UNITEHERE!

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Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Submitted online via https://www.sec.gov/rules/submitcomments.htm.

Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors (File Number S7-10-22)

Dear Ms. Countryman,

UNITE HERE strongly supports the SECs' efforts to update issuer disclosure requirements on climate change. As the Union of hospitality workers, we're on the frontlines of climate change. Our service-based industry cannot ignore the impact of climate change on employees, the single largest factor in operations. Not only is the fate of industry employees tightly bound up with how employers respond to climate change, our members, disproportionately low-income workers of color and immigrants, are often the hardest hit when climate change-related disasters strike.

Representing our 300,000 members who work in the hospitality industry (hotels, gaming, and foodservice) UNITE HERE has consistently advocated for greater visibility of the climate-related impacts of travel and issuers plans to mitigate risks related to climate change. Hospitality is a people-centered business, and it would be a grave error if hospitality companies omitted their workforce from their climate disclosures as has historically been the case. The SEC's proposed rule on climate disclosure should create a reporting framework that gives hospitality investors consistent, comparable and decision-useful information for evaluating financial risk related to climate-change.[1] In the case of climate change-related reporting, the SEC <u>must</u> include required reporting on the workforce, the single largest factor of operations in service industries like hospitality.

Climate risks and operational structures differ considerably between industries and the SEC should adjust for these differences in its final policy. Given the centrality of the workforce in hospitality's service-intensive industry, investors and the public require more than just disclosures about the industry's physical plant. Hospitality investors require disclosures that incorporate a discussion of the climate related risks to its workforce, not just its buildings.
The voluntary climate change-related disclosures that are already happening at publicly traded hotel companies are inadequate and misleading. Without rigorous requirements, companies only report what puts them in the best light, not what is comprehensive and necessary.

[1] https://www.sec.gov/rules/proposed/2022/33-11042.pdf

Voluntary reports vary in quality, are difficult to compare, and omit important information about the hotel workforce. Host Hotels & Resorts, the leading hotel REIT with over 79 properties in their portfolio, reported only 165 employees in their 2021 ESG report.[2] At the same time, Host says in its 10-K that hotel labor is its greatest operating expense, amounting to nearly 60% of costs.[3] These omissions underscore why the SEC must require climate-risk disclosures for the hotel industry that give investors insight into issuers' plans to mitigate climate-driven risks related to their workforce.

As hotel industry issuers and investors examine climate risks specific to their sector – physical risks, regulatory risks, transition risks, changing consumer preferences, and technological changes – a key consideration is how to analyze these risks across the fissured employment structure of the industry where the operator is often a Real Estate Investment Trust (REIT) that contracts out the day-to-day management of its properties to a third-party manager acting as titular employer.[4] This problem was documented in two recent articles by Columbia Business School Professor Shiva Rajgopal, who pointed out that the investor disclosures of the largest hospitality REIT, Host Hotels and Resorts, fails to even acknowledge the existence of the thousands of employees who deliver its product.[5] Rajgopal found a similar problem in the industry's largest employer, Marriott, whose disclosures cover only an estimated one in six employees due to franchising.[6]

Given the unique operational structure of REIT-owned hotels, where REITs control operational decisions through budget approval rights, UNITE HERE believes that climate disclosures for hotel REITS should increase visibility on the full range of emissions generated in a hotel value chain. This includes overall hotel energy consumption and emissions, as well as breakouts of emissions arising from single-use paper and plastic, laundry and food service, staff commutes, the transport of goods, and the disposal of waste.[7]

Unlike most REITs, where tenant emissions are the result of the conduct of a third party, some hotel REITs maintain financial control over the operators in their properties through management agreements that reserve the right to approve operating budgets. For example, a 2020 10-K filing from RLJ Lodging Trust describes the control over the properties they exert through management agreements:

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[2] Host 2021 ESG page 5 : https://www.hosthotels.com/-/media/hosthotels/files/downloadlinksassets/cr-highlights/host_hotels_resorts_inc_2021_corporate_responsibility_report.pdf

[3] Page 35. https://www.sec.gov/ix?doc=/Archives/edgar/data/1070750/000156459021008676/hst-10k_20201231.htm

[4] Host 10k and David Weil, "Understanding the Present and Future of Work in the Fissured Workplace Context" The Russel Sage Foundation Journal of the Social Sciences, 2019.

[5] https://www.forbes.com/sites/shivaramrajgopal/2022/05/03/hotels-in-name-only-the-strange-case-of-lodging-reits/?sh=20dc00f9c215 & https://www.forbes.com/sites/shivaramrajgopal/2022/03/20/asset-lite-companies-rely-on-labor-based-arbitrage-heres-the-investor-and-esg-case-for-disclosing-their-labor-practices/?sh=417b9c815f09

[6] https://www.forbes.com/sites/shivaramrajgopal/2022/03/20/asset-lite-companies-rely-on-labor-based-arbitrage-heres-the-investor-and-esg-case-for-disclosing-their-labor-practices/?sh=417b9c815f09

[7] https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance

> “We have a dedicated team of asset management professionals that proactively work with our third-party management companies to maximize profitability at each of our hotels to the extent permitted under the REIT rules. Our asset management team monitors the performance of our hotels on a daily basis and holds frequent ownership meetings with corporate operations executives and key personnel at the hotels. Our asset management team works closely with our third-party management companies on key aspects of each hotel's operation, including, among others, revenue management, market positioning, cost structure, capital and operational budgeting, as well as the identification and evaluation of return on investment initiatives and overall business strategy.”[8]

We urge the SEC to implement climate disclosure in the hotel industry that matches the specific ownership structure of the industry, where the hotel owner, often a publicly-traded REIT, exerts substantial influence or control over hotel operations. Investors need clear and comparable climate metrics related to the hotel workforce in REIT-owned hotels in order to evaluate corporate issuers’ plans to mitigate climate risk and implement a just transition. These disclosures related to the hotel workforce are particularly important in the service-driven hospitality sector, where labor is the primary expenditure, and asset owners bear the entire cost of maintaining a workforce.

For further information or discussion about enhancing disclosure in hotel companies, please contact: Dana Wise, Director of Corporate Engagement, UNITE HERE [redacted]

Sincerely,

D. Taylor
International President
UNITE HERE

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[8] RLJ 2020 Annual Report, pg 7, available at: https://investor.rljlodgingtrust.com/static-files/750b446a-c284-4bac-b10c-2c472d6848b9