



Preliminary Due Diligence of Kuoni Travel Holding Ltd

Prepared for IUCN

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1. Introduction

IUCN is exploring opportunities for engaging with Kuoni travel Holding Ltd. on marine biodiversity issues. In keeping with IUCN's *Strategy for Enhancing IUCN's Interaction with the Private Sector* and the associated *Operational Guidelines for Private Sector Engagement*, this preliminary due diligence review of the company is in support of a determination of the appropriateness of engagement and the form of that engagement.

This report follows the preliminary diligence procedures outlined in the *Operational Guidelines for Private Sector Engagement*. The sections of this report are based on Step 1 on 'Risk identification' of Module 5 on 'Managing risk – Due diligence processes' of the Guidelines.

2. Basic information

As stated publically on their corporate website:

“Kuoni Travel Holding Ltd. is one of Europe's leading tourist travel corporations, and generated total turnover of CHF 4 699 million in 2007 with a worldwide workforce of 8826 (full-time-equivalent) personnel. The company's activities are focused on its core Leisure Travel and Destination Management businesses.

Head Office is in Zurich, Switzerland, where Alfred Kuoni founded the company back in 1906. The Kuoni Group has steadily and systematically developed its position in the world travel market over the years, and has branch operations today in over 30 countries in Europe, Asia, Africa and North America.”¹

Kuoni has branch operations in over 30 countries. Kuoni Travel Holding Ltd is a holding company operating under Swiss law. It has direct or indirect shareholdings in all the companies worldwide which belong to the Kuoni Group.² As of March 2008, these include the following:

- Austria - Reisebüro Kuoni Ges.m.b.H.
- Belgium - Kuoni Travel Belgium B.V.B.A.
- Cambodia - Asian Trails Ltd. (Cambodia)
- China - Kuoni Travel (China) Ltd.
- Czech Republic - Kuoni Destination Management S.R.O.
- Denmark - Kuoni Scandinavia AB
- France - Voyages Kuoni SA
- Germany - Conference & Touring GmbH
- Hungary - Kuoni Destination Management Ltd.

- India - Kuoni Travel (India) Pvt. Ltd.
- Indonesia - P.T. Asian Trails Indonesia
- Italy - Kuoni Italia S.p.A.
- Japan - Kuoni Travel (Japan) Ltd.
- Kenya and Tanzania - Private Safaris East Africa Ltd.
- Laos - Asian Trails Laos
- Malaysia - Asian Trails (M) Sdn. Bhd.
- Myanmar - Asian Trails Tour Ltd.
- Nepal - SITA World Travel (Nepal) Pvt. Ltd.
- Netherlands - Kuoni Travel Nederland BV
- Norway - Kuoni Scandinavia AB
- Russia - UTE Megapolus Gruppe
- Singapore - Kuoni Travel (S) PTE Ltd.
- South Africa - Kuoni Private Safaris (Pty) Ltd.
- South Korea - Kuoni Travel (Korea) Ltd.
- Spain - Viajes Kuoni SA
- Sri Lanka - SITA World Travel (Lanka) Pvt Ltd
- Sweden - Kuoni Scandinavia AB
- Switzerland - Kuoni Reisen AG
- Taiwan - Kuoni Travel Ltd. (Taiwan Branch)
- Thailand - Asian Trails Ltd.
- United Arab Emirates - Kuoni Travel Dubai LCC
- United Kingdom - Kuoni Travel Ltd.
- USA - AlliedTPro Inc.
- Vietnam - Asian Trails Co., Ltd. (Vietnam)³

The principal shareholders of Kuoni are as follows:

- **Kuoni and Hugentobler Foundation, Zurich**
 - 31 December 2007: 985 600 registered shares A = 25.00% of the voting rights
 - “In 1957, the Kuoni family established the Kuoni and Hugentobler Foundation under which to group their holding; much later, with Kuoni's public listing, the foundation would become the company's primary shareholder.”⁴
- **Silchester International Investors Limited, London**
 - 31 December 2007: 402 841 registered shares B = 10.22% of the voting rights)
 - A very private investment company with little public profile, but evidence of large holdings in companies such as WH Smith.
- **The Capital Group Companies, Inc., Los Angeles**

- 31 December 2007: 302 530 registered shares B = 7.67% of the voting rights)
- A large group of private investment companies with offices and investments worldwide.

- **Richelieu Finance Gestion Privée, Paris**
 - 31 December 2007: 467 773 registered shares B= 11.87% of the voting rights)
 - A private asset management company established in 1985.⁵

3. Information about environmental, social and sustainable development policies and standards

Kuoni's corporate responsibility strategy focuses on four prime objectives:

- protecting children from sexual exploitation within the tourist sector;
- ensuring fair work within the tourist sector;
- improving water supplies at destinations; and
- mitigating climate change impacts.⁶

Though the company does not have an explicit policy or standard on sustainable development, all four of these strategic objectives do promote sustainable development. The first two address social issues, while the last two address environmental issues. Further explanation is provided in the company's 2007 Corporate Responsibility Report:

“Kuoni not only appreciates the many benefits that tourism brings. It also acknowledges the problems it can cause; and it views these as challenges and actively tackles them, too. In doing so, Kuoni aims to strengthen the positive aspects of travel, such as the cultural exchange it permits and the economic benefits it can bring to the destinations concerned, and to fight against its darker sides, such as the child sex industry.

In this connection, Kuoni has set itself four major objectives for the next years:

- First, Kuoni has committed to fighting child sex tourism through information and prevention, both at the destinations and in the

countries of origin. Workshops have already been held on this issue with partner hotels in Thailand and the Dominican Republic.

– Secondly, Kuoni aims to secure fair working conditions within the tourism sector. Action here so far has extended to ensuring that certain minimum requirements are included in contractual agreements all over the world, and to financing training and educational projects in Asia, Africa and South America.

– Thirdly, Kuoni wants to ensure that clean water is always available at its destinations. The water demands of the tourism industry often compete with the local population's needs. Here, first pilot projects for procuring water, economising on its use and ensuring the low-energy and ecofriendly cleaning of waste water are already implemented or planned.

– And fourthly, Kuoni has developed projects to help counter the growing threat of climate change. Minimising the adverse effects of global warming is one of the biggest challenges faced by the tourism sector today.”⁷

Importantly, Kuoni also has a Code of Conduct which “sets out minimum requirements for the employees in their attitudes and actions. It is also seen as “a key element for good corporate governance” and is based on the following set of principles:

- “the integrity and legality of all behaviour
- due observance of all internationally proclaimed rights
- respect for other cultures and opinions
- responsibility to society
- condemnation of human rights’ violations, e.g. the sexual exploitation of children
- environmental care
- loyalty to the Kuoni Group
- fair, polite and respectful dealings with employees, customers, shareholders, authorities,
- business partners and the public
- professionalism and the observance of good business practice and of internal and external
- regulations
- protection from discrimination
- open, clear and constructive business style”⁸

4. Information about public commitments on environment and sustainable development

The company's public commitments relate to their four primary objectives presented above.

Regarding water supplies at the company's destinations:

“Kuoni's aim here is to ensure adequate access to water for all at destinations where the water needs of the tourist industry clash with those of the local farmers and population.”⁹

Regarding climate change:

“Kuoni already offsets the climatic impact of its own business air travel activities. And... in collaboration with the myclimate environmental protection organisation, Kuoni supports a pioneering project on Bali in which a large recycling facility converts organic waste into valuable compost, and also creates work for 120 local people.”¹⁰

Regarding protecting children from sexual exploitation:

“Kuoni has committed itself to fighting the sexual exploitation of children through a combination of information, prevention and concrete projects.”¹¹

Regarding fair working conditions within the tourist sector:

“Kuoni is firmly committed to ensuring fair working conditions within the tourist sector. This is why we oblige all our partners around the world – under the terms of our contractual agreements with them – to observe all their country's employment laws, respect all internationally-recognised human rights and adopt the standards that generally prevail within the tourist industry.”¹²

All of these statements are posted on the Kuoni corporate website.

5. Assessment of the seriousness with which environmental issues are taken

Overall, Kuoni is serious about environmental issues and would most likely benefit from establishing a partnership with IUCN.

5.1 Information on actual on-the-ground environmental performance

In their first Corporate Responsibility Report which was released in 2007, the company's environmental performance is covered in a chapter entitled "Day-to-Day Care." In this chapter, performance in key areas is highlighted including the following:

- **Energy:** "Kuoni endeavours to economise on energy, for example, at head office and in its units all around the world. The actions taken here include consistent light management and raising staff awareness of unnecessary energy consumption. Kuoni also switched to more ecofriendly energy for its Zurich head office last year: all the electricity supplied to the facility is now generated from renewable energy sources.
- **Waster:** Kuoni further attempts to produce as little waste as possible, and to reuse and recycle as much of this wherever it can. These efforts have helped steadily reduce the volumes of waste generated at head office and send more and more of that waste for recycling.
- **Paper:** "Paper saving and proper waste disposal are second nature at Kuoni, and are both vigorously practised by the company's personnel. The consumption of office paper and printed matter continues to decline. At the same time, Kuoni is seeing a steady rise in the proportion of recycled paper used in its total paper consumption." ¹³

5.2 Commitment to external processes and standards

Regarding environmental management standards:

"Both Kuoni Netherlands and Kuoni Switzerland fully comply with the ISO 14001 environmental management system." ¹⁴

Regarding reporting standards, the company's 2007 Corporate Responsibility Report provides a page which cross-references the contents of the report to the indicators of the Global Reporting Initiative (GRI).

Regarding carbon reporting:

“Kuoni has been part of the CDP since 2007 and, as a result, publishes annual details of its energy efficiency and emissions and the actions it has taken to help fight climate change.”¹⁵

In their report to the CDP (Carbon Disclosure Project), Kuoni states:

“Climate change poses direct physical risks to our enterprise. The main assets of our holidays (coastal landscapes, but also skiing sceneries and others) risk being destroyed. Global warming poses as threat to island environments such as the Maldives, historic cities such as Venice and rainforests like the Amazon, as well as to unspoilt wildernesses such as the Arctic. Global warming may also increase the occurrence of epidemics or crop-failure-induced famines, and these may result in mass migration of refugees. If we are perceived as part of the problem we have also to face image risks. Damage to image results in commercial damage.”¹⁶

Also, Kuoni manages its own environmental and social responsibility scheme for the tourism industry. Known as the **Green Planet Award**, it is awarded by the company to destination hotels and cruise ships “whose operations are particularly progressive in social and environmental terms.”¹⁷ Over 125 hotels and cruise ships have been granted this award since its inception in 2000 and it is shown accordingly in Kuoni Switzerland’s travel brochures.¹⁸ As appropriate, IUCN may want to request more information on this scheme.

5.3 Track record on local community involvement

Local community involvement is a feature of all four primary objectives of the company’s corporate responsibility strategy. The objective on protecting children from sexual exploitations focuses on the plight of children from the local communities in Kuoni’s destinations. Likewise, the objective on fair working conditions has a strong focus on hiring policies and practices affecting employees from local communities in Kuoni’s destinations.

Regarding water shortages, Kuoni has been working with local communities on the Kenyan coast to ensure adequate water supplies for both villages and the tourism sector. Likewise, regarding climate change, the company has partnered with local communities in Bali to establish a composting process that has created new job opportunities and revenues from the voluntary carbon offset market for these communities.¹⁹

5.4 Reputation and presence in the media

The company has a very good reputation in the industry and among consumers.²⁰ There is virtually no evidence on the web of concerns over the company's environmental and social performance or other matters of potential risk to IUCN.

The sole exception appears to be that the Burma Campaign UK lists Kuoni on its "Dirty List." They state:

"Kuoni describes itself as 'one of Europe's leading tourist travel corporations' and 'Britain's best luxury travel and tour operator'. The company sells tours to Burma through its French and Spanish brochures as well as through its subsidiary Asian Trails. In 2003 the company stopped selling tours to Burma but backtracked on the decision and recommenced selling tours in 2005. Aung San Suu Kyi has asked tourists not to visit Burma because it helps fund the regime and gives it legitimacy. Forced and child labour was used to develop many tourist facilities."²¹

Kuoni is also a member of prominent sector-related organisations such as the following:

- The Tour Operator Initiative (TOI);
- The World Travel and Tourism Council (WTTC);
- The UN World Tourism Organization; and
- The Swiss Federation of Travel Agencies' Environmental & Social Affairs Committee.

The company further reports that it partners with the following organisations:

- Arbeitskreis Tourismus & Entwicklung;
- DANTE, the Network for Sustainable Tourism Development;
- The International Eco-Tourism Society (an IUCN Member);
- Respect – the Institute for Integrative Tourism and Development;
- Studienkreis für Tourismus und Entwicklung (Institute for Tourism and Development);
- Tourism Watch, the third-world tourism information service; and
- the United Nations Environment Programme (Sustainable Tourism).

5.5 Documented sensitivity among the IUCN's membership

In the early 2000s, IUCN had a number of consultations with Kuoni regarding the possibilities on partnering to develop and market biodiversity-benefiting tourism operations in Africa. The two organisations also participated in a Roundtable on Sustainable Tourism hosted by the Geneva Environmental Network on World Environment Day in 2002.²³

There does not appear to be any documented sensitivity among IUCN membership. However, should IUCN develop a place-based partnership with Kuoni, it would be appropriate to consult further with members in the region.

Endnotes

The documents referenced here are available on the following worksite:

- <http://earthmind.net/kuoni>

Username and password are available upon request.

- ¹ 01-www.kuoni-group-about-us
- ² 02-kuoni-corporate-goverance-2007
- ³ 03-kuoni-annual-report-2007
- ⁴ 04-www.answers.com-kuoni-travel-holding-ltd
- ⁵ 02-kuoni-corporate-goverance-2007
- ⁶ 05-www.kuoni-group-csr
- ⁷ 06-kuoni-cr-report-2007
- ⁸ 06-kuoni-cr-report-2007
- ⁹ 07-www.kuoni-group-water
- ¹⁰ 08-www.kuoni-group-climate
- ¹¹ 09-www.kuoni-group-children
- ¹² 10-www.kuoni-group-workers
- ¹³ 06-kuoni-cr-report-2007
- ¹⁴ 06-kuoni-cr-report-2007
- ¹⁵ 11-www.kuoni-group-sustainability-ratings
- ¹⁶ 12-www.cdproject-kuoni
- ¹⁷ 13-kuoni-green-planet-award
- ¹⁸ 06-kuoni-cr-report-2007
- ¹⁹ Various pages on the corporate website.
- ²⁰ 14-http-travel.ciao-kuoni
- ²¹ 15-www.burmacampaign-kuoni
- ²² 16-www.kuoni-group-partners
- ²³ 17-geneva-sustainable-tourism-2002