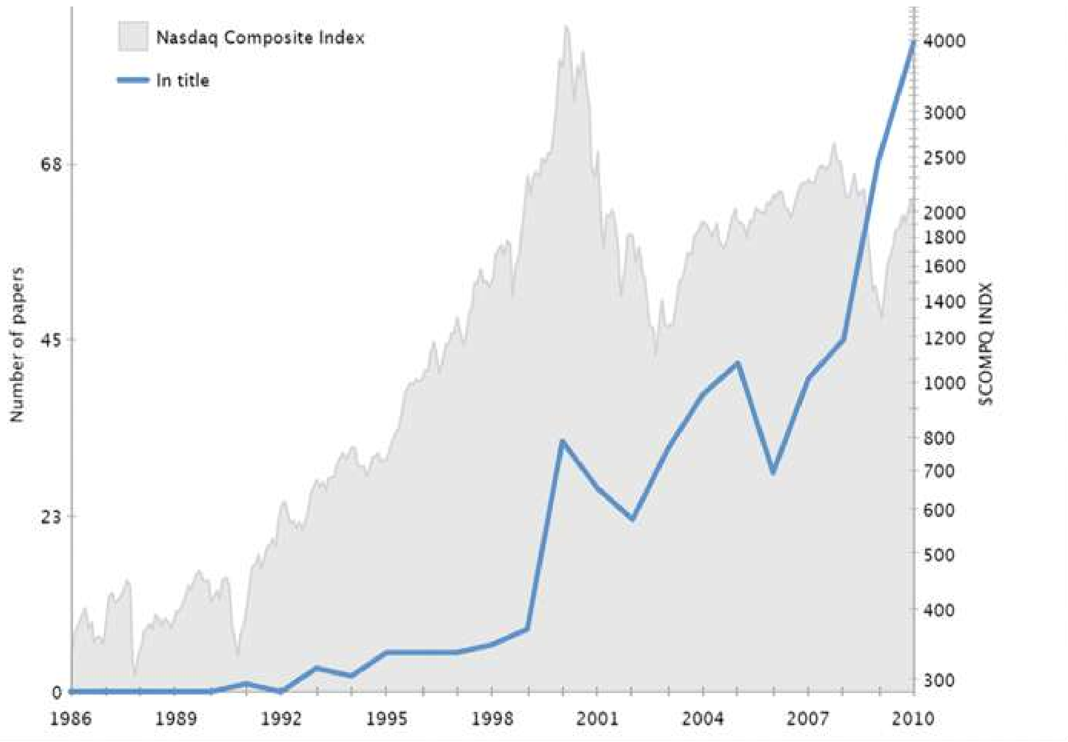
1. Business Models

Financial information has long been integral to corporate reporting. Today, in order to respond to new stakeholder demands, companies are moving beyond the financial figures but also the regulatory compliance (FRC, 2009, 2011; IIRC, 2011a and b; Cohen, Holder-Webb, Nath and Wood, 2012; ACCA, 2013). One of the contemporary responses is the argument that reporting should center around a firm's business model (Bukh, 2003; Nielsen and Roslender, 2015), essentially because all competitive advantage is based on business models (Morris, 2014). Despite the fact that business models lack a unified definition (Jensen, 2014), there are currently multiple frameworks from which to analyze, describe (Fielt, 2014), develop (Lund and Nielsen, 2014) and improve them (Schüle et al., 2016). Responding to changes in corporate reporting where business models are an intricate part of increasing visibility for stakeholders (Haslam et al., 2015), this initial paragraph focuses on business models origin and development through the years, but also whether to disclose information about them to stakeholders. Business model disclosure is central to the International Integrated Reporting Council's (IIRC) agenda to address perceived problems in mainstream corporate reporting . As Eccles and Kruz (2010, 2014) have argued, one of the IIRC's core reasons for developing its Integrated Reporting framework (IIRC 2013a) was that conventional reports do not adequately explain how businesses use multiple capitals to create value. The IIRC (2013, b) labels business models a 'fundamental concept' in IR, which helps link 'the organization's strategy, governance, performance and prospects' in an external report (Dale Tweedie et al., 2018).

1.1.BM origin

Business model term has been mentioned for the first time in an academic article in 1957 (Bellman et al., 1957). The meaning of business model seems in essence connected with a representation of reality that can be defined as a simulation of the real world with a model. Jones (1960) has been one of the first to write an academic article using the term business model in its title. It was about how college students from the business field should have been trained and which technologies should have been presented to them. But in the text of the article not once the term has been used, so an arbitrary use of it has been done in the title.

The term has not seen widespread usage for years and years. The number of papers regarding business models rested low until the 1990s. With the development of information and communication technologies but also with the emergence of Internet companies, the term started to gain notoriety among both academics. The trend of the NASDAQ index from the 1990s to the dot-com bubble explosion has been followed by the use of the business model term. During this period, according to Ghaziani and Ventresca (2005), the business model terminology started to spread among various companies and has been used within different frameworks like value creation and business plan. The graph below shows the number of papers with the term in both titles but also as a topic resulting from journals indexed in Web of Science. Web of Science has been chosen because it has offered trustworthy coverage at the journal level (Norris and Oppenheim, 2007). From the beginning, business models seemed to be the answer for clarifying how creative undertakings engaging technology were applied in business terms. This is why Internet companies could not be evaluated on their past performance as far as there were no past cases. So investors started to speculate about the convincing future pledge based on innovative business models (Thornton and Marche, 2003). An iconic case study is Pets.com. It became a company everyone knew about but no one was concerned about what it was selling. In less than two years, the company attracted investments for 300 million dollars. In February 2000, stock prices went from 11 dollars per share to 0.19 dollars per share on the day of its liquidation some months later. This example shows how the company's business model has been used as a defense for its valuations (Garfield, 2011). Another case is the one from Kozmo.com company. It guaranteed its customers free delivery, for all sorts of items like DVDs or Starbucks coffees, with no minimum purchase amount. One year after its launch, in 1999, the company had gained 3.5 million dollars with a net loss of 26.3 million dollars. Even if this was the situation, the company has been able to raise 280 million dollars from investors before its eventual bankruptcy (Ackman, 2011). Since the term business model started to propagate with the rise of NASDAQ stocks, what can be said is that at the beginning the innovative business model was just a buzzword.



Number of papers published on business models vs NASDAQ trend

Figure 1 From: Business Model: What it is and What is not (DaSilva, C.M., Trkman, P., 2013)

However, the business model endured the dot-com bubble. Between 2004 and 2007, the number of papers with the word business model in their title continued to remain relatively stable, at 25–42 papers annually. Going ahead with the years, it began to grow again with 45, 68 and 83 papers. Making a deeper analysis, the 2004 and 2007 stream of papers has been deferred by a change in focus from the business model of Internet companies to the analysis of business models in a more general way. With the advent of the Internet revolution, the way companies do business quickly spread to the analysis of

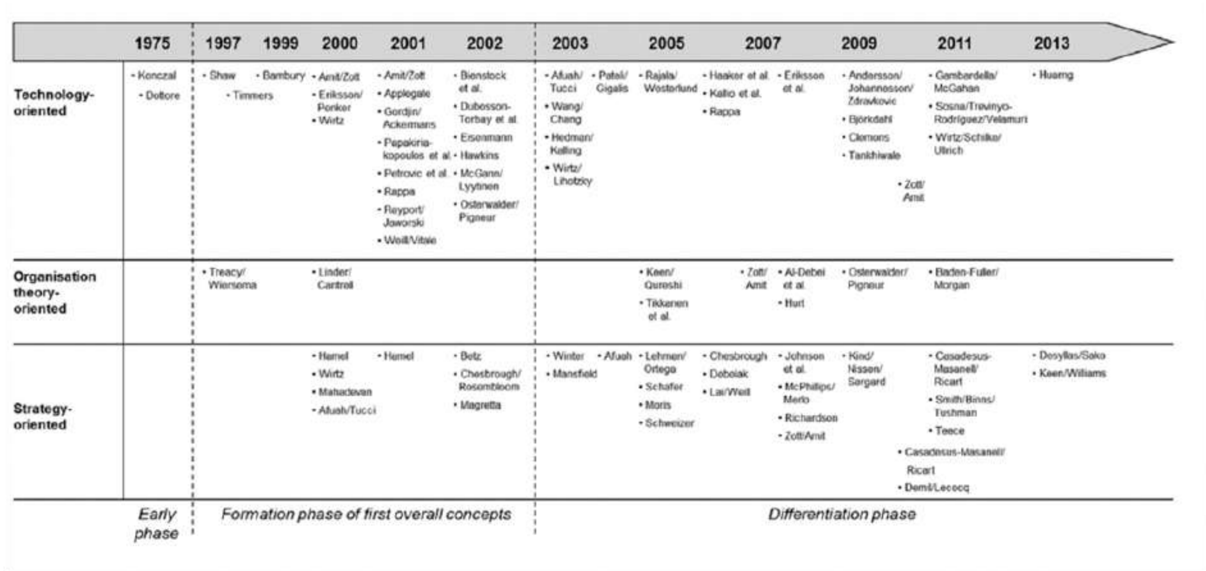
companies and so the business model term. Companies from airlines industries (Lawton and Solomko, 2005; Procter, 2005; Tretheway, 2004) and music (Manafy, 2006; Procter, 2004; Swatman et al., 2006) are some of the most studied cases.
In recent years, since the growth of business model literature, the term has been used more and more frequently as a slang to analyze any kind of human effort with a wide range of explanations (Ghaziani and Ventresca, 2005). Furthermore, the term is also used in the United States to discuss the model through macroeconomics (Cappelli, 2009). But the question is if the business model can become a defined and established concept in the literature in the long run. A last definition of business model terms is provided by the IIRC: “the organisation’s chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term” (IIRC, 2011).

1.2.BM development

The term business model has been present in scientific discussions for over fifty years now. The temporal development of the business model concept begins with the conceptualization, the first use of the term being found with Bellman et al. (1957) (Osterwalder et al., 2005). Afterwards, the term can be found in literature time and again; initially being used however in a very nonspecific manner (Jones, 1960; McGuire, 1965). After that, the business model has been picked up regularly in the context of information technology, and mainly used in the sense of business modeling (process models). Only Konczal (1975) has already referred to a possible further use of business modeling in terms of applying business models as management tools. In the following years, however, business modeling continues to be mainly understood as an operative activity for system modelling, and as strongly characterized by functional aspects. The business model first gained greater significance with advancing technological development over time and the creation of electronic business. At that time, the business model is no longer seen as only an operative plan for creating a suitable information system, but has developed into an integrated presentation of the company organization, in order to contribute to the success of management in the decision-making process. Several articles follow with a view strongly marked by theoretical organization. Here, the business model is increasingly seen as an approach to the abstract representation of a company's structure or architecture (Al-Debei et al., 2008a). At the same time, the business model is perceived as a theoretical concept, which is defined and broken down into its components. Within the further scientific discourse, aspects of strategy influence the business model understanding more and more. Since the year 2000, an increase in research dealing with the strategic perspective of business models has been found in the literature. By using the business model approach the competitive structure can be better analysed, and strategic innovation-decisions can be made (Hamel, 2000). Through the increasing differentiation of the business model within a strategic understanding, considerations of the strategic components of business models have increasingly gained importance (Chesbrough and Rosenbloom, 2002; Wirtz, 2000).

During the boom of the new economy, the use of the term business model has been frequent and near-inflationary. Especially in business newspapers, there has been a significant increase in use of the term. Parallel to these developments, more and more critics of the business model concept voice their opinions. The most famous of them is Michael E. Porter, who states in 2001: “The definition of a business model is murky at best. Most often, it seems to refer to a loose conception of how a company does business and generates revenue. Yet simply having a business model is an exceedingly low bar set for building a company…The business model approach to management becomes an invitation for faulty thinking and self-delusion” (Porter, 2001).

This criticism is taken up in the literature and the attempt is made to develop a clear business model concept. In 2002, some classification work, meta-articles, as well as attempts at literature synthesis begin to appear. Such synthesis of partly very heterogeneous business model approaches is sophisticated due to different basic theories from information technology, strategy, organization theory and the lack of a uniform theoretical foundation (Pateli and Giaglis, 2004; Teece, 2010). Yet, literature tries to portray the business model as an independent concept, clearly separating it from established concepts such as strategy, organization theory or business planning (Al-Debei et al., 2008a; Casadesus-Masanell and Ricart, 2010; Mansfield and Fourie, 2004; Seddon et al., 2004).



Literature overview of the business model research field

Figure 2 From: BM origin, development and future perspectives (Bernd W. Wirtz et al., 2016)

Since 2004, there has been an increase in publications of practice-oriented and scientific books (Afuah, 2004; Debelak, 2006; Osterwalder and Pigneur, 2010; Wirtz, 2011). This demonstrates the sustained interest in research also made clear, for example, by special editions of the scientific journals Management and Long Range Planning in 2010; and, the numerous calls for paper at this time (e.g., in the International Journal of Product Development (IJPD), International Studies of Management & Organization, or the Strategic Entrepreneurship Journal.)

Even though the topic has enjoyed great attention in recent times, the field of research is in fact at a very early stage and many basic questions remain. There is still no complete clarity in the literature, in particular about the purpose or the right of the business model approach to exist, or even the contrast to established concepts. The reason for the difficulty in answering these central questions is that the literature is very fragmented, due to its historical development and the varying perspectives of the authors. Figure 1 shows selected publications of business model research assigned to the three basic perspectives of technology, organization and strategy in the course of time.

Some authors state that the different basic perspectives still exist today, and thus the term business model is used synonymously for three different concepts in scientific discourse (Zott et al., 2011). On closer inspection of the temporal development, and of the newer publications in this research field in particular, one must relativize this statement. Between the years 2000 and 2002, the technologically oriented business model articles have been very dominant in the context of electronic business but from 2002 on, more and more strategy-oriented articles have been published. There are also some organization-oriented articles, but in comparison with the other two currents in scientific discourse, they play a subordinate role. While the allocation of business model articles to the three basic perspectives has been clear and easy up to the year 2000, it has become increasingly difficult to do the same with publications of the last few years. Considering the concepts used and referenced in each article, it is easy to recognize that the boundaries between basic theories become blurred. In articles of the recent past, the authors mostly refer to the fundamental works and aspects of all three basic perspectives (e.g., Afuah and Tucci, 2003; Amit and Zott, 2001; Chesbrough, 2006; Chesbrough and Rosenbloom, 2002; Johnson et al., 2008; Magretta, 2002; Tikkanen et al., 2005; Wirtz et al., 2010; Zott and Amit, 2010).

Accordingly, in recent years an increasingly uniform business model understanding seems to be developing. An aspect that also shows this development is the abstraction level of the business model view used. The focus of a business model in the literature ranges from a very detailed product level, the business level and the company level to the much aggregated industry level. Authors of very early technological orientation have a very detailed viewpoint in considering the business model to be a small part of a company. This profound point of view is no longer found among the authors of modern technological orientation (in the context of the new economy). In fact, these authors are much more abstract and see the business model increasingly as a representation of a company (Amit and Zott, 2001; Eriksson and Penker, 2000). The authors of organization orientation also see the business model as a tool for the abstraction of an entire company. It is a different case, however, with the authors of strategy orientation. Here, and also in early works, the business model is seen as a strongly abstract tool to provide a picture of a company's competitive situation (Hamel, 2000).

Altogether, in initial developments there have been great differences in the various approaches regarding the level of consideration. Yet, meanwhile a broader company perspective has become the main focus. Here, a competitive as well as a company-internal view is included in a company's actual focus (Osterwalder and Pigneur, 2010).

There is also an increasing consensus among authors about the purpose of the business model concept and the role within already-existent business concepts (from strongly operational process management to future-oriented strategy). Especially with the increasing involvement of authors with a strategy-oriented view, the question soon arises about the difference between a business model and strategy. Although it has been found over time that both concepts intersect, they are not the same (Al-Debei et al., 2008a; Amit and Zott, 2001; Casadesus-Masanell and Ricart, 2010; Osterwalder, 2004; Rajala and Westerlund, 2005; Tikkanen et al., 2005). Casadesus-Masanell and Ricart (2010) emphasize: “In our formulation, strategy and business model, though related, are different concepts: a business model is the direct result of strategy but is not, itself, strategy.”

Strategy involves a vision, the positioning to the environment or competitors simply put, an idea of which direction it will go in the future (Andrews, 1971; Ansoff, 1965; Chandler, 1962; Porter, 1998). Fundamental decisions are made about medium and long-term objectives and activities of a company. At this point, the business model takes on concept and depicts the value creation logic of a company with a holistic description of company activities in an aggregated form (Osterwalder et al., 2005). The business model presents a means for the coherent implementation of a strategy (Dahan et al., 2010).

Based on a business model, the operative implementation can take place in the course of an organizational design or business process model. The business model can thus be understood as a link between future planning (strategy), and the operative implementation (process management). Figure 2 shows the change or development of a converging business model view.

In summary, it can be stated that an increasingly converging view or a similar conceptual understanding in the literature has been established up to now. This can be exemplarily demonstrated with the aggregation levels used, as well as the classification of business models in the areas of processes and strategy. This converging business model understanding is not so evident in all areas. Due to the inconsistent use of the term business model in the literature, there is still no generally accepted definition of the concept. Some authors quote definitions from the early business model phase that do not reflect a converging business model understanding comprehensively and have partial character. For this reason, it has been mentioned lately in calls for paper that the object of a business model is unclear, in spite of progressive development in the field of research (International Journal of Product Development, 2011; Long Range Planning, 2010; Management, 2010; Strategic Entrepreneurship Journal, 2012).

1.3.Types of BM

As already mentioned in the introduction, a business model can be classified in many ways. Alt & Zimmerman (2001) distinguished business models into B2B and B2C. McGann and Lyytinen (2002) also use B2G and G2G, C2C for completeness, where G stands for Government. Weill et al. (2004), Malone et al. (2006) and Lai et al. (2006) classify business models based on asset types and asset rights. Four asset types are distinguished, namely physical (f.e. houses, computers, cars), financial (f.e. cash, stocks, insurance policies), intangible (f.e. IP, goodwill, brand image), and human. Asset rights include creator (the right of ownership of an asset), distributor (the right of ownership of an asset), landlord (the right to use an asset), and broker (the right to be matched). Chesbrough (2006) made a distinction between closed and open business models. Closed business models are based on closed innovation paradigm and open business models on open innovation paradigm. MacInnes (2005) introduced two business models based on the source of technology taxonomy; these are supply and demand business models. Business ideas that originate from entrepreneurs are called supply-push business models. Business ideas that originate from inventors are called demand-pull business models. These innovations emerged without a business plan in mind and are generally invented to serve the purpose of the creator (MacInnes, 2005). Furthermore, MacInnes (2005) argues that the distinction between disruptive and sustaining innovations is important, because it will affect the way a business model is designed.

The business model that is proposed by Chesbrough and Rosenbloom (2002) consists of six different functions. The first function of a business model is to identify a market segment. The purpose and the usefulness of the technology should be addressed. Furthermore, the revenue generation mechanism will be specified. The second function is to articulate the value proposition. This is the value that is created for the users through the converted technology by the business model. Third, the business model defines the structure of the value chain within the firm required to create and distribute the offering. Complementary assets are also determined. The fourth function is the estimation of the cost structure and profit potential of producing the offering. The fifth function describes the position of the firm within the value network. This network links the firm with suppliers and customers, and identifies the complementors and competitors. The sixth and the last function of the business model is to formulate the competitive strategy. Even though the business model attributes, proposed by Chesbrough and Rosenbloom (2002), are clear. According to Osterwalder and Pigneur (2010), creators of the Business Model Canvas, a BM describes the rationale according to which an organization delivers, creates and captures value. This is the reason why there is no universally accepted definition of it. The business model ontology of Osterwalder (2010) is based on four pillars and nine building blocks.

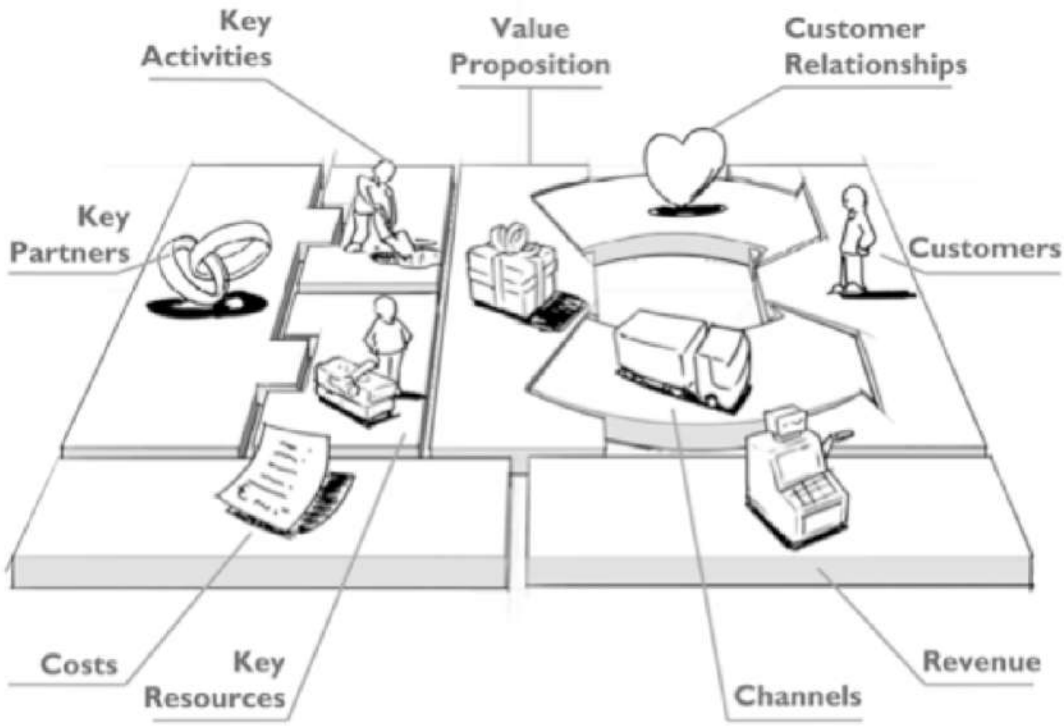


Figure 3 From: BM canvas generation (Alexander Osterwalder, 2010)

The BM, as can be seen in the photo above, is made of nine elements:

- Value proposition: gives an overall view of a company's bundle of products and services;
- Target customer: describes the segments of customers a company wants to offer value to;

- Distribution channels: describes the various means of the company to get in touch with its customers;
- Relationships: explains the kind of links a company establishes between itself and its different customer segments;
- Value configuration: describes the arrangement of activities and resources;
- Core competency: outlines the competencies necessary to execute the company's BM;
- Partner network: portrays the network of cooperative agreements with other companies necessary to efficiently offer and commercialize value;
- Cost structure: sumps up the monetary consequences of the means employed in the BM;
- Revenue model: describes the way a company makes money through a variety of revenue flows.

1.4.Communicating and reporting on the BM

One of the starting points for many of the recent developments in voluntary reporting is to show the streams of value creation linking indicators to strategy and supporting an understanding of them by foreseeing a context giving narration (Nielsen, Roslender & Bukh 2009). Mouritsen and Larsen (2005) argued that single pieces of information and measurements by themselves can be really difficult to relate to any sort of conception of value creation. So this stream approach is concerned with the identification of which knowledge resources drive value creation. According to Hägglund (2001) and Mouritsen et al. (2001), if companies would have disclosed their value drivers as part of strategy disclosure, the appreciation of the value creation of the organization would be easier. Furthermore, if the framework would have been based on a general understanding of the company's value drivers, the communication would also be more effective (Bukh & Johanson 2003, Osterwalder 2004). At this point the business model could have enabled the creation of a comprehensive bundle of non-financial information of the company, composing a useful model for disclosure. Since the business model quickly becomes an organization illustrating the process of transforming inputs to outputs, it creates a problem while visualizing a company business model. From a historical perspective, business models can be a support appliance for projection of the management view to the organization. The organizational narrative constitutes a representation of the business through a description, for example a story of how it works (Magretta 2002) and the relationships in which it is occupied. Therefore, a business model can be thought of as a complete description of the business system, including how changing needs and preferences of customers could make experiences of creating and delivering value evolving. All of this is to explain how the organization intends to implement its value proposition. The business model can constitute a platform for the supplementary reporting of the company. Generally, it is about communicating the company strategy, critical success factors and degree of risk. Actually, it has proven very difficult to be done in a comprehensive way and which does not go too close to information that can not be brought out. During the past few years, international groups of experts have hardly worked on the growth of recommendations. The reporting and the communication from the company should also constitute a representation of the company business model "by describing the relationships among the various input measures and outcome measures, and to link the primary inputs to intermediate inputs and, ultimately, to financial performance and other measures of total value creation" (Blair & Wallman 2001, 43). Thus, the business model may be perceived as a model that tries to help the company management to share and communicate their understanding of the business logic, that stays behind, of the company with stakeholders. This is often called an equity story in finance. It is well known that stakeholders do not only comprise investors, analysts, partners and potential employees. The business oriented trends with corporate marking is connected to this business model bound equity story. This is just to point out that corporate branding is about making visible the relation between the company image, strategy and culture. So, it is not only a marketing perspective, but also an interconnected practice for the entire company. In this way, marking becomes a question of elucidating how the company earns money. Equity story communication is also unique in value creation in the company since it is taken as the starting point with external parties. Sandberg (2002) formulates this in the upcoming way: "Spell out how your business is different from all the others." Osterwalder & Pigneur (2003) consider the process which the management is going through in connection with a modeling of the company as an important tool to identify and understand central elements and relations in the business, for example value drivers and other causal relations. A firm structure for the communication of information, with consistency, may help the stakeholders to understand how future events are affected by new ones. The company could minimize the spread in the analysts' estimates which affect the uncertainty about the real price determination which, as discussed above, affects the capital costs.

2. Business Model disclosure

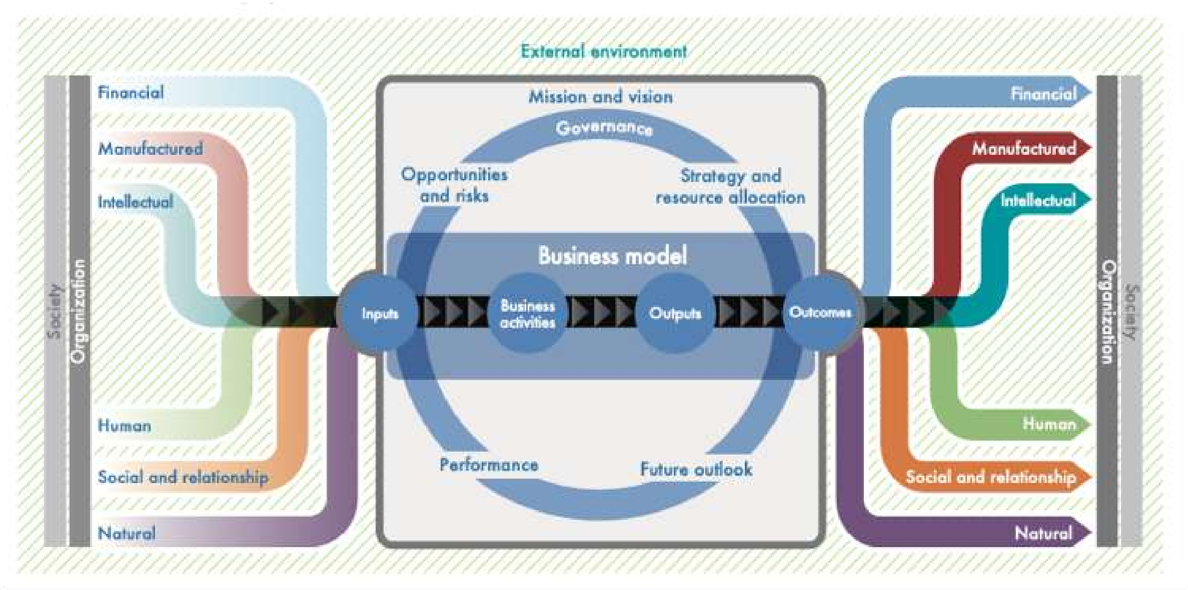
Business Model disclosure is a fundamental concept to understand how firms operate and create value. There is a growing interest in this matter, this is why investors, in particular, require access to information on BM that is not provided through traditional financial reports (CIMA et al., 2013). Charles Tilley, CIMA chief executive, states that "High quality business model reporting is critical to helping investors better understand performance in terms of the impact external factors have on an organization, and how organizations create value that is sustainable over time". The business model term has been incorporated in recent financial reporting regulation (Page, 2012) and regulators have embarked on several initiatives to improve the quality of business model disclosure. Among the differences, the IASB has issued an exposure draft of guidance on a framework for management commentary: BMD is within the scope of such a framework (IFRS Practice Statement – Management Commentary). Similarly, the UK Corporate Governance Code (UKCGC) defines BM as "the basis on which the company generates or preserves value over the longer term" and requires listed companies to include in their annual report an explanation of their BM.

In spite of these initiatives, the Chartered Institute of Management Accountants (CIMA), the International Federation of Accountants (IFAC) and PwC describe current reporting on business models as "inconsistent, incomparable, and incomplete" (CIMA et al., 2103 p.1). In particular they show that a major concern of accounting narrative on BM is "boilerplate" disclosure, i.e. the description of highly generic features and the use of a non-specific language (CIMA et al., 2013).

This concern is supported by the accounting studies on BMD. Page (2012, p. 9) claims that "reporting of corporate governance arrangements, for instance, has been widely criticized as degenerating to boilerplate and there is very little reason to believe that descriptions of business models will be any different". The IASB has embarked on a new initiative with the International Integrated Reporting Council (IIRC), a global coalition of regulators, investors, companies, standard setters, members of the accounting profession and NGOs that aim to improve the quality of BMD (IASB and IIRC, Memorandum of Understandings, 2013). In this respect, IASB and IIRC share the view that communication about BM and value creation should be the next step in the evolution of corporate reporting and they claim that this type of disclosure should be made in a particular reporting format called Integrated Report. In spite of its voluntary nature, the interest in IR is significant. More than 100 of firms have already joint the IIRC pilot programme on IR since its launch in 2012. Moreover, the IIRC has signed important agreements with international standards setters (e.g. Global Reporting Initiative and IIRC' Memorandum of Understandings, 2013; World Intellectual Capital Initiative and IIRC' Memorandum of Understandings, 2013). In the international accounting literature, business model discourse has traditionally dealt with measurement issues of financial reporting. Accounting scholars have debated about the most fitting measurement model: historical cost, replacement cost and fair value are some alternative measures by which firms should account for their assets and liabilities. However, scholars and practitioners highlighted that different firms should account for the same asset in different ways depending on the firm's BM (Icaew, 2010, p. 8). This led to development of an alternative-based approach to financial reporting based on firms' business model (Icaew, 2010, p. 4). The BM approach is of particular interest not only because it resembles the International Accounting standards board's current approach to the measurement of financial instruments, but also because the IASB released an Exposure Draft on investment entities in order to improve its standards on the consolidated financial statement: in this draft, the definition of business purpose is fundamental to understand whether an entity is an investing one, thus avoiding to consolidate the controlled entities. Furthermore, the long debate about the best way to account for insurance contracts has severely involved IASB into the insurance contracts project, and the related exposure draft published in 2007 has been reissued in July 2013.

2.1.BM disclosure in IR

The Technical Task Force of the International Integrated Reporting Council in 2012, established a Technical Collaboration Group to prepare the Background Paper for integrated reports which explores different approaches in business model reporting with the aim of reaching a common, widely-accepted definition of the business model for use in Integrated Reporting. Information provided by the companies listed on stock exchanges have enormously increased during the last decade, as can be seen on the extensive reports published by practitioners and academics. The IIRC's (2011a) intention is the creation of a framework, thanks to the cooperation with corporations, investors and academics, for an integrated report able to look for the needs of stakeholders and capable of reducing information asymmetry. Most countries' requirements on reporting are funded on a voluntary basis so this is why the development of integrated reports by companies is an evolving process. The first country ever that implemented the mandatory requirements of integrated reports for listed companies has been South Africa, the leader in this field. Integrated reporting goal is to generate information about an organization's performance, governance, strategy and how it generates value in its social, environmental and economic context (IIRC, 2011a). In compliance with the IIRC (2011b), integrated reporting should always have been the primary source for shareholders as well as stakeholders in order to communicate. As stated by the IIRC, the aim of integrated reporting is to support value creation and to keep the value sustained within a company. The IIRC's framework defines the business model as a group of activities that are able to transform inputs into outputs and outcomes with the aim of transforming a company's strategic purposes and that create value over the short, medium and long term. The framework highlights a company's business model as being the essence of an organization that is reflecting the value creation process of six different types of capital, namely financial, manufactured, intellectual, human, social/relationship, and natural capital. The inputs of these six types of capital are converted through the organization's business activities into outputs like products, services and waste, which have effects on the capital as outcomes. The framework outlines four building blocks of the business model: inputs, business activities, outputs and outcomes. According to the IIRC (2013b), the differentiation between outputs and outcomes is a special characteristic of the business model description, as outputs refers to key products or services that an organization produces.



Position of business model relative to other system elements

Figure 4 From: Business Model background paper for IR (2013, p.8)

<u>Disclosure on Inputs</u>

An integrated report identifies the key inputs. It also shows how those inputs relate to the capitals on which the organization depends, or that provide a source of differentiation for the organization, to the extent that they are material to understanding the robustness and resilience of business models.

The six capitals represent potential inputs to the business models: each of them are either a direct input (raw materials or cash used in transactions) or indirect input (transportation infrastructure, education of the workforce). The IIRC framework distinguishes among: financial capital, human capital, intellectual capital, natural and social capital.

<u>Disclosure on Business Activities and Outputs</u>

At the core of the business model are business activities that, through the consumption and/or transformation of inputs into outputs, aim to generate valuable outcomes. Business activities can also have a direct effect on the outcomes of the business model, independent of the outputs. Outputs are typically recognized to be the products and services that are intended to generate revenue for the organization. However, there are potentially other outputs that need to be considered, such as waste and other by-products, which may need to be discussed within the BMD.

Disclosure on Outcomes

An integrated report explains the key consequences for the capitals that arise from an organization's business activities and its outputs. Outcomes can be: internal to an organization (employee morale and organizational reputation) or external (benefits customers derive from the organization's products and services, contributions to the local economy through employment and taxes, and environmental effects), while Outputs are the key products or services that an organization produces, as well as the waste or other products creating or erode value. Outcomes are the internal and external consequences for the capitals as a result of an organization's business activities and outputs. Identifying and describing outcomes, particularly external outcomes, requires organizations to consider the capitals more broadly than those that are owned or controlled by the organization. For example, it may require disclosure of the effects on capitals up and down the value chain (carbon emissions caused by products the organization manufactures and labour practices of key suppliers).

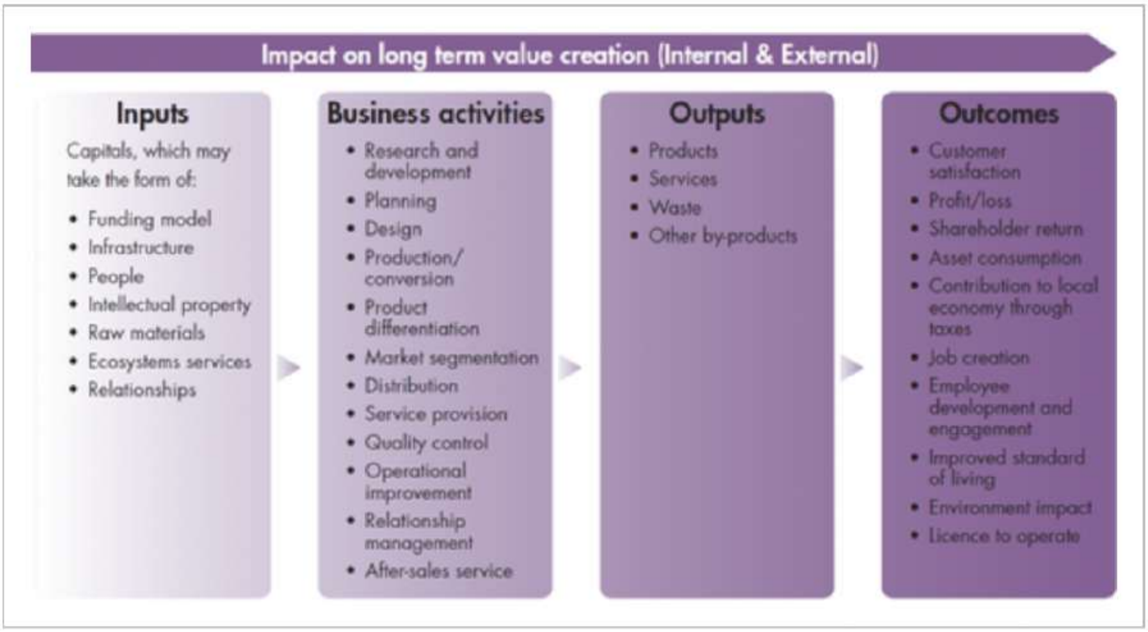


Figure 5 From: IIRC's business model disclosure map (2013, b)

Inputs that are created by resources let a company business model be dependent on them (IIRC, 2013b). This is why integrated reports should focus on the most important inputs that are fundamental for a business model but also for company's value creation over time (IIRC, 2013b). Following the IIRC guideline, a business model aims at elucidating a company's business activities like planning activities, designing and creating products. Moreover, since the market is always more and more competitive and complicated, a business model explains how a company should evolve itself in it, through its main activities. It also shows how a business model is designed to handle, in any situation, market changes because of the need for changes. Thanks to the framework the value creation can be well communicated outside to stakeholders. This is why integrated reporting helps them and investors too, while evaluating how the six types of capital's mix that an organization uses are creating value. The framework ensures that investors have the information they need to evaluate the ability of an organization in order to create value. Furthermore, in integrated reporting, connectivity lies on three main aspects: developing a consistent message, establishing the big concept and associating time horizons. Fractured disclosures should be restricted together to show a photo about how an organization creates value over time by utilizing these distinct capital. Moreover, an organization's value creation should be shown from the past to the future, inside the integrated report. For all companies, to be in line, the IIRC has provided instructions on how they have to describe, after an identification, their business model's principal components. For an integrated report, it should be nice to contain simple charts and images that exemplify the business model and its main components. Since the integrated report should provide stakeholders with information into the company's primary relations (IIRC, 2013b), the IIRC framework has decided to suggest different disclosure things regarding business models.

Over the last years, companies are working harder and harder to develop in a better way and to disclose in a clear manner their business model to be able to reach investors and stakeholders. This is the case of the Japanese company Lawson. What he personally does is to put in two pages the key information regarding its company's business model that also illustrates how five capitals are parts of the value creation process of the owner company' business model with a focus on its customers. Beneath is shown how the inputs concerning the business model are mutated into outputs. First one, nurturing human resources who satisfy local community needs and that are self motivated, investment determined thanks to capital discipline to meet the equity market's expectations, using the supply chain in order to develop products that can meet local community needs, cultivation of innovation based on immediate insights of changes in local communities and giving communities careful consideration of society and the environment. The value provision for Lawson's different stakeholders is generated by those outputs. Below it is illustrated how companies are skilled to communicate a complex business in an attainable and concise way.

	Integrated report guidelines
Main objective	Explain to providers of financial capital how organization creates value over time
Users	Providers of financial capital and other stakeholders interested in an organization's ability to create value including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers
Structure of report - content elements	1. Organizational overview and external environment 2. Governance 3. Business model 4. Risks and opportunities 5. Strategy and resource allocation 6. Performance 7. Outlook 8. Basic of presentation
Qualitative attributes of information	Strategic focus and future orientation Connectivity of information Stakeholder relationships orientation Materiality Conciseness

Business model definition	System of transforming inputs, with its business activities, into outputs and outcomes that fulfils the organization's strategic purposes and creates value over the long term
Business model elements	Inputs Business activities Outputs Outcomes
Business model description requirements	*Central question:* What is the organization's BM? *BM description elements:* Inputs - how key inputs relate to capitals, or that provide a source of differentiation and help understand robustness and resilience of the BM; Business activities - those that enable to differentiate in the market, to generate revenue after initial point of sales, innovation and BM adaptation; Outputs - key products and services including by-products, waste and emissions; Outcomes - internal and external, positive and negative. *Other requirements:* Identification of critical stakeholders and other dependencies and important factors affecting the external environment; Connection to information covered by other content elements, such as strategy, risks and opportunities, and performance.

Figure 6 From: IR guidelines (The author)

2.2.The importance of reporting the BM

Since there is a correlation between a company's strategy business model and its future value creation plans, the business model can be described as an integral part of the strategy which is able to provide supplementary information regarding the implementation of the strategy. This is why investors are interested in business model disclosure. The business model is very important for integrated report and it is considered the diamond of a business since with it inputs are transformed into outputs and outcomes through activities that fulfill the strategic objectives and create value over time. The capitals considered are inputs for the business model which are converted into outputs: products, services, by-products and waste. The business model framework is aimed at showing how the value created by the company is delivered to its customers (Baden-Fuller and Mangematin, 2013; Teece, 2010), an understanding that is harmonious with the framework of the integrated report. As it has been seen before, the IIRC formed a Technical Collaboration Group to issue and prepare the business model paper in order to define the term business model, providing instruction for the disclosure of it (IIRC, 2013d). So, the business model reports what stands behind a solid company, but also the way it operates in the market and how the value is created for its stakeholders (Casadesus-Masanell and Ricart, 2010). Deciding which business model to use, means choosing a specific way to operate, compete and create value for the company's stakeholders.

To present, describe and explain the business model in an effective way is an opportunity to make the company value creation model. It also constitutes a way to assert the full self awareness of this concept. Through the presentation of the business model, companies are allowed to align the business objectives with external resources and partners. Furthermore, the capitals of the integrated report framework are made up by stocks whose value can be increased, transformed or decreased. The business model is the driver of changes in the capital stocks used by the organization. In other words, the way in which a business model works constitutes one of the major engines for value creation (NIBR, 2018). Another thing to say is that the business model helps the organization understand one of the fundamental drivers of its value creation process in an integrated way which will bring clarity to that very organization. It should help the organization consider how it creates value now, how it might create value in the future, and the resiliency of the business model to competitors' challenges and long-term environmental factors. According to the following author, a company's business model cannot be performed without a strategy (Teece, 2010). Both factors are two concepts that go together, since the strategy appears to be the summary of a company's business model (Stefanovic and Milosevic, 2012). It is a significant tool for understanding, capturing, communicating and visualizing a company's business science of reasoning (Osterwalder, 2004). Through the provision of a platform to measure, compare and observe a company performance and improve the management of the business logic. Companies, thanks to their efficient business models, react quickly to changes in the business environment, helping foster innovation and improving the business organization (Osterwalder, 2004). International Financial Reporting Standards (IFRS) consider the disclosure of the business model to be important to users of financial statements, because the IFRS Practice Statement on Management Commentary needs the disclosure of the nature of business, management's objectives, strategies to achieve stated objectives, risks and relationships, results of operations and performance measures and data to evaluate the entity's performance against stated objectives (IASB, 2010). In July 2014 the International Accounting Standards Board (IASB) issued IFRS 9 Financial Instruments, which came effective from 2018. IFRS 9 provides guidance on the classification of financial instruments, and how they are accounted for and measured on an ongoing basis (IASB, 2015). The classification of financial assets is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets (IASB, 2015). The business model assessment is the first of the two steps taken to classify financial assets. A company's business model reflects how it manages its financial assets in order to generate cash flows (IASB, 2015). The business model also regulates whether cash flows will result from gathering contractual cash flows and selling the financial assets (IASB, 2015).

2.3.COVID-19 impact on integrated reporting

The spread of the Covid-19 pandemic is the largest health emergency of the last century. It has caused death, social isolation, human suffering, cessation of economic activities, important changes and costs for all the world states. Companies are worried about the impacts on their employees and businesses in the near future. This is why the pandemic has twisted the organizations' business model and has changed a lot the value creation process. In respect to this event, it becomes useful to think of the companies operating in the hotel industry who will have to rethink their business models globally, by trying to improve people's tendency to travel but in particular by providing precautions for the protection of tourists. Moreover, the spread of Covid-19 could not be a single event, since other similar health emergencies for the future can not be kept out. This is why the famous Bill Gates, founder of the Bill & Melinda Gates Foundation said, "We'll have to prepare for the next one, that I'll say will get attention this time". A similar thought has been also expressed by Tedros Adhanom Ghebreyesus who declared, "As we work on responding to this pandemic, we must also work harder to prepare for the next one". A rethinking of reporting is required since the pandemic has impacted strongly on companies' business models. The typical financial information does not allow one to adequately understand all the impacts of Covid-19 on organizations and on corporate management since this event occurred. Moreover, there is a strong need for future information that allows for a more holistic view of the impact of external influences on organizations. Since these events happened, organizations are called to provide transparent communication to stakeholders on how Covid-19 is affecting their business in order to provide complete information to avoid the spread of other information that could damage the management of the crisis and for how a company could respond outside. Integrated reporting, developed by the International Integrated Reporting Council could be used as a tool utilized by organizations to communicate outside. It fits into the current context characterized by a growing demand for financial and non-financial information from investors, regulatory bodies and other stakeholders. The objective of integrated report is to promote a more efficient approach to corporate reporting. So, integrated reporting could be used as a tool to enounce the implications of Covid-19 on corporate management. In this view, a big amount of information concerning integrated reports related to the impact of pandemic, could represent a solution for companies to gain legitimacy in this difficult scenario. The integrated reporting framework is acceptable because it provides information about the impacts of the pandemic. But first of all, it is necessary to remember that the objective of an integrated report is to show the ability of an organization to create value. Thus, it becomes important for companies to spread information correlated to the pandemic as an event that unfortunately could compromise or improve their ability in creating value. It should also be noted that the integrated reporting framework permits a more effective disclosure of the impacts of the pandemic with the ability to create value, providing qualitative and quantitative information. Covid-19 carried out significant risks and losses for society and business, requiring decision-making to alleviate problems of immediate liquidity, loss of contracts and clients. This is why it becomes necessary for companies to incorporate in their reports information that allows owners, stakeholders and employees to know the immediate actions they have put in place to mitigate and manage the negative externalities. Future risks involving the company, as well as business opportunities that may arise from the new global landscape, must also be involved. The disclosure of information related to the effects and management of the pandemic represents a solution for companies to meet the expectations of users and keep their image and legitimacy unimpaired. It also provides a guideline for companies for the preparation of future integrated reports.

2.4.COVID-19 impact on business models

There is no doubt that it will take years and years for the world to come out of the Covid-19 crisis. This pandemic has caused an enormous loss of human life, given its short time and ferocity in which it has spread throughout the world. While the scientific community has immediately set in motion to prevent and to avoid the spread of the virus, the business and management community now has to do the same for the economic impact of the crisis. The first impacts were the sudden drops in both aggregate demand and supply. Widespread shutdowns of businesses to be able to control the pandemic has caused a decline in supply while the reduction in consumption and investment has resulted in demand fall.

Given the lack of precedence for such a colossal crisis, business and management analyses seem to demand frequent revisions as the curve concerning the number of infected is not steady yet. Intuitively, the crisis will not only leave many organizations struggling for survival, but will also force some of them to look for alternative strategic routes. While on one hand, the Covid-19 crisis has imposed enormous challenges on business organizations, on the other hand, it has necessitated innovations, presenting organizations with opportunities to identify new business models that will allow them to survive through the crisis.

Some critics argue that these shifts are instinctive reactions to the pandemic and once normalcy will resume, firms will revert to their earlier business models or will find a new equilibrium to settle at. That may well be what happens, yet, the opportunity that the pandemic has presented to digitize a business or identify a viable alternative business model can well be utilized by firms that are looking to expand their horizons. In light of this, firms need to rapidly develop capabilities that help them to survive the environment changes, to be able to capitalize on the digitalization opportunity. Such dynamic capabilities relate to specific organizational and strategic processes like identifying and working with new partners in an ecosystem; product re-development; and strategic decision making that create value by manipulating available resources into new value-creating strategies (Eisenhardt & Martin, 2000). When an environment's variability is as high as it is in Covid-19 situation, organizations also tend to adopt temporary structures which function with the sole purpose of innovating. Adhocracies that require specialists, such as marketers and information technology professionals be drawn together for a group project which will aim to rapidly fulfill the potential for digitization the product or the service offers, look for digital replacements and identify ways of delivering the physical product or service with minimal physical contact. Reaching a new equilibrium that the post Covid-19 situation brings demands that the deep structures which underpin the organization's strategy, structure and processes, not be ignored (Silva & Hirschheim, 2007). It is these foundational elements of the firm that will allow it to institutionalize the change and strengthen them for the post Covid-19 business environment.

Often, new rules of competition appear during periods of shift. However, when the crisis subsides, as it will, although it may leave an economic crater behind, "true economic value once again becomes the final arbiter of business success" (Porter, 2001 pg. 65). The Covid-19 crisis is requiring organizations to look for digital replacements or to identify ways of delivering their products and services with minimal physical contact and safely. These choices have presented opportunities for firms to be innovative in designing alternative digital products and services; redesigning their existing products; rethink their product and service delivery channels and mechanisms; and to look for strategic positions and partners in the new ecosystem who can help them to achieve these. In order to succeed in the new ecosystem, firms need to be agile, own dynamic capabilities that can support them in their adaptability to the changing times (Tronvoll et al., 2020).

Chapter 3

1. Research Objectives and Motives

This section deals with an empirical analysis of the theory exposed so far, by presenting the case studies of two hospitality companies, the biggest one in the Middle East, which have been able to disclose their non-financial risks through the integrated report and their business model, achieving different results.

The scope of this research is to observe the disclosure of those non-financial risks discussed above, in order to understand whether they actually guarantee the benefits and advantages they aim to have in consistency with the ones inside the business model. In doing so, a multi-perspective analysis has been chosen as the best approach in order to explore a new organizational dimension, where extensive previous studies or researches have not been conducted so far. In particular, this analysis focuses on the rise of non-financial risk disclosure, which has become increasingly popular, as it satisfies the information needs of a wide range of stakeholders. These kinds of risks are likely to be widely spread by Integrated reports and Business models, thus reinforcing the consistency that companies need to develop. Currently, the ability to disclose non-financial risks is considered an essential factor for Hospitality industry companies' development process since it is perceived as an essential leverage in support of achieving strategic objectives, improving performance, as well as an indispensable element for the protection of their own identity.

To this end, these cases have been selected in the context of this thesis since they offer particularly interesting analysis insights in order to observe different approaches to a process of disclosing non-financial risks through the Integrated report and the Business model. This research will shed light on the strategies, practices and actions that an Hospitality company could adopt to restore its image, making it clearer to its stakeholders.

In particular, this study will focus the attention on some aspects of the selected cases, in order to find evidence of the following questions about the disclosure of non-financial risk through the Integrated report and the Business model in the Hospitality industry:

1. Understanding the Hospitality industry non-financial risks;

2. Researching how they are disclosed in the Integrated report and also in the Business model;

3. Analyzing the most important ones through a qualitative analysis;

4. Observing the actual results within a comparison of both companies' reports.

2. Case Histories

2.1.Accor Hotels

Accor is a French world-leading hospitality group offering unique and suggestive experiences in 5,000 hotels and residences across 110 countries. The Group has been acquiring hospitality expertise for more than 50 years, resulting in an unequaled portfolio of brands, from luxury to economy, supported by one of the most attractive loyalty programs in the world. Away from accommodation, Accor enables new ways to work, play and live by incorporating food and beverage with co-working, well-being and nightlife. It also offers digital solutions that enhance customer experience, maximize distribution and optimize hotel operations. Accor is profoundly committed to sustainable value creation and plays an active role in giving back to the planet and community via its Planet 21 – Acting Here program and the Accor Solidarity donation fund, which, through professional training, gives disadvantaged groups access to employment. Due to the Covid-19 crisis, the achievement of targets for the Planet 21 program, which was initially planned for 2020, has been postponed to end-2021. However, during such unprecedented times, Accor has successfully demonstrated commitment and responsiveness in order to prioritize health and social needs while maintaining its focus on sustainability. After several resilient decades in international tourism driven by the steady rise in tourist numbers, spending and by diversification of destinations, since January 2020, the world has seen the breaking out of an unprecedented health crisis with far-reaching consequences for tourism and travel. There were several global waves of Covid-19 in 2020 and severe restrictions have been placed on the movement of people around the world, trying to limit its spread. In the first half of 2020, the Covid-19 virus spread rapidly from China westward to Europe and the Americas, gradually gaining ground. To reduce the risks of contamination, many governments decided to restrict the movement of people by closing their frontiers, requiring foreign travelers to quarantine, and establishing lockdowns and curfews. These measures led to a dramatic stop to international travel and tourism worldwide. Its far-reaching effects caused a massive slowdown in the global tourism business in 2020. Over the last 20 years, only the SARS epidemic, in Asia in 2003, and the sub prime crisis in the US in 2009, led to declines in the numbers of international travel, of respectively 0.4% and 4%.

2.1.1.The Pilot Program

Accor Hotels is undergoing a major transformation in an effort to become a new type of hospitality company, and the biggest example comes from the company's most recent pilot program. The two-month-long pilot program took place in Paris most recently with property managers from 10 different hotels across Paris, all of whom were instructed to get to know the service providers who lived in their respective districts like dry cleaners, bakers, florists, shopkeepers, etc. After doing that, managers were told to start establishing relationships, and constructing services with these providers to give to the local community. Accor wants to change the way people interact with their hotels. The hotel, according to Accor, is no longer just for travelers or guests, but for everyone and anyone who has the ability to communicate and to use them. In 2016, Accor's major acquisitions included the Fairmont, Raffles, and Swissotel brands, as well as onefinestay, and major investments in digital concierge provider John Paul, 25hours Hotels, and Banyan Tree. Nowadays Accor Hotels is becoming a new kind of hospitality company that can compete in an increasingly digital environment, alongside one with plenty of competition from sharing economy innovators like Airbnb. No doubt Accor's majority stake in John Paul's digital concierge services will help its expansion into local services just like the customer care supplied to guests who stay in its hotels and its non-hotel accommodations, too. And unlike its traditional hotel peers, Accor is unique for its straight investments into the sharing economy. In addition to being the owner of onefinestay, the company is the major investor in two other alternative accommodation providers: Oasis and Squarebreak. Soon, Accor hopes to own luxury vacation rentals platform Travel Keys, further deepening its investment in this space.

2.1.2.The asset-light Business Model

Accor's business model is unique in the hospitality industry. Operating 5,139 hotels in 110 countries, the French Group is the leader everywhere in the world other than the United States and China. Boasting unique expertise in hotel operations and high value-added services, Accor has the market's most comprehensive portfolio of brands, all segments combined, and builds its success on the customer experience. The experiences offered to travelers match the vision of augmented hospitality that the Group has been developing for three years, based on a comprehensive ecosystem and backed up by a promise: Accor Live Limitless. Accessible via a single platform, the ALL ecosystem combines the full range of offers from the Group and its partners. Its aim is to increase touchpoints with guests as a means of encouraging loyalty to the products and services it offers. Promoting guest fidelity is an opportunity for Accor to know its guests better and to align its offers as closely as possible with their individual expectations. At the same time, the volume of personal and commercial data used by Accor means that it is increasingly required to guard its technological and distribution capacities by setting up partnerships that speed up its technological development and bring competitive advantages. A pillar of the Group's growth, the loyalty of its guests stimulates its appeal for its hotel and business partners. It supports its organic development, but also the appeal of its brands and the growth of its fees, and helps attract the most value-creating business partners. Armed with these tools and a simplified model generating greater cash flows, capable of making acquisitions or forming partnerships to enrich it, Accor has the means matching its strategic and financial ambitions, without compromising its social, environmental and socio-economic commitments.

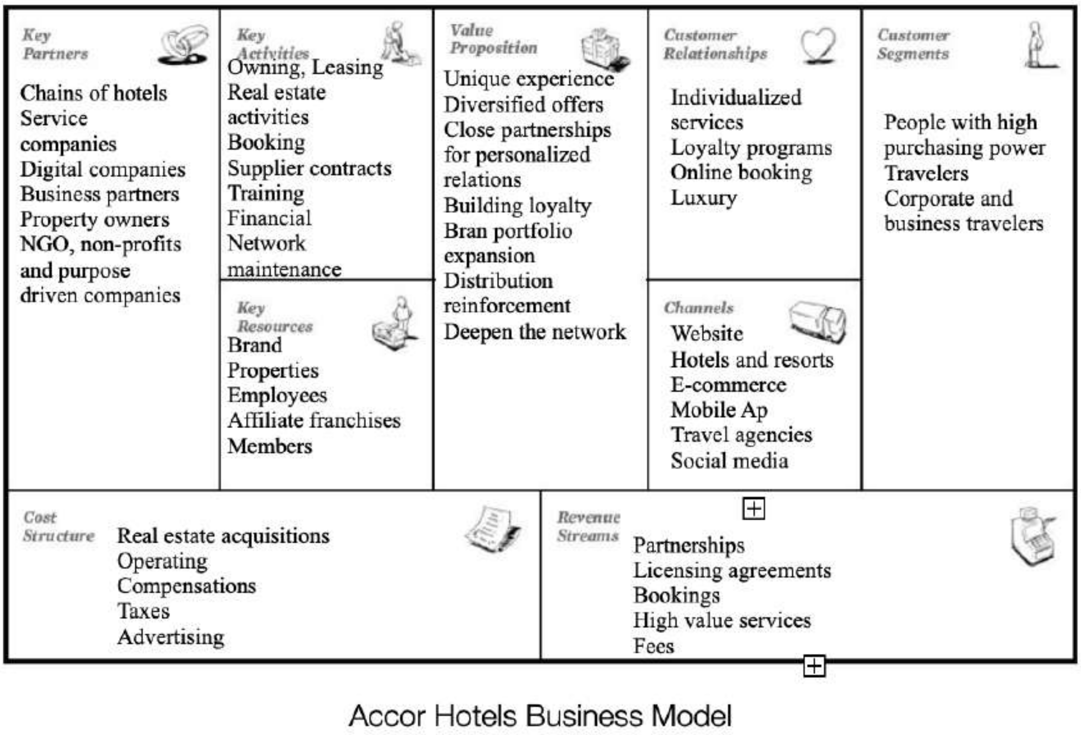


Figure 7 From: Accor Hotels business model canvas (The author)

The ecosystem that Accor has built up in recent years is reflected in a business model that intimately links value-creation mechanisms with multiple hotel operators, partners, non-hotel business and players, making them essential stakeholders. As an asset-light group, Accor uses hotel assets, maximizing the income for their owners. To this end, it offers a portfolio of 40 hotel brands in addition to a broad range of services developed to elevate the guest experience (concierge service, shows, restaurants, culinary activities, sports events, and many more), and to diversify its offering into other spheres like coworking or private home rental. In parallel, Accor offers to its hotel partners a series of services to help optimize the management of their hotels like financial services, marketing, HR (Accor Academy), digital/IT (PMS, CRS, CRM), procurement (Adoria, Astore), distribution (D-Edge, VeryChic, Gekko, ResDiary), loyalty (ALL), etc. Moreover, the Group has joined dominance with a growing number of players in the fidelity space, especially expanding the number of benefits offered under its loyalty program, in turn boosting its commercial appeal, loyalty potential and the visibility of its offerings. Regardless of the viewpoint used to assess the Group's model, its ecosystem has been designed to meet the following fundamentally strategic growth challenges:

Attract and retain

The emergence and the growth of digital players has accustomed guests to new offers and services, leading to deep changes in their expectations. Once solely functional and practical, now needs extend into the areas of experience and emotion. Since guests today look for the satisfaction of their needs, delivering the best value for money is obviously essential, but is no longer enough.

Launched in December 2019, Accor Live Limitless, the hotel chain's lifestyle loyalty program, is the cornerstone of the attractiveness, success and also faithfulness approach used by the company for its guests and partners. The loyalty program tries to increase the long-term loyalty of its guests, winning new ones, even if the extensive list of benefits reached by partnerships and services offered. The program's challenges are simple and key to the company's long-term growth:

- Shaped partnerships that provide benefits and rewards for all members, and generate extra revenues (Eurostar, Air France, Grab, Visa), via partner loyalty programs.
- Meet the hospitality and mobility needs of travelers, workers and local residents by presenting them the broadest range of attractive benefits and services;
- Trying to know every single guest through building loyalty, personalized and direct relationship over time;
- Inspire them in exploring the company offerings thanks to a single portal ensuring a seamless and powerful browsing experience;

Accelerate growth

In order to recover as soon as possible from the pandemic, Accor plans to capitalize on its economy and midsize brands that have a powerful local connection, to draw maximum advantage from local demand, which is expected to be twisted in the short-term towards local and leisure journeys. The company, to sustain the growth, also decided to enlarge its playing field, through the acquisition of booking platforms and companies offering hospitality services. Another growth driver regarding the Accor Hotels is the rapid increase in points of contact within its ecosystem. This involves both increasing the frequency of guest interaction and achieving sources of growth that are not linked to hotel income. What is known is that the company loyalty program is a key driver of its business model because it is intended to sustainably increase the number of loyal guests to secure a growing percentage of the Accor Hotels revenues.

Optimize the mode

For Accor it is really important to bring its cost structure into line with the organization of the business model, identifying the key resources needed to meet the challenges of the future. A transformation plan designed for the company organization has been put in place in order to bring resources into line with identified needs. The challenge is to increase the effectiveness and profitability of the hotel management model the Group offers them: offer operational solutions to reduce their operating expenses; improve service quality, increase employee commitment and boost the appeal of the employer brand as well as reducing the employee turnover rate. The idea is to streamline needs and resources by automating internal processes, trying to eliminate any tasks that can without adversely impacting the functioning of the Company. This organizational work streamlines management structures. The Sales, Marketing, Distribution and Loyalty division also agreed to renegotiate its multiple service agreements in the IT sphere. Accor Hotels' target is to achieve recurring savings of €200 million off a cost base of €1.2 billion, with 66% in 2021 and 100% in 2022. To become efficient and to better track progress on savings within the chosen timeframe, the Executive Committee was also refocused for the most part on the regions to ensure a better flow of information between operations and central functions.

Promote positive hospitality

Accor can make a positive contribution to society in two big ways: developing and connecting people, and creating environmentally friendly hospitality experiences. Moreover, its major belief is that its activities must be developed with the greatest integrity. Its Ethics & CSR Charter, applicable in all hotels and all company's activities, Planet 21, Accor's sustainable development program; the diversity and inclusion program, Solidarity Accor, the endowment fund to fight exclusion. 2020 has been an exceptional year because of the Covid-19 crisis. Given the challenging economic environment Accor Group has experienced, a very large number of programs or projects connected with the Ethics & CSR approach have been put on hold or slowed down. In this deadline, the targets set for end-2020 were pushed back to end-2021, in particular the achievement of the targets of the Planet 21 program. However Accor has shown its receptiveness and willingness during this extraordinary period to reallocate resources and to target the health and social needs created by the pandemic. Despite the circumstances, and thanks to the hard work of the teams, the carbon trajectory is compatible with the Paris Accord to keep global warming under 1.5°C. Accor set out the trajectory using a roadmap, with the target of achieving carbon neutrality by 2050, that combines an internal shift to a low-carbon culture across all the Group's businesses, partnerships with energy experts to improve the energy effectiveness of buildings, use of renewable energy and carbon offsetting.

2.2.Marriott International

Marriott International is a global hospitality chain based in the United States that manages and franchises a large portfolio of hotels and lodging facilities. The company was founded when J. Willard Marriott and his wife opened a root beer stand in Washington D.C. The couple eventually opened their first hotel in Arlington, Virginia in 1957. Since then, the company has grown exponentially. In 2020, the number of Marriott International hotels worldwide exceeded 7,500. These days, a significant portion of these units are located outside of the United States. This is in part due to the acquisitions of Canadian chain Delta Hotels and American chain Starwood Hotels and Resorts in the years 2015 and 2016, respectively. As of 2020, the number of Marriott International properties by region continued to vary significantly. Marriott has established itself as one of the leading hotel companies across the globe. When looking at the sales revenue of selected leading hotel companies worldwide in 2020, Marriott International outranked other large hotel chains such as Hilton Worldwide, Hyatt Hotels and Accor. During that same year, the average daily rate (ADR) by region of Marriott hotels worldwide was 151.51 U.S. dollars. The region with the highest average daily rate was the Caribbean and Latin America with an ADR of 196.51 U.S. dollars. Meanwhile, the Asia Pacific region recorded the lowest ADR at 116.9 U.S. dollars as well as the highest occupancy rate. In 2020, the occupancy rate of Marriott International hotels worldwide reached 39.6 percent in the Asia Pacific region. North America, by contrast, recorded an occupancy rate of 28.6 percent. As of February 15, 2021, about 6 percent of the company properties worldwide were closed compared to more than 25 percent closed on April 26, 2020. Worldwide occupancy in December was at 32 percent compared to 12 percent in April. Worldwide RevPAR was down 62 percent year-over-year in December, compared to a drop of 90 percent in April 2020 from April 2019. During the year, the company made tremendous progress in mitigating the impact of low levels of demand, strengthening the financial position and shoring up the balance sheet. Marriott enhanced the liquidity, extended the average debt maturities, reduced operating costs and pared back investment spending.

2.2.1.Marriott Serve360

Guided by the company's 2025 sustainability and social impact goals, as well as the United Nations Sustainable Development Goals, Marriott strongly believes to have an opportunity to create a positive and sustainable impact wherever doing business. The sustainability and social impact platform, Serve 360: Doing Good In Every Direction, is built around four focus areas: Nurture Our World; Sustain Responsible Operations; Empower Through Opportunity; and Welcome All and Advance Human Rights, each with targets to drive our efforts through 2025. These targets reflect the company goals to protect and invest in the vitality of the communities and natural environments in which it operates, builds sustainable hotels, sources responsibly, advances human rights, and mitigates climate-related risk. In 2020, many of the company initiatives and programs, including the switch from single-use toiletry bottles to larger, pump-topped bottles, were slowed due to the impact of COVID-19 the business. Nevertheless, hotels across the globe supported their local communities in need by donating food, cleaning supplies and other essential items and opening their doors to non-profits that needed large event spaces in order to follow social distancing protocols and still meet an increase in demand for their community-supporting services. Additionally, together with American Express and JPMorgan Chase, $10 million worth of free hotel stays have been provided for frontline healthcare workers. Thanks to the Marriott Disaster Relief Fund, essential items, such as food vouchers have been supplied to Marriott associates in need. Notwithstanding the pandemic, the company made progress toward the goal to train 100 percent of on-property personnel in human trafficking awareness by 2025, and in collaboration with a leading anti-trafficking organization, it made a training open-sourced for free access to the industry and beyond. In 2021, Marriott expects to revise and implement sustainability and social impact programming that is most pertinent to the current operating environment, while helping to address the growing expectations of stakeholders, increase operational efficiency and excellence, and enhance the company reputation while mitigating risk and supporting the resiliency of the business.

2.2.2.The Business Model

Marriott operates in a highly competitive industry. Each of Marriott's hotel brands competes with major hotel chains, as well as home and apartment sharing services. The ability to remain competitive depends on quality, value, and efficiency of products and services delivered. Emerging new business models like Booking.com, Airbnb, Uber, and Lyft are changing the landscape. The growth of intermediaries and the sharing economy means that hotel companies must continually invest in a guest relationship and a new technology. So to speak, they need to find a response to the threat presented by digital disrupters such as Airbnb, which can turn any home into a competing mini-hotel, and the online travel agents, such as Booking.com and Expedia, which have killed brand loyalty in the hotel business. In such circumstances small hotel chains are going to face an increasing amount of pressure. Big players, like Marriott, have strong brands and membership programs (Marriott has around 85m members) which help them offer solutions for every guest's need and promotes cross-selling across different hotel brands.

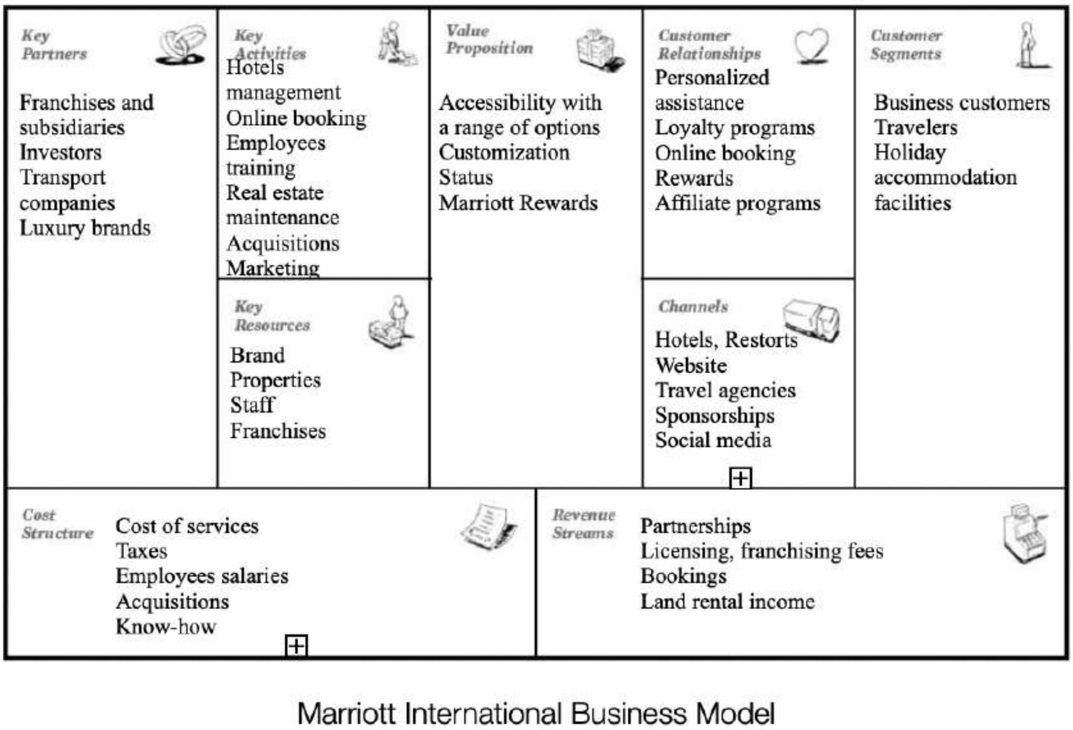


Figure 8 From: Marriott International business model canvas (The author)

It is part of the current business landscape and some business models will be under pressure more than others. Following the completion of the Starwood Combination, the size of the business of the combined company increased significantly. There is a risk that the combined company may not be able to integrate successfully and many of the anticipated benefits of combining Starwood and Marriott may not be realized. Excluding the traditional risks the success of Marriott depends on the ability to retain the talents and dedication of key employees.

<u>International Markets</u>

In 2019, Marriott International debuted its first hotels in four additional countries which are: Cyprus, Moldova, Kyrgyzstan and Latvia. Moreover, in 2019, 53% of the company's signed rooms were outside North America with record-breaking organic volumes in the company's Asia-Pacific, Europe, Caribbean and Latin America, Middle East and Africa regions.

Luxury

In 2019, the company signed 42 luxury projects in 27 countries, while opening or converting 34 properties such as The St. Regis Venice, The West Hollywood Edition and The Ritz-Carlton, Pune. As the company focuses on expanding its leading luxury footprint, it is revitalizing W Hotels. Last year, the company purchased the W New York – Union Square, with plans to transform the property into a showcase for the brand's future look.

All-inclusive

Last August, Marriott launched its all-inclusive platform to bring its brands, scale and service to this growing, global vacation segment. The company has signed seven management and franchise agreements, less than six months after the launch for all-inclusive properties representing nearly 3,200 rooms. Among the all-inclusive projects in development are an 800-room Marriott Hotels resort in Jamaica and a 240-room Ritz-Carlton resort in Mexico. The company last year also completed its acquisition of Elegant Hotels Group, which consists of seven hotels and 588 rooms located on the island of Barbados.

Lifestyle

The AC company by Marriott, Aloft and Moxy brands opened nearly 10,000 rooms in 2019. Combined, these brands represent more than 65,000 open rooms in 44 countries, including new hotels in Greece, Ireland, Latvia, Nepal and Switzerland. The company signed nearly 24,000 rooms across the AC by Marriott, Moxy and Aloft brands during the year.

Chapter 4

1. Methodology

1.1.Research design

In this section, the study provides a detailed explanation of the approach to the analysis conducted. Information about non-financial risks and business models have been examined in the Integrated reports of two of the largest hospitality companies, Accor Hotels and Marriott International. The first one, which is French, falls under the Directive 2014/95/EUDirective 2014/95/EU while the second one, which is American, is driven since 2013, by the US Securities and Exchange Commission (SEC). The empirical procedure has been conducted by basing on the process used by Beretta and Bozzolan (2004), Linsley and Shrives (2006) and Oliveira et al. (2011). Three characteristics have been used to find and evaluate the information inside the two companies' Integrated report as follow:

1. Metrics (quantitative, qualitative, qualitative + quantitative);
2. Outlook (past, present and future);
3. Tone (good, neutral, bad).

Each sentence containing an information about non-financial risk disclosure and about the nine business model's building blocks was coded according to the three characteristics using the following procedure:

METRICS	Symbol	Points
Quantitative	QN	2
Qualitative	QL	1
Qualitative + quantitative	QL + QN	3

OUTLOOK	Points
Past	2
Present	1
Future	3

TONE	Symbol	Points
Good	+	2
Neutral	/	1
Bad	-	3

Figure 9 From: Evaluation parameters (The author)

In doing so, the author has codified each disclosure sentence with a number given by the score obtained from the sum of the three categories. For the metrics, 3 points have been awarded to text units that presented qualitative information supported by quantitative data; 2 points for quantitative and just 1 point for sentences with only qualitative information. Taking a step forward, 3 points have been assigned to bad tone information because the least amount of negative data disclosed is expected. This theory is pretty useful in such a context, where a relatively new topic area is dealt with the advent of Covid-19 pandemic where deep previous researches are missing, indeed it develops a multi case studies approach, where data are matched and compared in order to find conflicting or similar aspects between them and with the existing literature. The content analysis was conducted in an interpretative, qualitative way (Solomon and Maroun, 2012) by analysing the specific meaning of selected sentences in relation to the context and purpose, which resulted in significant inferences from the disclosures. An explicative example is given in the table below, which may be then found in the Appendix A.

KEY ACTIVITIES	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Managing and Franchising	5.139 hotels, 753.344 rooms, 110 countries	Accor's business model is unique in the travel industry. Operating 5,139 hotels in 110 countries, the Group is the leader everywhere in the world other than the United States and China.	31	1	QL + QN	2	+
Real estate	Orbis	Acquisition of 33.15% of the capital of Orbis for €339 million, then takeover of the Orbis hotel services activity for €286 million and sale of Orbis real estate operations for €1.06 billion. The transformation of its model in 2018, Accor no longer invests in real-estate and enjoys a lower cost structure, based on an optimized fee model.	60, 66	2	QL + QN	2	+
Booking	Booking, Expedia, Airbnb, Ctrip, Google, Trivago, Tripadvisor, Kayak	Continuous improvement of the security and robustness of booking systems and the browsing experience on the distribution website, especially for mobile applications (in all.accor. com); capacity to switch seamlessly between digital and physical experiences, with reception counters replaced by check-in on mobile tools.	54	1	QL	1	+
Supplier contracts	Ethics & CSR Charter	Accor is committed to defending human rights, fighting corruption and protecting the privacy of guests. The Ethics & CSR Charter is the cornerstone of this commitment. It structures the Group's responsibilities and informs its environmental, social and societal policies.	47	1	QL	2	+
Financials	Sale of 85.8% of Orbis and of 16 Mövenpick hotels in 2020, on top of the disposals of 70% of AccorInvest and of 4.9% of Huazhu at end-2019	In order to counter the seriousness of the situation and respond to the fall in its revenue, from end-March, Accor introduced an extraordinary plan to cut central costs by €60 million (travel ban, hiring freeze, partial unemployment of its staff in addition to streamlining other cost centers (Distribution, Marketing, IT, Hotel Assets and New Businesses). The Group also scaled back the recurring expenditure planned for 2020 by €60 million. Thanks to these measures, the average monthly cash burn totaled €61 million in 2020, down on €80 million for the first half of 2020. The sensitivity of EBITDA in RevPAR amounted to €18 million in the second half, versus €20 million in the first half. In parallel, Accor strengthened its financials by arranging a new €560 million revolving credit facility, supplementing an undrawn credit facility for €1.2 billion, and issued €500 million in Océane bonds at an annual coupon of 0.70%. At end-December 2020, the Group's liquidity amounted to €4.2 billion.	64	3	QL + QN	2	+
Knowledge tranfert	Google, Amazon, Facebook, Alibaba, Tencent	Through their technological innovations, including the development of voice assistants, digital disruptors have penetrated the hospitality industry by promoting and distributing accommodation. As they entered the value chain, they came into direct competition with online travel agencies. This helped push down intermediation costs and allowed hotel operators to regain some independence.	22	1	QL	2	+

Figure 10 From: Business model key activities, Appendix A (The author)

1.2.Case studies selection

Nowadays, considering the advent of the Covid-19 pandemic, it is clear how companies in the hospitality sector have the duty to disclose clear and transparent information related to non-financial risks and business models. The disclosure of this information in the Integrated report, in this sense, serves also as a competitive advantage since it allows organizations to meet stakeholders' values and requests, inspiring more credibility and trust. To the final aim of this research, two case studies have been chosen and the selection process has been enunciated respecting the following constraints:

1. Only companies belonging to the market sector analyzed in the thesis (Hospitality Industry) have been taken into consideration, thus allowing comparison;

2. Only cases able to extend the exposed theory have been evaluated, focusing on those companies which published their Integrated report containing the elements for the research analysis;

3. Priority has been given to listed companies, whose non-financial risks and business models are constantly reported and published. So, the final set of companies includes Accor Hotels and Marriott International.

1.3.Data collection and analysis

First of all the design of this research has implied the collection of primary data through each company Integrated report, that has been founded on its Website. Due to the Covid-19 pandemic, both companies' integrated reports immediately resulted differently from those of previous years. The pandemic has torn up the way companies think and work, for this reason stakeholders are facing new realities. As a result, the case studies analysis developed in this essay has been started by collecting both qualitative and quantitative data coming from companies' business models and non-financial risks. Both information has been analyzed in the following way:

- Download of the 2020 Integrated report from the two companies official website in the investor section: Accor.com and Marriott.com;
- Identification of the business model section inside the Integrated report, thus the definition of the nine building blocks in the area;
- Identification of the non-financial risks inside the risks section of the Integrated report;
- Definition of the blocks and the non-financial risks through numerous text units and correlated examples;
- Assignment of scores regarding the three parameters set out above;
- Collection of the results;
- Comparison of the two companies' business models and non-financial risks through the use of graphs.

The final stage has been the final elaboration of findings and the conclusions with the goal of discovering new and useful information, supporting decision-making and suggesting conclusions.

2.Findings

From Accor Hotels business model's data collection, what stands out the most is that the company is one of the top hotel operators worldwide thanks to years of know-how and expertise in the hospitality industry. Since this sector is growing and gaining popularity among young people, Accor is building academies around the world, giving students the possibility to experience and study hospitality. This will bring sustainable and inclusive growth in each country. In addition, since the beginning of the Covid-19 pandemic, Accor has accepted digitalization around the world, now focusing on online sales, optimizing them. But even Marriott International is focusing on forecasts as well. The company is one of the largest hotel chain operators in the world, operating across 127 countries. One of the biggest strengths of Marriott is the ability to satisfy customers of the digital era, offering personalized services that cater to the different needs of customers. Both companies lost profits due to the pandemic but thanks to their plans they are now focused on recovery as quickly as possible.

In this study a deeper analysis has allowed the identification of several common patterns between the two companies. Moreover, some analogies can be found between the cases and theory exposed in the earlier chapters too, even if discrepancies might suggest the possibility to develop new hypotheses and assumptions. Below, the main findings will be reported and discussed, starting from the analysis of the business models and moving forward with non-financial risks. From the Accor Hotel business model, 53 unit texts have been identified among the nine building blocks while from the Marriott International 54 unit texts have been analyzed among the different blocks. All the information collected in the previous analysis, and then summarized in the table below, permits us to provide answers to the research questions formulated during the beginning phase, in order to be able to highlight similarities and differences.

ACCOR	Unit texts	% Unit texts	Points	% final points	METRICS	Unit texts	% Unit texts	Points	% final points	**MARRIOTT**
	27	50.94%	27	9.27%	QL	31	57.41%	31	11.23%	
	22	41.51%	66	22.68%	QL + QN	19	35.19%	57	20.65%	
	4	7.55%	8	2.75%	QN	4	7.41%	8	2.90%	
					OUTLOOK					
	26	49.01%	26	8.93%	Present	26	48.15%	26	9.42%	
	24	45.28%	48	16.49%	Past	25	46.39%	50	18.12%	
	3	5.66%	9	3.09%	Future	3	5.56%	9	3.26%	
					TONE					
	44	83.02%	88	30.24%	+	23	42.59%	46	16.67%	
	5	9.43%	15	5.15%	-	9	16.67%	27	9.78%	
	4	7.55%	4	1.37%	/	22	40.74%	22	7.97%	
TOTAL	**53**		**291**			**54**		**276**		**TOTAL**

Figure 11 From: Business models findings (The author)

Starting from the unit texts used by both companies to disclose information about their business model, what mainly catches the eye is that Accor Hotels has primarily focused his attention in three of the nine building blocks that are the key activities, the relationship with customers and the channels. While Marriott International reported all the information on a straight-line basis, focusing more on costs and revenues but also on its key activities like Accor. Choosing to disclose information concentrating more on some blocks has been at the discretion of the company and, since the Covid-19 pandemic, how information has been communicated to its stakeholders has changed significantly. This is the reason why the two companies are positioned on two different levels.

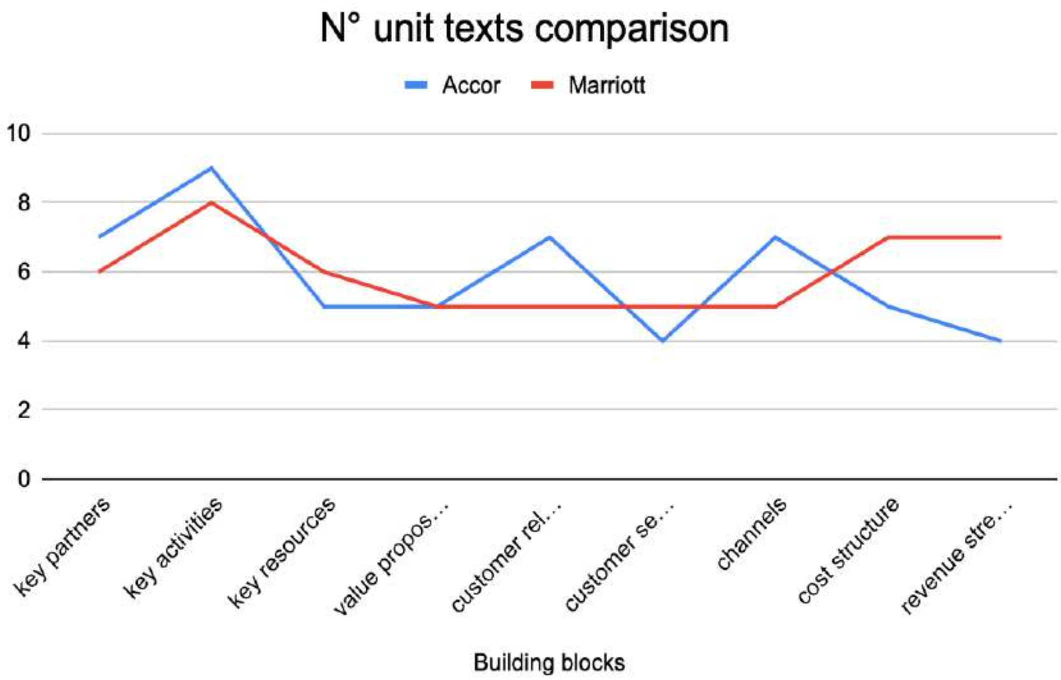


Figure 12 From: BM, n° of unit texts comparison (The author)

Taking a step into the parameters used to score the unit texts, what can be said is that Accor Hotels managed a higher score on metrics because qualitative information has been more supported by quantitative ones through numbers and examples. Shifting the focus on the outlook, it resulted approximately equal for both companies in fact, the disclosure of information primarily regards the past since the Integrated report analyzed referred to 2020. Since the Covid-19 pandemic stepped out it has become hard to make previsions about the future. Greater differences have been detected in the tone, as

Marriott International disclosed information impartially, which implied a lower score because the point assigned for every neutral info was one.

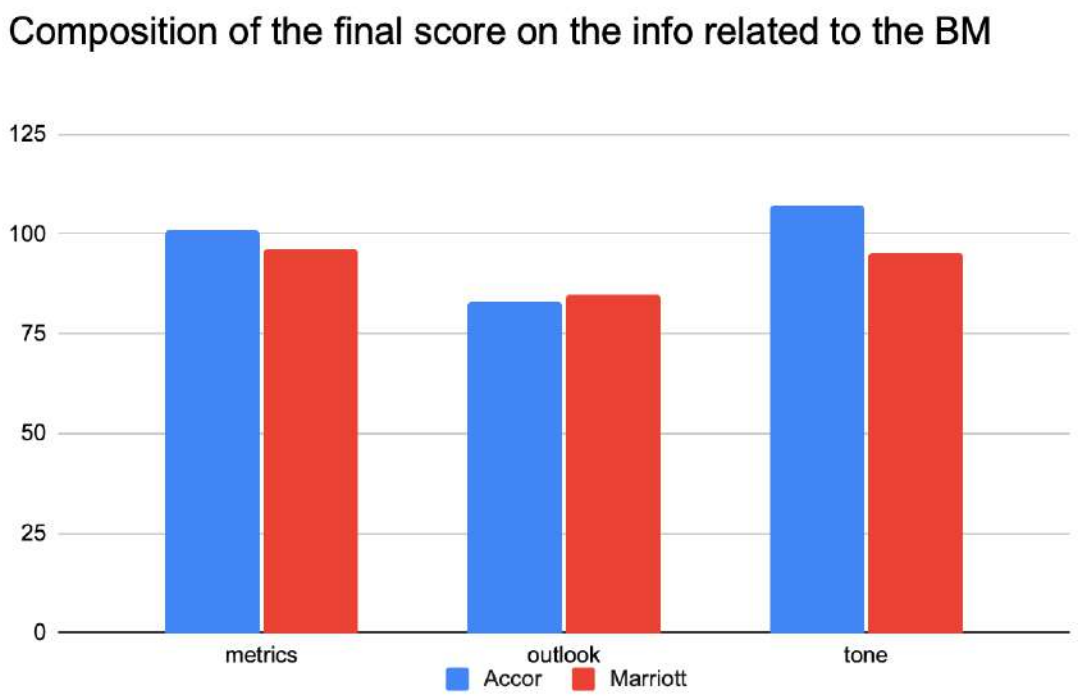


Figure 13 From: BM, final score of information composition (The author)

A final comparison between the two companies' business models has been represented in the graph below to better deeply understand the different ways in which they have disclosed information. The first parameter that visibly stands out is the tone, in detail the one of Accor Hotels. With a score of 30,24% points, the company has disclosed its information, through the unit texts, with a good tone unlike Marriott International used to give a neutral but also, with 9,78% points that back this up, a bad tone to its disclosed information, both qualitative and quantitative, especially in reference to channels and customer segments . Once again, with 22,68% points obtained, Accor has demonstrated to be able to support its qualitative information with numerical examples; in particular while talking about key activities, resources and revenue streams. For more details see the Appendix A. As said in the paragraph above, a similar result has been reached in the outlook. Both companies disclosed information referring to the past, with a difference of 8,14% points on average from the ones conveying the present. Obviously the advent of the pandemic has held back the world economy, not allowing the normal functioning of the activities. The hospitality sector has nevertheless long been paralysed by this event and now it will slowly be back on track. Taking back the tone parameter, one last thing can be analysed. The last characteristic, the neutral one, has been the one with the greatest difference between the two hospitality hotels. Marriott obtained 7,97% points, in particular when considering key resources and costs as can be seen in the Appendix B at the bottom of the dissertation.

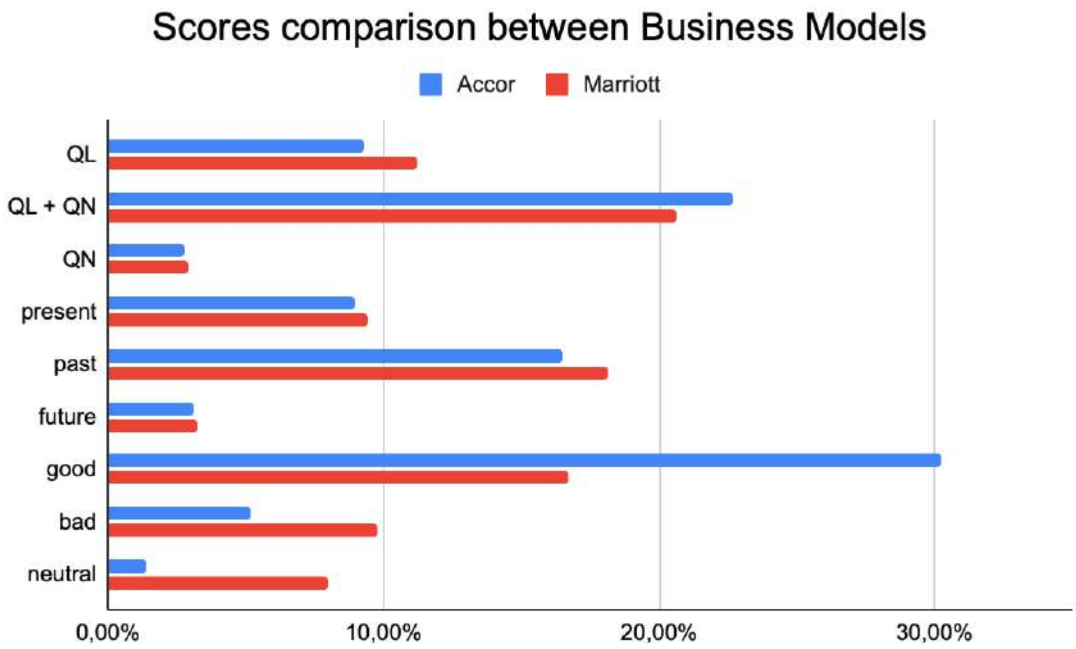


Figure 14 From: score comparison between BM (The author)

The empirical analysis of non-financial risks information has highlighted an opposite situation to the previous one. In the latter case, the Accor Hotels group has reached 205 points out of the 350 obtained from Marriott International. The reason behind this imbalance is due to the low number of information regarding non-financial risks in the Accor Integrated report, even if its density. In the table below the final scores obtained by each company are displayed.

FINAL SCORES	Info on BM	Info on NFR
Accor	**291**	**205**
Marriott	**276**	**350**

Figure 15 From: final scores on BM and non-financial risks (The author)

Altogether both companies have disclosed more qualitative information, supported by quantitative examples, about Business models while, when talking about non-financial risks, they have focused the attention just reporting qualitative information. The way in which these companies disclose information also depends, and it is influenced, by the legislation under which they fall; Accor Hotels follows the Directive 2014/95/EUDirective 2014/95/EU while Marriott International, which is American, has been driven since 2013, by the US Securities and Exchange Commission (SEC). All the information collected, summarized in the table below, permits us to provide answers to the research questions, but also to highlight similarities and differences. This time, a number of text units analysis cannot be taken into consideration because of the different non-financial risks disclosed by the two companies in the integrated reports. Being clear about the risks involved can prevent severe damage to the reputation and long-term health of a company, in particular after the advent of the Covid-19 pandemic, where risk communication to stakeholders is profoundly changed. Through identifying and managing non-financial risks, new opportunities and solutions can be found. Value can be added to the business enhancing the sustainability of the corporation (Anderson and Anderson, 2006). In fact this research analysis shows how the identification of companies' risks can prevent, through in time actions, irreversible problems. In this section a comparison between the two companies non-financial risks will be enunciated. Finally an answer to the question of this research study will be provided by the author.

To better understand the consistency between non-financial risks disclosure and business model information disclosure, the final scores must be observed in detail. Thanks to the graph below, it can be observed that Accor Hotels has disclosed more information about the business model, while Marriott Internationals has focused on non-financial risks.

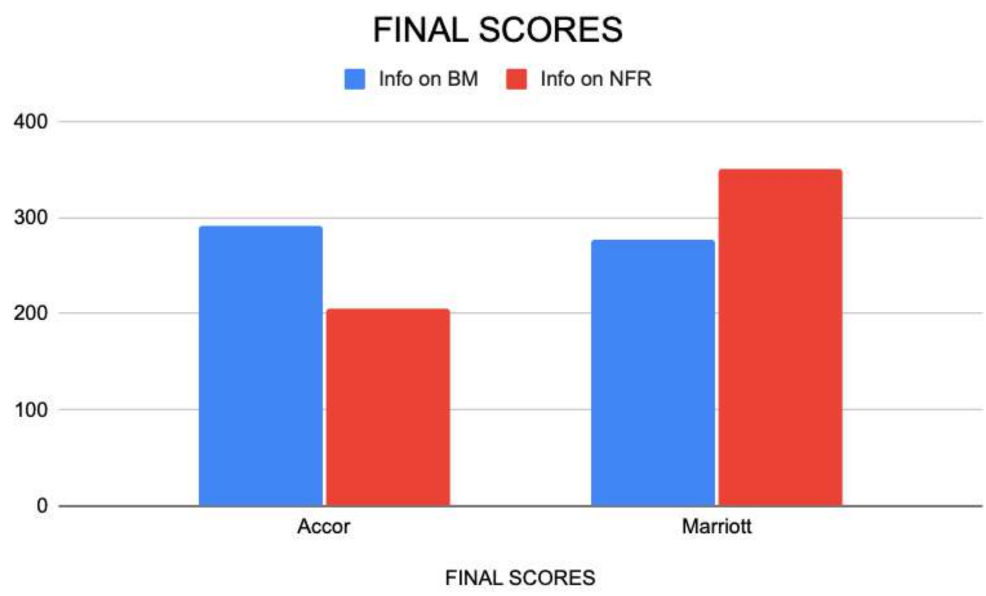


Figure 16 From: information on BM and non-financial risks (The author)

The below score table facilitates the interpretation of the following graphs results.

ACCOR	Unit texts	% Unit texts	Points	% final points	METRICS	Unit texts	% Unit texts	Points	% final points	MARRIOTT
	33	82,50%	33	16,10%	QL	55	85,93%	55	15,71%	
	7	17,50%	21	10,24%	QL+QN	5	7,81%	15	4,28%	
	0	0,00%	0	0,00%	QN	4	6,25%	8	2,29%	
					OUTLOOK					
	17	42,50%	17	8,29%	Present	24	37,50%	24	6,86%	
	17	42,50%	34	16,59%	Past	13	20,31%	26	7,43%	
	6	15,00%	18	8,78%	Future	27	42,19%	81	23,14%	
					TONE					
	22	55,00%	44	21,46%	+	5	7,81%	10	2,86%	
	10	25,00%	30	14,63%	-	36	56,25%	108	30,86%	
	8	20,00%	8	3,90%	/	23	35,94%	23	6,57%	
TOTAL	**40**		**205**			**64**		**350**		**TOTAL**

Figure 17 From: Non-financial risks findings (The author)

What can be said is that metrics parameters resulted equally in the two companies because of the higher percentage of qualitative information disclosed. Few examples have been reported in both non-financial risks sections. An opposite result has been obtained in the outlook; while Accor Hotels disclosed information concerning the past, Marriott International has focused on the future, in particular when referring to Covid-19 pandemic. Unfortunately, the hospitality industry has suffered, and continues to suffer, a severe blow even if, from these Integrated reports, it seems to have implemented strategies to face and to overcome the obstacles. The tone made the difference in the results, Marriott reached the highest score disclosing information in a negative tonality.

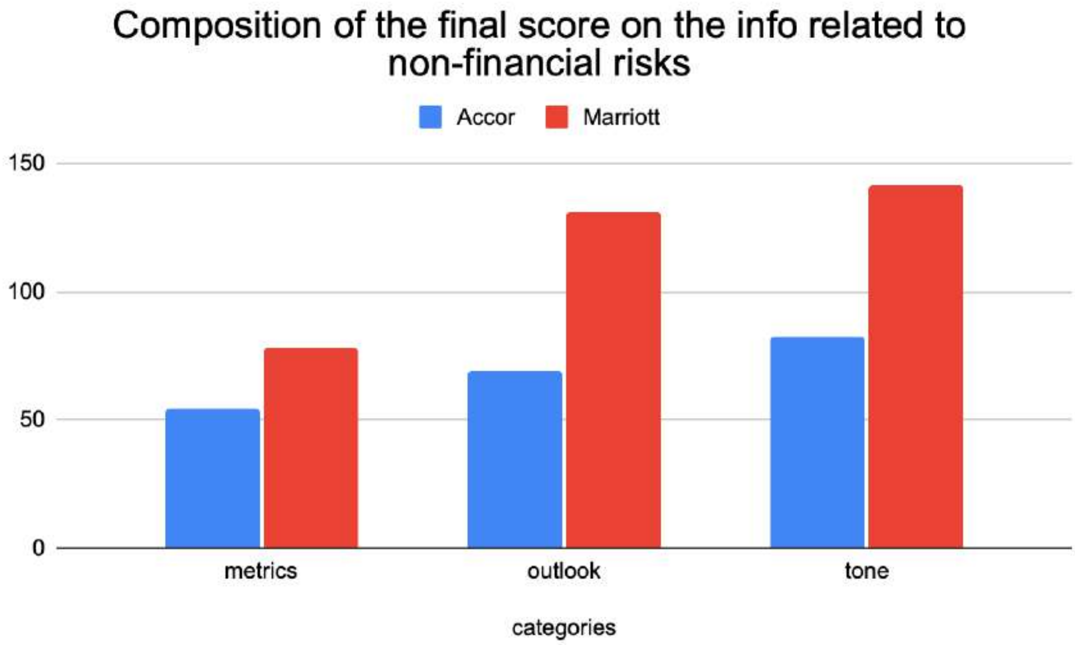


Figure 18 From: Information comparison between non-financial risks (The author)

Before jumping into conclusions, a final analysis has been made taking into consideration the non-financial risks of the two companies with a comparison of the results which have been represented in the graph below to understand how information has been disclosed differently. The first parameter that visibly stands out is the bad tone used by Marriott International to disclose its non-financial risks. As already said by commenting the previous graph, with a score of 30,86% points, the company has disclosed a lot of information regarding operational, IT and Covid-19 risks, through the unit texts, with a bad tone unlike Accor Hotels has used the opposite one, the positive tone, while talking about its main non-financial risks like the operational and the compliance ones as is clear from Appendix C and D. Keeping the focus on this company, the fact that it has obtained the highest scores, 21, 46% while disclosing past information with a positive tone, comes as no surprise. Future does not give certainties in fact it is based on assumptions, and the pandemic by far has raised the level of uncertainties.

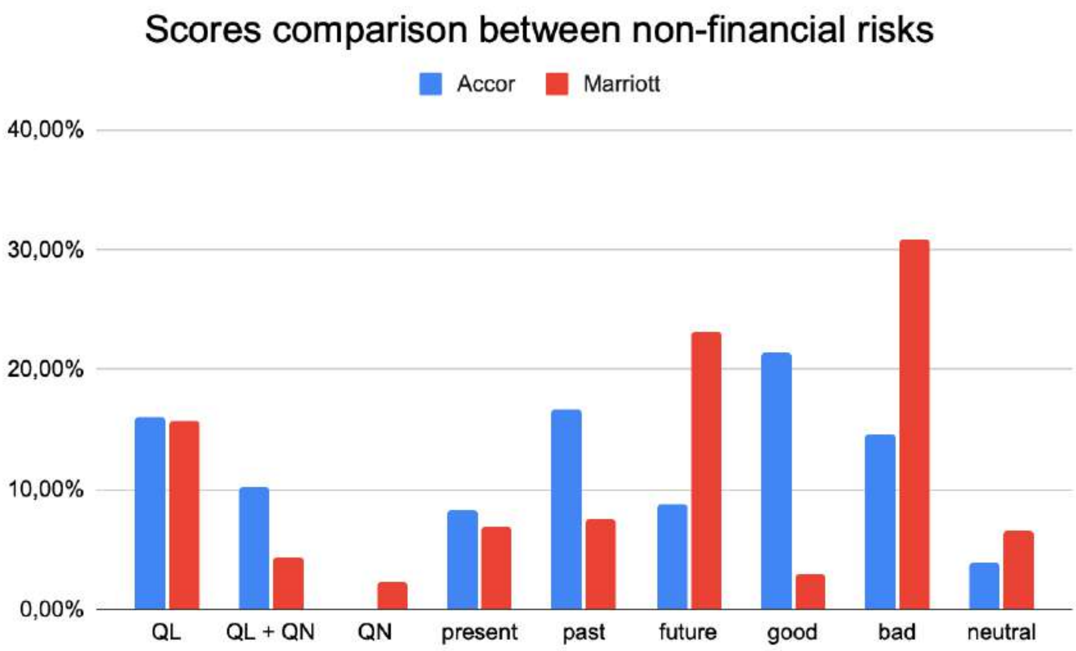


Figure 19 From: Score comparison between non.financial risks (The author)

The incorporation of different types of non-financial risks allows various information to be included, such as economic, social, cultural, ecological and technical that are essential for business to be competitive and sustainable in the market. Another key point in this study is the metrics parameter, the first one on the left side of the above graph. Both companies have mainly disclosed qualitative information, with few numerical supporting examples. In fact Accor Hotels has not disclosed a single quantitative information while Marriott International reported only the 2,29% of quantitative supporting examples while talking about sustainability and Covid-19 risks. For more details see the Appendix D. As said in the first chapter of this study, the EU Commission staff states that "NFI is generally seen as environmental, social and governance (ESG) information" (EU, 2013, p. 2), thus identifying some components that are generally combined to shape the meaning of NFI. Despite the recent popularity of the terms NFI and NFI reporting, a commonly accepted definition still does not exist (Eccles et al., 2011; Erkens et al., 2015; Haller et al., 2017). This is the reason why a substantial difference emerges. Since the nature of disclosing these risks is subjective, a direct comparison between these realities can not be reliable and does not provide substantial points of analysis. This multiple-case study has been useful in order to verify some salient aspects of the theory exposed above about the possible relationship between the Hospitality Industry and the disclosure of non-financial risks and business models.

Chapter 5

1. Conclusions

Over the years, in particular today with the advent of the Covid-19 pandemic, the growing concern about environmental consequences of companies' activities has dramatically increased the external pressure on companies to be more transparent with their stakeholders. What emerges from this study is a general consistency with the theory about the theme, even if with some discrepancies. In fact, the empirical analysis of non-financial risks information has highlighted an opposite situation to the business models' one. The study has pointed out an imbalance in the way the two companies have disclosed information.

While Accor Hotels provided more information about its business model, Marriott Internationals focused on non-financial risks. Nevertheless, it can be affirmed that for the two companies there is homogeneity in the parameters used, as it is demonstrated through the multiple comparison graphs. Both the business model's information and those regarding non-financial risks tend to be expressed with the same characteristics. This finding is verified by the results obtained after the collection of all data.

From what can be inferred from the two cases here studied, it can be said that there is not consistency between business model information and non-financial risks disclosed in the integrated reports. The results analyzed confirm the answer to the research question. The European hotel chain, the Accor Hotels, positioned itself first in the disclosure of business model information, thanks to the quantity and in the quality of examples and unit texts provided by the company asset-light business model. On the other side, looking at the American company, Marriott International, the growth of intermediaries and competitors have interfered with the results of the business model information analysis, getting a lower score.

Shifting the focus on the non-financial risks results, Marriott International responded with a wide range of information, in particular with careful attention on the future thanks to its Serve 360, guided by the company's 2025 sustainability and social impact goals.

However, the two companies are in phase of resumption pointing to development and growth. Undoubtedly, if the analysis would have not been conducted in the middle of a pandemic, different information and details would have been provided. Seeing that the issue of information disclosure consistency is a rare topic in the Hospitality industry, there is a lot of room for future research on this theme.

Appendix A: Accor Hotels BM, the nine building blocks

KEY PARTNERS	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Chains of hotels	Ennismore (Mama Shelter, 25hours, SBE), Mantis, Rixos, Atton, Adagio, Risma, Orient Express, Banyan Tree	Accor steps up the pace of hyper-segmentation with such carefully selected brands.	10	1	QL	1	+
Business partners	PSG, IMG, AEG, VISA/BNP Paribas, Air France, Qatar Airways, Hertz, Europcar, Paris Airport, Grab, Alibaba	Accor also establishes innovation partnerships with external players in places where hospitality and technology meet, joining forces with them in endeavors that can be used to maximize their growth in its ecosystem.	50, 54	2	QL	1	+
NGO, non-profits	VeryChic, Gekko, OFS	Group establishes key partnerships with top schools worldwide to consolidate its attractiveness among higher education students, future leaders in the world of hospitality and to benefit from their new and innovative vision. With a network of more than 150 partner business and hotel management schools and universities in its various host countries, Accor organizes an annual challenge for students aimed at encouraging and promoting its open innovation approach. Unfortunately the revenue of travel-related businesses fell 69% in the last two years.	50, 67	3	QL + QN	1	+
Property owners	AccorInvest, Huazhu	On top of the disposals of 70% of AccorInvest and of 4.9% of Huazhu at end-2019, Accor no longer holds practically any hotel assets, and has reasonable debt levels.	66	1	QL + QN	1	+

KEY ACTIVITIES	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Managing and Franchising	5.139 hotels, 753.344 rooms, 110 countries	Accor's business model is unique in the travel industry. Operating 5,139 hotels in 110 countries, the Group is the leader everywhere in the world other than the United States and China.	31	1	QL + QN	2	+
Real estate	Orbis	Acquisition of 33.15% of the capital of Orbis for €339 million, then takeover of the Orbis hotel services activity for €286 million and sale of Orbis real estate operations for €1.06 billion. The transformation of its model in 2018, Accor no longer invests in real-estate and enjoys a lower cost structure, based on an optimized fee model.	60, 66	2	QL + QN	2	+
Booking	Booking, Expedia, Airbnb, Ctrip, Google, Trivago, Tripadvisor, Kayak	Continuous improvement of the security and robustness of booking systems and the browsing experience on the distribution website, especially for mobile applications (in all.accor. com); capacity to switch seamlessly between digital and physical experiences, with reception counters replaced by check-in on mobile tools.	54	1	QL	1	+
Supplier contracts	Ethics & CSR Charter	Accor is committed to defending human rights, fighting corruption and protecting the privacy of guests. The Ethics & CSR Charter is the cornerstone of this commitment. It structures the Group's responsibilities and informs its environmental, social and societal policies.	47	1	QL	2	+
Financials	Sale of 85.8% of Orbis and of 16 Mövenpick hotels in 2020, on top of the disposals of 70% of AccorInvest and of 4.9% of Huazhu at end-2019	In order to counter the seriousness of the situation and respond to the fall in its revenue, from end-March, Accor introduced an extraordinary plan to cut central costs by €60 million (travel ban, hiring freeze, partial unemployment of its staff in addition to streamlining other cost centers (Distribution, Marketing, IT, Hotel Assets and New Businesses). The Group also scaled back the recurring expenditure planned for 2020 by €60 million. Thanks to these measures, the average monthly cash burn totaled €61 million in 2020, down on €80 million for the first half of 2020. The sensitivity of EBITDA in RevPAR amounted to €18 million in the second half, versus €20 million in the first half. In parallel, Accor strengthened its financials by arranging a new €560 million revolving credit facility, supplementing an undrawn credit facility for €1.2 billion, and issued €500 million in Océane bonds at an annual coupon of 0.70%. At end-December 2020, the Group's liquidity amounted to €4.2 billion.	64	3	QL + QN	2	+
Knowledge tranfert	Google, Amazon, Facebook, Alibaba, Tencent	Through their technological innovations, including the development of voice assistants, digital disruptors have penetrated the hospitality industry by promoting and distributing accommodation. As they entered the value chain, they came into direct competition with online travel agencies. This helped push down intermediation costs and allowed hotel operators to regain some independence.	22	1	QL	2	+

KEY RESOURCES	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Brand	40 leading brands	40 brands spanning all segments, efficient distribution systems that optimize footfall. Accor offers a portfolio of 40 hotel brands in addition to a broad range of services developed to elevate the guest experience (concierge service, shows, restaurants, culinary activities, sports events, and many more), and to diversify its offering into other spheres like coworking or private home rental.	32, 51	2	QL	1	+
Properties	5.000 private residences and 10.000 bars and restaurants	Accor is a world-leading augmented hospitality group offering unique and meaningful experiences in 5,000 hotels and residences across 110 countries. The Group has been acquiring hospitality expertise for more than 50 years, resulting in an unrivaled portfolio of brands, from luxury to economy, supported by one of the most attractive loyalty programs in the world.	7	1	QL + QN	2	+
Members	250 million guests and 68 million cardholders, expertise in talent and culture, procurement, marketing, design, sustainable development, F&B	Fight against exclusion, support for communities, fight against sexual exploitation, solidarity, protection of cultures and heritage.	26	1	QL + QN	1	+
Affiliate franchises	279.834 rooms in franchise hotels, 29.102 rooms in affiliate hotels	In 2020, these hotels, which are housed in the HotelServices division, accounted for 96% of the Group's hotel network.	36	1	QL + QN	1	+

VALUE PROPOSITION	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Unique experience	Potel & Chabot, Paris Society and Accor Arena,D-Edge, Gekko, ResDiary, VeryChic	Augmented hospitality means anticipating a customer's every need. Whether in organizing upscale events, delivering personalized services, creating unique experiences or offering digital solutions, Accor's aim is to open new pathways in travel and the discovery of new ways to live and work thanks to activities forming the categories "Live," "Work," and "Play."	34	1	QL	1	/
Close partnerships	The ALL - Visa card	This card allows holders to use it for their daily purchases, obtaining rewards tailored to the interests and passions of members and gaining even more loyalty points in the Accor ecosystem. The card also provides access to unique experiences (short getaways in the countryside, mountains, beaches, dinners, spas, special events, PSG matches, concerts at Accor Arena.	44	1	QL	1	+
Building loyalty	ALL – Accor Live Limitless	A pillar of the Group's growth, the loyalty of its guests boosts its appeal for its hotel and business partners. It supports its organic development, but also the appeal of its brands and the growth of its fees, and helps attract the most value-creating business partners. Accor's loyalty program is a key driver of its business model. Encompassing all the Group's offerings, it is intended to sustainably increase the number of loyal guests and their average spend in order to secure a growing percentage of Group revenue.	31	2	QL	3	+
Deepen the network	Acquire new geographic growth drivers; deepen local hotel networks in fast-growing regions; enhance the brand portfolio, be present in new high value-added segments; capitalize on guest loyalty programs; leverage synergies and economies of scale; •expand the range of services on offer; enhance the business model and corporate image	In recent years, the hotel industry has experienced a phase of consolidation initiated in large part by Chinese, American and European players. While there have been no transactions during the crisis, they could resume in the medium term. M&A strategies are designed to meet several core objectives.	21	1	QL	2	/

CUSTOMER RELATIONSHIPS	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Individualized service	Augmented hospitality	Accor ability to effectively personalize the relationship with guests tomorrow, and to retain them over time, hinges on their ability to accelerate their digital transformation today. Augmented hospitality means anticipating a customer's every need. Whether in organizing upscale events, delivering personalized services, creating unique experiences or offering digital solutions,	21, 34	2	QL	1	+
Loyalty programs	ALL	Accor provides a high level of service to its guests and partners with its new ALL – Accor Live Limitless loyalty program. The ALL ecosystem combines the full range of offers from the Group and its partners. Its aim is to increase touchpoints with guests as a means of inspiring lasting loyalty to the products and services it offers.	10, 31	2	QL	2	+
Online booking	Private home, rental platforms	Operated by online platforms, these accommodation solutions compete with those of hotels, meeting new consumer aspirations for authenticity and sometimes including personalized services.The surge in online booking platforms, the immediate expression of feedback by guests and the emergence of new practices have changed the game in the hotel industry. Against this backdrop, in an effort to reinvent digital hospitality, Accor has more recently undertaken a series of digital innovation projects to develop new services specifically for its guests, partners and employees.	22, 48	2	QL	2	+
Luxury	Luxury brands partnerships	Accor confirms its global leadership in the world of luxury with the acquisition of Fairmont, Raffles and Swissôtel, and a partnership with Banyan Tree.	10	1	QL	1	+

CUSTOMER SEGMENTS	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
People with high purchasing power	First-class customer service	First-class customer service.	36	1	QL	2	/
Travelers	Accor Live Limitless lifestyle loyalty program	In 2020, only 2% of countries worldwide took no steps to close their borders. All other nations closed their borders completely or partially, made testing mandatory on arrival or departure, or required arriving travelers to quarantine. Travelers lost confidence and international tourism collapsed in the wake of these restrictions and governments' inability to effectively control the spread of the virus. The number of international tourist arrivals in April and May plunged by 97% and 96% from 2019 levels. More than 80% of countries shut down. Assisting travelers with their day-to-day needs with a new ALL – Accor Live Limitless lifestyle loyalty program and an accompanying app providing access to a comprehensive, simple and appealing digital ecosystem.	13	2	QL + QN	2	-
Corporate and business travelers	Pullman	Accor meets the unique needs of businesses with the creation of Pullman, a premium brand for business travelers.	10	1	QL	1	+

CHANNELS	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Hotels and Resorts	Sofitel, Lenotre	Highly dynamic organic growth ensuring a strategy covering all segments, specifically the most profitable (Luxury, Lifestyle, Resort, etc.), facilitating the conversion of hotels to accelerate its development in the targeted segments. 82% of the Group's hotels were open at end-December 2020, more than 4,000 units, from a low of 38% at end-April.	10, 16, 56	3	QL + QN	2	+
Mobile App	Accor All for iOS and Android	In light of this, Accor has developed ALL – Accor Live Limitless, a new loyalty program to spearhead its business strategy that is accessible to any guest from a single mobile app, opening the doors to the entire Accor universe.	44	1	QL	1	/
Travel agencies	Booking, Expedia, Airbnb and Ctrip	Focusing their resources on the research and booking stages, they are paid by hotel operators in exchange for the guests they bring them. Their technologies allow them to quickly collect a great deal of personal information about guests, grasp their consumption habits and offer them a wide choice corresponding to their profile, with an optimal browsing experience. 14,000 travel agencies (18,000 agents) and 700 concierges.	21, 32	2	QL + QN	2	+
Social media	Facebook	Through their technological innovations, including the development of voice assistants, digital disruptors have penetrated the hospitality industry by promoting and distributing accommodation.	22	1	QL	1	+

COST STRUCTURE	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Real estate aquisitions	D-Edge, Adoria, Astore, Onefinestay, Paris Society	Accor intends to continue exercising caution regarding the use of its resources until the recovery. Accor will thus conserve liquidity insofar as necessary, with a view to not adversely impacting its credit profile. No proposed acquisition is currently being considered. The Group will look at allocating resources to acquisitions when the outlook so permits.	66	1	QL	3	+
Operating	Personnel, staff, IT infrastructure, distribution and marketing, CRM, wages and personnel expenses	This fall reflects a loss of $1,300 billion in tourism revenue worldwide and the destruction of 100 to 120 million jobs, representing a decline of at least 30%. This situation has a significant impact on the real economy due to falling wages and the resulting unemployment. It led to a 23% decline in GDP for the sector compared with 2019.	16	1	QN	2	-
Compensations	The Board of Directors agreed to the proposal by the Chairman and Chief Executive Officer to reduce his fixed compensation by 25% from April 1 to December 31, 2020. The annual variable compensation will represent between 0% and 150% of a reference amount set at €1,250,000, representing between 0% and 197% of his annual fixed compensation	Accor has established a global compensation policy that is adapted to each country's local practices. It is based on five underlying principles: take into consideration the performance and potential of each employee; offer competitive compensation in relation to the relevant markets and countries; ensure that employee compensation is determined fairly; promote employee savings and share ownership; strengthen employee healthcare coverage and other benefits.	74, 75	2	QL + QN	1	+
Advertising	Intermediation, R&D	As Accor entered the value chain, it came into direct competition with online travel agencies. This helped push down intermediation costs and allowed hotel operators to regain some independence.	22	1	QL	1	+

REVENUE STREAMS	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Partnerships	Faena, SLS, Hyde, Mondrian, delano, glene agli, the hoxton, tribe, mama shelter, VISA, BNP parias, Grab rewards. Eurostar, Air France, Alibaba, Visa. PSG, IMG, AEG, Accor arena	Acquisition of 33.15% of the capital of Orbis for €339 million, then takeover of the Orbis hotel services activity for €286 million and sale of Orbis real estate operations for €1.06 billion.	60	1	QN	1	+
Licensing agreements	SBE and Ennismore, D-Edge	For many years, Lifestyle, entertainment and places that nourish the soul have formed the cornerstone of Accor's development and growth strategy. Lifestyle is enjoying significant popularity amongst guests who are increasingly looking for hotel concepts that embody values and lifestyles that resonate with them. This segment currently accounts for approximately 5% of Accor's revenue.	43	1	QL	1	+
Bookings	Global business network	The revenue of digital services (D-Edge, ResDiary, Adoria, John Paul) declined 28% whilst that of travel-related businesses (onefinestay, Gekko, VeryChic) fell 69%.	67	1	QN	1	-
Fees	Marketing, distribution and loyalty, IT	The health crisis led to a drastic drop in hotel occupancy due to travel restrictions, resulting in a 72% decline like-for-like in fees collected by the Group in 2020, which totaled €292 million.	63	1	QN	2	-

Appendix B: Marriott International BM, the nine building blocks

KEY PARTNERS	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Franchises and Subsidiaries	Marriott Vacation Club, Grand Residences by Marriott, The Ritz-Carlton Destination Club, Westin, Sheraton, and for certain existing properties, St. Regis and The Luxury Collection	At year-end 2020, Marriott had 5,493 franchised and licensed properties (837,912 rooms).	6	1	QN	2	+
Non-profit	American Red Cross, The Gaylord National Resort and Convestion Center	Around the globe, Marriott hotels donated food, cleaning supplies and essential items like gloves and toiletries to frontline and medical workers as well as local families and community groups. Some hotels opened their doors to non-profit organizations that needed large event spaces in order to adhere to social distancing protocols and still meet an increase in demand for their services. The Gaylord National Resort and Convention Center, just outside of Washington, D.C., donated 40,000 square feet of space to the Capital Area Food Bank to support food storage and packaging operations. Together with American Express and JPMorgan Chase, we provided $10 million worth of free hotel stays to frontline healthcare workers.	4	2	QL + QN	2	+
Transport companies	/	Car rental, airlines.	53	1	QL	1	/
Luxury brands	JW Marriott: 102 properties, The Ritz-Carlton: 109 properties, St. Regis: 46 properties, Edition: 11 properties, Bulgari: 6 properties, W Hotels: 59 properties and The Luxury Collection: 119 properties.	Luxury hotel brands include W Hotels, The Luxury Collection, EDITION, and Bulgari. The Classic Select hotel brands include Courtyard, Residence Inn, Fairfield by Marriott, SpringHill Suites, Four Points, TownePlace Suites, and Protea Hotels. While the Distinctive Select hotel brands include Aloft, AC Hotels by Marriott, Element, and Moxy.	12, 13	2	QN	1	/

KEY ACTIVITIES	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Hotel management	At year-end 2020, Marriott employed approximately 121,000 associates at properties, customer care centers, and above- property operations. Approximately 98,000 of these associates are located in the U.S., of which approximately 20,000 belong to labor unions	Marriott's long history of service, innovation and growth was built on a commitment to take care of people. Today, that commitment is known as TakeCare. Through our TakeCare commitment, we are dedicated to providing opportunity, community, and purpose for all associates.	11	1	QL + QN	2	+
Employees training	We recently launched the Digital Learning Zone, focused on providing associates personalized unique learning paths.	At Marriott, associates' career well-being is a top priority and we offer programs and resources to support our associates' career goals, from entry level to management positions. Through skills training programs, professional development opportunities and other learning experiences, we provide associates with a multitude of choices for career and personal growth.	11	1	QL	1	+
Booking	Marriott.com	Marriott digital strategy continues to focus on driving bookings to our direct channels, which generally deliver more profitable business to hotels in our system compared to bookings made through intermediary channels. Through our direct channels, we aim to create a simple and efficient digital shopping and booking experience, while elevating our service through digitally-enabled guest services to generate superior guest satisfaction and enable more frictionless and memorable stays at our properties.	9	1	QL	1	+
Acquisitions	2019 acquisitions of a U.S. & Canada property and Elegant Hotels Group plc ("Elegant").	On September 23, 2016 (the "Merger Date"), the acquisition of Starwood Hotels & Resorts Worldwide, LLC, formerly known as Starwood Hotels & Resorts Worldwide, Inc. ("Starwood"), has been completed through a series of transactions (the "Starwood Combination").	6, 36	2	QL	2	+
Marketing	Marriott Bonvoy	Marriott believes that the location and quality of our lodging facilities, our marketing programs, our reservation systems, our Loyalty Program, and our emphasis on guest service and guest and associate satisfaction contribute to guest preference across all our brands.	9, 10	2	QL	1	/
Real estate maintenance	/	Under management and franchise agreements, hotel owners and franchisees participate in certain centralized programs and services, such as marketing, sales, reservations, and insurance programs. Marriott operates these programs and services for the benefit of our hotel owners.	53	1	QL	1	+

KEY RESOURCES	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Brand	30: Towneplace suites, Bulgari hotels&resorts, JW Marriott, Sheraton and others	Marriott brand portfolio offers the most compelling range of brands and hotels in hospitality. Brands are categorized by style of offering: Classic and Distinctive. Classic brands offer time-honored hospitality for the modern traveler, and Distinctive brands offer memorable experiences with a unique perspective.	11	1	QL	1	/
Properties	7,600	As of February 15, 2021, about 6 percent of our morethan 7,600 properties worldwide were closed compared to more than 25 percent closed on April 26, 2020. Marriott will continue to focus on leveraging our unrivaled global portfolio of more than 7,600 properties, the strength of our 30 brands, the power of Marriott Bonvoy and the determination and excellence of our global team of associates to recover with strength and to drive future growth. At the property level, we implemented plans to help our hotel owners and franchisees reduce their cash outlays and mitigate costs, and we implemented a multi-pronged platform to elevate cleanliness standards and hospitality norms for the health and safety of our guests and associates.	3, 5, 10	3	QL + QN	3	/
Staff	/	Worldwide occupancy in December was at 32 percent compared to 12 percent in April.	3	1	QN	2	-
Franchisees	/	Affiliation with a brand is common in the U.S. lodging industry, and we believe that our brand recognition assists us in attracting and retaining guests, owners, and franchisees. In 2020, approximately 72 percent of U.S. hotel rooms were brand- affiliated. Most of the branded properties are franchises, under which the owner pays the franchisor a fee for use of its hotel name and reservation system.	15	1	QL + QN	2	/

VALUE PROPOSITION	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Status	147 million Marriott Bonvoy members	Marriott have focused on staying flexible and relevant, whether they are ready to travel to a hotel or not. We extended elite status and launched accelerator programs for our co-branded credit card holders to earn up to 10x points on groceries and dining.	4	1	QL + QN	2	+
Customization	Work Anywhere with Marriott Bonvoy, Look No Further Best Rate Guarantee	The Company responded quickly and flexibly during the COVID-19 crisis to meet the needs of our guests by launching new programs, such as Work Anywhere with Marriott Bonvoy, as well as new Marriott web content, focused on providing current hotel and travel information regarding COVID-19. Our Look No Further® Best Rate Guarantee ensures best rate integrity, strengthening consumer confidence in our brand and giving guests access to the best rates when they book hotel rooms through our direct channels.	9	1	QL	1	+
Rewards	Marriott Bonvoy	Members rewarded with points toward free hotel stays, access to travel experiences through our Marriott Bonvoy Tours & Activities program, miles with participating airline programs, and other benefits.	11	1	QL	1	+
Accesibility with a range of options	Marriott Bonvoy, American Express	Members have access to our diverse brand portfolio, rich benefits, and travel experiences. In each of 2019 and 2020, approximately 50 percent of our room nights were booked by this program.	10	2	QL	2	/

CUSTOMER RELATIONSHIPS	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Personalized assistance	Look No Further® Best Rate Guarantee	It ensures best rate integrity, strengthening consumer confidence in our brand and giving guests access to the best rates when they book hotel rooms through our direct channels. We also remain focused on growing engagement levels with millions of guests by interacting with them through a variety of channels, including our mobile application and digital guest services – contactless check-in and check-out, chat, service requests, mobile key, and more - across our hotel portfolio.	9	2	QL	1	+
Loyalty programs	Marriott Bonvoy	The Company responded quickly and flexibly during the COVID-19 crisis to meet the needs of our guests by launching new programs focused on providing current hotel and travel information regarding COVID-19.	9	1	QL	2	/
Online booking	Marriott.com	Our international websites, and our mobile application allow for a seamless booking experience and easy enrollment in our Loyalty Program to book our exclusive Member Rates and participate in program benefits.	9	1	QL	1	+
Affiliate programs	Credit card, car rental, airline, and other companies	Members can redeem points, which we track on their behalf, for stays at most of our hotels, airline tickets, airline frequent flyer program miles, rental cars, and a variety of other awards. Points cannot be redeemed for cash.	53	1	QL	1	/

CUSTOMER SEGMENTS	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Business customers	Demand is still being primarily driven by leisure travelers, and we have not seen meaningful demand return from business and group travelers.	Our ability to remain competitive and attract and retain business and leisure travelers depends on our success in distinguishing the quality, value, and efficiency of our lodging products and services, including our Loyalty Program, direct booking channels, and consumer-facing technology platforms and services, from those offered by others.	15, 33	2	QL	1	/
Travelers	Demand is still being primarily driven by leisure travelers, and we have not seen meaningful demand return from business and group travelers.	COVID-19 also resulted in significantly lower new room additions than we had budgeted for 2020 and historically high levels of cancellations by group and other travelers for future periods. As a result, our revenues and profitability declined dramatically in 2020 compared to 2019.	5, 33	2	QL	2	-
Holiday accomodation facilities	Airbnb, Vrbo	Allow travelers to book short-term rentals of homes and apartments as an alternative to hotel rooms.	15	1	QL	1	/

CHANNELS	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Hotels and Resorts	Telephone call centers	We manage global reservation systems that communicate reservations to our hotels from individuals who book reservations directly with us through our telephone call centers.	26	1	QL	1	/
Website	Marriott.com	Marriott.com, our international websites, and our mobile application allow for a seamless booking experience and easy enrollment in our Loyalty Program to book our exclusive Member Rates and participate in program benefits.	9	1	QL	1	+
Travel agencies	Expedia, Priceline, Travelocity, Orbitz, Booking	These intermediaries initially focused on leisure travel, but now also provide offerings for corporate travel and group meetings.	21	1	QL	1	/
Social media	Facebook, Instagram	Reputational value is also based on perceptions, and broad access to social media makes it easy for anyone to provide public feedback that can influence perceptions of us, our brands and our hotels, and it may be difficult to control or effectively manage negative publicity, regardless of whether it is accurate. While reputations may take decades to build, negative incidents can quickly erode trust and confidence, particularly if they result in adverse mainstream and social media publicity, governmental investigations or penalties, or litigation.	17	2	QL	1	-

COST STRUCTURE	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Services	General, administrative, and other 762 millions	At the corporate level, we made significant cuts in general and administrative costs and spending on capital and other investments. General, administrative, and other expenses decreased primarily due to lower administrative costs due to our cost reduction measures and $20 million of lower legal expenses. $22 million of higher general, administrative, and other expenses (primarily reflecting $75 million of higher provision for credit losses and reserves for guarantee funding, partially offset by $48 million of lower administrative costs due to our cost reduction measures	5, 31, 32	3	QL + QN	2	+
Taxes	267 millions	In determining our provision for income taxes, we use judgment, reflecting our estimates and assumptions, in applying the more likely than not threshold. We recognize accrued interest and penalties for our unrecognized tax benefits as a component of tax expense.	52, 61	2	QL + QN	1	/
Acquisitions	US & Canada property	We made capital expenditures, including expenditures on technology, of $135 million in 2020 and $653 million in 2019. Capital expenditures in 2020 decreased by $518 million compared to 2019, primarily reflecting the net lower spending on owned and leased properties and our worldwide systems and the 2019 acquisitions of a U.S. & Canada property and Elegant Hotels Group plc	36	1	QL + QN	2	+
Advertising	We recognized advertising costs of $276 million in 2020, $851 million in 2019, and $660 million in 2018.	We expense costs to produce advertising as they are incurred and to communicate advertising as the communication occurs and record such amounts in reimbursed expenses to the extent undertaken on behalf of our owners and franchisees.	55	1	QL + QN	1	/

REVENUE STREAMS	Example	Text unit	Page	N° text units	Metrics	Outlook	Tone
Licensing, Franchising	Owned, leased, and other, net $109 millions. Marriott Vacations Worldwide Corporation ("MVW")	Owned, leased, and other revenue, net of direct expenses decreased primarily due to lower demand at and the temporary closure of certain of our owned and leased hotels due to COVID-19, as well as net lower owned and leased profits attributable to hotels sold in the 2019 fourth and 2020 first quarters ($19 million).	6, 31	2	QL + QN	2	-
Bookings	Priceline.com, Expedia.com	Marriott.com, our international websites, and our mobile application allow for a seamless booking experience and easy enrollment in our Loyalty Program to book our exclusive Member Rates and participate in program benefits. Our digital strategy continues to focus on driving bookings to our direct channels, which generally deliver more profitable business to hotels in our system compared to bookings made through intermediary channels.	14, 15	2	QL	2	+
Land rental income	Homes & Villas	Our whole home rental platform Homes & Villas by Marriott International saw a significant increase in interest as many travelers sought drive-to destinations, longer duration stays and large spaces to allow for work, school and fun.	4	1	QL	2	+
Fees	Base management, Franchise, Incentive management, royalty	The decrease in base management and franchise fees primarily reflected lower RevPAR and lower co-brand credit card fees of $84 million primarily due to COVID-19. The decrease in incentive management fees was primarily due to COVID-19. In 2020, we earned incentive management fees from 37 percent of our managed properties worldwide, compared to 72 percent in 2019.	30	2	QL + QN	2	-

Appendix C: Accor Hotel non-financial risks

OPERATIONAL Text unit	Example	Page	N° text units	Metrics	Outlook	Tone
Personal data: For the needs of its hospitality business, Accor uses data (identity and sometimes payment) of its guests, particularly in hotels and in its loyalty program. This data could be subject to malicious use, internally or externally.	The Group and its service providers could be victims of attacks on their computer systems (viruses, denial-of-service attacks, etc.), sabotage or intrusion (physical or digital), that could harm the availability, the integrity or the confidentiality of the data.	144	2	QL	1	-
Human rights	Health and safety risks were identified based on visits made to some of the Group's hotels (pre-COVID-19) and in-depth interviews with members of their management team.		1	QL	2	/
Competition: Direct access to the reinsurance markets provides the Group with a more diverse range of market players, creating beneficial competition and a wider range of options in an increasingly difficult and restrictive insurance market environment.	In light of our increasingly digitalized activities and the importance of processing data, we have introduced cyber coverage over the past several years. This insurance policy is upgraded regularly and approved according to the best offer available on the insurance market.	134	2	QL	2	+
Interruption activity	The Group requires its partners to take out insurance against any possible property damage and related potential business interruption and provides solutions under the Group's insurance program. However, financial losses stemming from the health crisis are excluded from nearly all of the insurance policies held by the Group and its partners.	129	1	QL	2	+
Partners: A great majority of these hotels are operated through management contracts and as franchises. A great majority of the activities and development of Accor therefore are based on its network of third-party owners.	The Group offers these owners, via its Astore Shop platform, access to more than three listed suppliers. In addition, as part of its new loyalty program "Lifestyle All", the Group is supported by a network of partners to offer unique experiences to its loyal guests.	145	2	QL	1	+
Health and safey standard: The Group is also exposed to the consequences of the non−compliance of its listed suppliers with the standards and regulations governing food safety or the safety of individuals.	Failure to comply with these standards, resulting in an accident, a fire or food poisoning, could occur in a hotel of the Group, which would imperil the health and safety of its guests and employees and could harm its reputation.	145	2	QL	3	-

IT text unit	Example	Page	N° text units	Metrics	Outlook	Tone
Accor's businesses are based on a suite of processes and applications to support employees and hotel managers in their work and guests in their travel plans. The Group's digital transformation has made its business heavily dependent on the proper functioning and security of such applications.	The Information Technology (IT) Department is tasked with managing the modernization of the IT architecture, and plays a major role in the prevention (security patches, specific anti-network saturation measures, etc.), detection and management of security incidents.	135	2	QL	1	+
The data necessary for the Group's operations (personal data, strategic and financial data, etc.) are vulnerable to damage to its infrastructure or that of its service providers, and in particular its service providers' data centers.	The Information Systems Security Department is tasked with securing all of the IT infrastructure, systems and applications necessary for the Group's operations. Its role is to administer a set of hardware and software dedicated to risk prevention.	135	2	QL	1	+
Digital operating data	Whatever the cause, the unavailability of Group data could trigger service interruptions and result in serious damage to the Group's reputation, or even incur its liability, which could have a significant impact on its revenue and in turn its earnings.	135	1	QL	3	-
Faced with the health crisis linked to the Covid-19 coronavirus, Accor has organized itself to ensure business continuity for the head offices, the priority being above all the health and safety of employees. The Risk and Insurance Department, in coordination with the Group Crisis Unit, has set up a Business Continuity Plan (BCP).	The IT teams undertook the necessary work and checks to make teleworking possible, if necessary, for all employees, without exception.	177	1	QL	2	/

COMPLIANCE text unit	Example	Page	N° text units	Metrics	Outlook	Tone
Conflict of interest: In the event of an actual or potential conflict of interest, the Concerned Director shall not take part in the discussion of the matter concerned or the related vote and shall be asked to step out from the meeting while the discussion and vote take place.	He or she shall not receive the information prepared for Board members on the agenda item giving rise to the conflict of interest or the corresponding section of the minutes of the Board meeting.	298	2	QL	3	-
Mitigation	In this unprecedented situation, Accor implemented mitigation measures to adapt its variable costs to the sharp drop in business and preserve its liquidity position, including furloughing and partial unemployment measures, decrease in some variable components of employee compensation, reduction in sales and marketing expenses and recurring investments.	335	1	QL	2	+
Corruption	A new exercise was launched in the second half of the year drawing on the new methodology, which is based on an assessment of the level of gross risk,the level of control and the level of net risk to which the Group's operating divisions and corporate functions are exposed in its various host regions.	126	1	QL	2	+
Procurement: The procurement teams support Accor's various CSR commitments. Thus, the purchasing teams work in building Accor's range of eco-responsible products and in preparing a food offer that complies with the commitments of the Healthy and Sustainable Food Charter.	The Procurement Department, together with the Sustainable Development Department, uses supplier mapping to identify Accor's exposure to CSR risks. The procurement categories were classified into three risk levels ("standard", "at risk", "high risk") according to five criteria, including the amount spent with the supplier and the social and environmental risks related to its activity. The risk management approach of each of these suppliers differs according to its level of risk	189	2	QL	1	/
Ethical and CSR commitments: The Group has made commitments to fight against food waste and consumption of non-renewable resources and reduce its contribution to water stress, the attainment of which depends to a large extent on its partners, in particular the owners of the hotels.	The Group's geographical implantation and its business sector expose it to risks of violation of human rights (discrimination, child labor, forced labor, etc.) or of business ethics (bribery, money laundering, etc.). Such acts could harm the physical and psychological integrity of the Group's guests or employees, its image and its reputation, but also engage its liability for failure to comply with applicable laws and regulations.	145	3	QL	1	+

COVID-19 text unit	Example	Page	N° text units	Metrics	Outlook	Tone
In view of the widespread use of teleworking within Accor, a guide on teleworking has been made available to all employees, with the aim of helping them to manage their assignments and interactions between employees in the best possible way, along three main lines: work-life balance, well-being and the work environment, and new working methods. Managers were also invited to establish regular contact with their teams.	The hotel teams have deployed the ALLSAFE health protocol, intended for employees and guests alike, under the leadership of an ALLSAFE Officer appointed and trained in each hotel.	174	1	QL	2	+
The spread of the Covid-19 pandemic across the world and related containment measures initiated by the governments (including travel bans, border closings and stay-at-home directives) sharply affected the travel and hospitality industries over the year 2020.	The Group's operations were heavily impacted with around 60% of Accor branded hotels closed in April and May.	335	1	QL + QN	2	-
The global spread of the Covid-19 virus as well as the measures taken by governments to slow its spread (in particular travel bans, border closures and lockdowns) seriously affected the tourism and hospitality sectors in 2020.	The Company's operations were heavily impacted by the closure of close to 60% of the hotels operating under the Accor banner in April and May. Despite an upturn in the summer season, the contraction in leisure guest numbers since end-August along with further travel restrictions associated with the second wave of the pandemic, particularly in Europe, slowed the recovery in the second half of 2020. As of December 31, 2020, 18% of the Group's hotels were closed, primarily in Europe.	318	2	QL + QN	2	-
In view of the widespread use of teleworking within Accor, a guide on teleworking has been made available to all employees, with the aim of helping them to manage their assignments and interactions between employees in the best possible way, along three main lines: work-life balance, well-being and the work environment, and new working methods. Managers were also invited to establish regular contact with their teams and to adapt their management to this particular period.	on March 13, 2020 employees were informed of the widespread use of teleworking and asked to limit their travel as much as possible and organize meetings remotely, by conference call or video conference, according to the tools made available to each employee by Accor.	175	2	QL	2	/

ENVIRONMENT text unit	Example	Page	N° text units	Metrics	Outlook	Tone
greenhouse gas emission	According to the 2018 carbon footprint study conducted by Accor (Scopes 1, 2 and 3, excluding guest transportation), these activities also contribute the most to the Group's carbon impact (energy consumed in the hotels and upstream farming operations or the production of food served in the restaurants). Greenhouse gas emissions have consequences on world climate change, as well as the seriousness and frequency of extreme weather events, and could lead to population movements, and have effects on human health and ecosystems. Although it is a moderate contributor to greenhouse gas emissions (0.01% of world emissions in 2017),	145	2	QL + QN	2	/
Fire risk. As part of the overall process for preventing hotel risks, the Group has set up a process for analyzing fire risk based on a questionnaire assessing the level of exposure and safety of the hotels it operates under management or franchise contracts. The Group organizes fire prevention inspections to reduce risk exposure and obtain cover on a cost-effective basis in the insurance and reinsurance markets.	This detailed questionnaire is built on the three major pillars of fire safety: buildings (building standards, architecture, materials, etc.), technical aspects (electricity, detection, extinction, air conditioning, heating, evacuation system, etc.) and people (safety management, facilities maintenance, staff training, awareness, drills, etc.). Each of these major pillars is the subject of specific questions allowing levels of risk and safety to be assessed. This analysis is used to draw up an annual list of the hotels to be visited by experts with a view to enhancing their safety.	127	2	QL	1	+

climate change risk	In 2021, Accor's 10/20-year climate risk map will be further developed in order to notify the Accor Group of the potential consequences of climate change and improve financial transparency as regards climate in the long term, in compliance with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosure).	127	1	QL	3	+
environment	According to the environmental footprint updated by Accor in 2015, 25% of the Group's hotels are located in areas of high to very high water stress, which exposes the Group to a Risk of participating in increasing local water stress. At the same time, an environmental footprint study updated in 2020 with data for 2019 provides an overview of the Group's main environmental impacts, from which two major challenges stand out: the management of the environmental impacts of its building park and the promotion of sustainable food in its restaurants. This study was updated in 2020 with the data available for 2019.	145	2	QL + QN	2	+

Appendix D: Marriott International non-financial risks

OPERATIONAL Text unit	Example	Page	N° text units	Metrics	Outlook	Tone
Our hotel management and franchise agreements may be subject to premature termination in certain circumstances, such as the bankruptcy of a hotel owner or franchisee, the failure of the hotel owner or franchisee to comply with its payment or other obligations under the agreement, a failure under some agreements. When terminations occur for these or other reasons, we may need to enforce our right to damages for breach of contract and related claims, which may cause us to incur significant legal fees and expenses.	Some courts have also applied agency law principles and related fiduciary standards to managers of third-party hotel properties, including Marriott.	15	4	QL	3	/
We own very few of our lodging properties. The nature of our responsibilities under our management agreements to manage each hotel may be subject to interpretation and will from time to time give rise to disagreements. We seek to resolve any disagreements to develop and maintain positive relations with current and potential hotel owners, franchisees, and real estate investment partners.	Disagreements over the need for or payment for new product, service or systems initiatives, the timing and amount of capital investments, and reimbursement for operating costs, system costs, or other amounts. If any such litigation results in an adverse judgment, settlement, or court order, we could suffer significant losses, our profits could be reduced, or our future ability to operate our business could be constrained.	16	3	QL	3	/
Our growth strategy for adding lodging facilities entails entering into and maintaining various arrangements with property owners. The terms of our management agreements and franchise agreements for each of our lodging facilities are influenced by contract terms offered by our competitors, among other things.	/	16	2	QL	1	/

Although our Best Rate Guarantee and Member Rate programs have helped limit guest preference shift to intermediaries and greatly reduced the ability of intermediaries to undercut the published rates at our hotels, intermediaries continue to use a variety of aggressive online marketing methods to attract guests. Our business and profitability could be harmed to the extent that online intermediaries succeed in significantly shifting loyalties from our lodging brands to their travel services. If we are not able to negotiate new agreements on satisfactory terms when our existing contracts with intermediaries come up for renewal, our business and prospects could be negatively impacted in a number of ways.	Some of our hotel rooms are booked through Internet travel intermediaries such as Expedia.com, Priceline.com, Booking.com, Travelocity.com, and Orbitz.com, as well as lesser-known online travel service providers. If newly negotiated agreements are on terms less favorable to our hotels than the expiring agreements, or if we are not able to negotiate new agreements and our hotels no longer appear on intermediary websites, our bookings could decline and our profits too.	16	2	QL	1	-
A significant number of rooms in our system are located outside of the U.S. and its territories. To the extent that our international operations continue to grow, this increasingly exposes us to the challenges and risks of doing business outside the U.S.	Compliance with complex and changing laws, regulations and government policies; compliance with U.S. and foreign laws that affect the activities of companies abroad; uncertainties as to the enforceability of contract and intellectual property rights under local laws; rapid changes in government policy, political or civil unrest, acts of terrorism, war, pandemics.	16	1	QL	1	/
Our business depends on the quality and reputation of our Company and our brands, and any deterioration could adversely impact our market share, reputation, business, financial condition, or results of operations.	Many factors can affect the reputation of one or more of our properties or brands and the value of our brands, including service, food quality and safety, safety of our guests and associates. Our approach to health and cleanliness, our approach to managing and reducing our carbon footprint, availability and management of scarce natural resources, supply chain management, ability to protect and use our brands and trademarks, diversity, human rights, and support for local communities.	17	1	QL	1	/
We earn revenues and incur expenses in foreign currencies as part of our operations outside of the U.S. Fluctuations in currency exchange rates may significantly increase the amount of U.S. dollars required for foreign currency expenses or significantly decrease the U.S. dollars we receive from foreign currency revenues. We expect that our exposure to foreign currency exchange rate fluctuations will grow as the relative contribution of our non-U.S. operations increases.	Exchange rate changes between foreign currencies and the U.S. dollar affect the amounts we record for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our financial results.	17	3	QL	1	-
We franchise and license many of our brand names and trademarks to third parties for lodging, timeshare, and residential properties, and with respect to our credit card programs. Under the terms of their agreements with us, these third parties interact directly with guests and others under our brand and trade names.	If these third parties fail to maintain or act in accordance with applicable brand standards; experience operational problems, including any data or privacy incident involving guest information or a circumstance involving guest or associate health or safety; or project a brand image inconsistent with ours, then our image and reputation could suffer.	18	2	QL	1	/
A significant number of associates at our managed, leased, and owned hotels are covered by collective bargaining agreements. Labor disputes and disruptions have in the past, and could in the future, result in adverse publicity and adversely affect operations and revenues at affected hotels.	Labor disputes and disruptions could harm our relationship with our associates, result in increased regulatory inquiries and enforcement by governmental authorities, harm our relationships with our guests and customers, divert management attention, and reduce customer demand for our services, all of which could have an adverse effect on our reputation, business, financial condition, or results of operations.	18	2	QL	1	/
We compete with other companies both within and outside of our industry for talented personnel. A shortage of skilled labor could also result in higher wages that would increase our labor costs, which could reduce our profits. The efforts and abilities of our senior executives are important elements of maintaining our competitive position and driving future growth.	If we cannot recruit, train, develop, and retain sufficient numbers of talented associates, we could experience increased associate turnover, decreased guest satisfaction, low morale, inefficiency, or internal control failures.	18	2	QL	3	-

Any one or more of these events may reduce the overall demand for lodging, limit the room rates that can be charged, and/or increase our operating costs, all of which could adversely affect our profits.	We have seen a decline in travel and reduced demand for lodging due to so called "Acts of God," such as hurricanes, earthquakes, tsunamis, floods, volcanic activity, wildfires, and other natural disasters, as well as man-made disasters and the spread of contagious diseases in locations where we own, manage, or franchise properties.	18	1	QL	2	-
We require comprehensive property and liability insurance policies for our managed, leased, and owned properties with coverage features and insured limits that we believe are customary. We also require our franchisees to maintain similar levels of insurance. The costs for our cyber insurance increased with both our 2019 and 2020 renewals, and the cost of such insurance could continue to increase for future policy periods.	Certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, terrorist acts, pandemics, or liabilities that result from incidents involving the security of information systems, may result in high deductibles, low limits, or may be uninsurable.	18	2	QL	2	-
We review goodwill and indefinite-lived intangible assets for impairment annually or whenever events or circumstances indicate impairment may have occurred. Because of the significance of our goodwill and other intangible assets, any future impairment of these assets could require material non-cash charges to our results of operations.	As of December 31, 2020, we had $18.2 billion of goodwill and other intangible assets. There are changes in the business climate, unanticipated changes in the competitive environment, adverse legal or regulatory actions or developments, changes in guests' perception and the reputation of our brands, or changes in interest rates, operating cash flows, or market capitalization.	19	2	QL + QN	1,3	/

SUSTAINABILITY text unit	Example	Page	N° text units	Metrics	Outlook	Tone
We operate, build and operate sustainable hotels, source responsibly, advance human rights, and mitigate climate-related risk.	Together with American Express and JPMorgan Chase, we provided $10 million worth of free hotel stays for frontline healthcare workers.	12	1	QN	2	+
In 2021, we expect to revise and implement sustainability and social impact programming that is most pertinent to the current operating environment, while helping us to address the growing expectations of our stakeholders, increase our operational efficiency and excellence, and enhance our reputation while mitigating risk and supporting the resiliency of our business.	We deployed our Marriott Disaster Relief Fund to provide essential items, such as food vouchers, to Marriott associates in need.	12	1	QL	3	+

IT text unit	Example	Page	N° text units	Metrics	Outlook	Tone
We manage global reservation systems that communicate reservations to our hotels from individuals who book reservations directly with us online, through our mobile apps, through our telephone call centers, or through intermediaries like travel agents, Internet travel websites, and other distribution channels.	Our business may suffer if we fail to maintain, upgrade, or prevent disruption to our reservation systems. Disruptions in or changes to our reservation systems could result in a disruption to our business and the loss of important data.	21	3	QL	1	-
These technologies and systems must be refined, updated, and/or replaced with more advanced systems on a regular basis, and our business could suffer if we cannot do that as quickly or effectively as our competitors or within budgeted costs and time frames. We also may not achieve the benefits that we anticipate from any new technology or system, and a failure to do so could result in higher than anticipated costs or could impair our operating results.	The lodging industry continues to demand the use of sophisticated technology and systems, including those used for our reservation, revenue management, property management, human resources and payroll systems, our Loyalty Program, and technologies we make available to our guests and for our associates.	21	2	QL	3	/
The information, security, and privacy requirements imposed by laws and governmental regulation, our contractual obligations, and the requirements of the payment card industry are also becoming more stringent in many jurisdictions in which we operate. We may incur significant additional costs to meet these requirements, obligations, and expectations, and in the event of alleged or actual noncompliance, we may experience increased operating costs, increased exposure to fines and litigation, and increased risk of damage to our reputation and brand.	In the operation of our business, we collect, store, use, and transmit large volumes of data regarding associates, guests, customers, owners, licensees, franchisees, and our own business operations, including credit card numbers, reservation and loyalty data, and other personal information, in various information systems that we maintain and in systems maintained by third parties, including our owners, franchisees, licensees, and service providers.	21	3	QL	3	-

Any further restrictions in laws such as the CANSPAM Act, and various U.S. state laws, or new federal or state laws on marketing and solicitation or international privacy, e-privacy, and anti-spam laws that govern these activities could adversely affect the continuing effectiveness of email, online advertising, and postal mailing techniques and could force further changes in our marketing strategy.	We rely on a variety of direct marketing techniques, including email marketing, online advertising, and postal mailings.	22	1	QL	1	/
Significant legislative, judicial, or regulatory changes could be issued in the future. Following the Data Security Incident, certain regulators also opened investigations into our privacy and security policies and practices.	Non-U.S. data privacy and data security laws, various U.S. federal and state laws, payment card industry security standards, and other information privacy and security standards are all applicable to us.	22	2	QL	3	/
We have implemented security measures to safeguard our systems and data, and we intend to continue implementing additional measures in the future, but, as we have seen in the past, our measures may not be sufficient to maintain the confidentiality, security, or availability of the data we collect, store, and use to operate our business. Our reliance on computer, Internet-based, and mobile systems and communications, and the frequency and sophistication of efforts by third parties to gain unauthorized access or prevent authorized access to such systems, have greatly increased in recent years. Because we have experienced cybersecurity incidents in the past, additional incidents or the failure to detect and appropriately respond to additional incidents could magnify the severity of the adverse effects on our business.	We have experienced cyberattacks, attempts to disrupt access to our systems and data, and attempts to affect the operation or integrity of our data or systems, and the frequency and sophistication of such efforts could continue to increase.	22	3	QL	2	-

We are a party to or have been named as a defendant in numerous lawsuits, primarily putative class actions, brought by consumers and others in the U.S. and Canada, one securities class action lawsuit in the U.S., three shareholder derivative lawsuits in the U.S., and one purported representative action brought by a purported consumer class in the U.K. Significant management time and Company resources have been, and will continue to be, devoted to the Data Security Incident. Future publicity or developments related to the Data Security Incident, including as a result of subsequent reports or regulatory actions or developments, could have a range of other adverse effects on our business or prospects.	Following our March 31, 2020 announcement of an incident involving information for approximately 5.5 million guests that we believe may have been improperly accessed through an application using the login credentials of two franchise employees at a franchise property (the "Unauthorized Application Access Incident"), various governmental authorities opened investigations or requested information about the incident, and two lawsuits were filed against us related to the incident.	21	3	QL + QN	2	-

COVID-19 text unit	Example	Page	N° text units	Metrics	Outlook	Tone
COVID-19 has negatively impacted, and will in the future negatively impact to an extent we are unable to predict, our revenues from managed and franchised hotels, which are primarily based on hotels' revenues or profits. This has caused, and may in the future continue to cause, some lenders to declare a default, accelerate the related debt, foreclose on the property or exercise other remedies, and some hotel owners or franchisees to declare bankruptcy. Even if hotel owners or franchisees do not declare bankruptcy, the significant decline in revenues for most hotels has impacted the timely payment of amounts owed to us by some hotel owners and franchisees.	COVID-19 has also materially impacted, and could in the future materially impact, other non-hotel related sources of revenues for us, including for example our fees from our co-brand credit card arrangements, which have been and may continue to be affected by COVID-19's impact on spending patterns of co- brand cardholders and acquisition of new co-brand cardholders.	13	3	QL	3	-
As a result, most of our owned and leased hotels and properties in which we have an investment are not generating revenue sufficient to meet expenses, which is adversely affecting our income and could in the future more significantly adversely affect the value of our owned and leased properties or investments.	As a result of the foregoing, significant non-cash impairment charges to our results of operations.	13	1	QL	1	-

Many current and prospective hotel owners and franchisees are finding it difficult or impossible to obtain hotel financing on commercially viable terms. COVID-19 has caused and may continue to cause construction delays due to government restrictions and shortages of workers or supplies. Opening delays and a decrease in the rate at which new projects enter our pipeline, and we may see an increase in the number of projects that fall out of our pipeline as a result of project cancellations or other factors.	COVID-19 has caused and may continue to cause some projects that are in construction or development to be unable to draw on existing financing commitments or secure additional or replacement financing to complete construction, and additional or replacement financing that is available may be on less favorable terms. Some of the properties in our development pipeline will not enter our system when we anticipated, or at all.	14	3	QL	3	-
COVID-19 has caused us to incur additional expenses and will continue to cause us to incur additional expenses in the future which are not fully reimbursed or offset by revenues. If a hotel closes and has employees covered by an underfunded multi-employer pension plan, we may need to pay withdrawal liability to the plan as result of such closure if it is determined that there has been a complete or partial withdrawal from the plan, and we may be unable to collect reimbursement from the hotel owner. As a result of COVID-19, we and our hotel owners and franchisees have experienced and could continue to experience other short or longer-term impacts on costs, for example, related to enhanced health and hygiene requirements.	We have already incurred certain expenses related to furloughs, our voluntary transition program and position eliminations, and We expect additional charges related to our property-level restructuring activities	14	3	QL	3	-
We have seen increases in our cost of borrowing as a result of COVID-19 and such costs may increase even further for a time we are unable to determine. Credit agencies have downgraded our credit ratings. Our latest amendments to our Credit Facility increase the minimum liquidity we are required to maintain for the duration of the waiver period. The impact of COVID-19 on the financial markets is expected to adversely impact our ability to raise funds through equity financings.	In 2020, we made significant borrowings under our $4.5 billion Credit Facility and completed offerings of $3.6 billion aggregate principal amount of senior notes to preserve financial flexibility in light of the impact on global markets resulting from COVID-19.	15	3	QN	2	-
Reputational damage from, and the financial impact of, position eliminations, furloughs or reduced work weeks could lead associates to depart the Company and could make it harder for us or the managers of our franchised properties to recruit new associates in the future. In addition, if we or our hotel owners or franchisees are unable to access capital to make physical improvements to our hotels, the quality of our hotels may suffer, which may negatively impact our reputation and guest loyalty, and our revenue and market share may suffer as a result.	Because of the significant decline in the demand for hotel rooms, we have taken steps to reduce operating costs and improve efficiency, including furloughing a substantial number of our associates and implementing reduced work weeks for other associates, implementing a voluntary transition program for certain associates, eliminating a significant number of above-property and on-property positions, and modifying food and beverage offerings and other services and amenities. Loss of our personnel may cause us to experience operational challenges that impact guest loyalty, owner preference, and our market share, which could limit our ability to maintain or expand our business and could reduce our profits.	13	3	QL	1	+

STRATEGIC text unit	Example	Page	N° text units	Metrics	Outlook	Tone
We operate in markets that contain many competitors. Each of our hotel brands and our home rental offering competes with major hotel chains, regional hotel chains, independent hotels, and home sharing and rental services across national and international venues. If we cannot compete successfully in these areas, our operating margins could contract, our market share could decrease, and our earnings could decline.	Our ability to remain competitive and attract and retain business and leisure travelers depends on our success in distinguishing the quality, value, and efficiency of our lodging products and services, including our Loyalty Program, direct booking channels, and consumer-facing technology platforms and services, from those offered by others.	15	1	QL	1	/
Our business is impacted by decreases in travel resulting from weak economic conditions, changes in energy prices and currency values, political instability, heightened travel security measures, travel advisories, disruptions in air travel, and concerns over disease, violence, war, or terrorism.	Because we conduct our business on a global platform, changes in global, national, or regional economies, governmental policies (including in areas such as trade, travel, immigration, healthcare, and related issues), and geopolitical and social conditions impact our activities. Our business is impacted by decreases in travel resulting from weak economic conditions, changes in energy prices.	15	1	QL	1	-

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Figure 1 From: Business Model: What it is and What is not (DaSilva, C.M., Trkman, P., 2013)
Figure 2 From: BM origin, development and future perspectives (Bernd W. Wirtz et al., 2016)
Figure 3 From: BM canvas generation (Alexander Osterwalder, 2010)
Figure 4 From: Business Model background paper for IR (2013, p.8)
Figure 5 From: IIRC's business model disclosure map (2013, b)
Figure 6 From: IR guidelines (The author)
Figure 7 From: Accor Hotels business model canvas (The author)
Figure 8 From: Marriott International business model canvas (The author)
Figure 9 From: Evaluation parameters (The author)
Figure 10 From: Business model key activities, Appendix A (The author)
Figure 11 From: Business models findings (The author)
Figure 12 From: BM, n° of unit texts comparison (The author)