

NH Hotel Group TCFD Report

July 2022

NH | HOTEL GROUP
PART OF **MINOR**
HOTELS



TCFD | TASK FORCE ON CLIMATE-RELATED
FINANCIAL DISCLOSURES

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About this Report

The Task Force on Climate-related Financial Disclosures (TCFD) Recommendations was first launched in 2017 by the Financial Stability Board (FSB) to set a common framework to identify and report on climate-related risks and opportunities. It also encourages companies and financial institutions to inform the market about how they are managing these risks and opportunities and if they are paying enough attention on the impact they could cause.

These Recommendations are structured around four content pillars: (i) Governance; (ii) Strategy; (iii) Risk Management; and (iv) Metrics & Targets; and eleven recommendations to support effective disclosure under each pillar.

At NH Hotel Group, the fight against climate change is a fundamental strategic value, and with the aim at advancing in the definition of its climate strategy, an analysis was carried out during 2021 to determine:

- the situation of the company in regard the recommendations of the TCFD and,
- the steps should be taken to be aligned with it in 2023.

As a result of this analysis, and as a first step, an exercise was carried out to improve the current methodology for identifying exposure to physical and transitional risks and opportunities associated to Climate Change during the first half 2022. This analysis included a greater level of detail of such risks, as well as short, medium and long-term time horizons.

In a second phase, the Company will progress in quantifying the financial impact of such risks and opportunities.

Throughout this report, NH Hotel Group has sought to provide information about where the Company is in regard all these four pillars and their recommendations.

This report was approved by the Nominations, Remuneration and Corporate Governance Committee and endorsed by the Board of Directors in their meeting hold on July 26th, 2022.

Governance

The Board's role in oversight climate-related risks and opportunities

The **Board** is responsible for guaranteeing the long-term stewardship of the NH Hotel Group. The Board reserves the competence to approve Strategy of the Company, which includes the Sustainable Business Pillar, defined as a plan to be ready to operate in a decarbonized world. All climate related issues that the Company has to manage are included under this Strategic Pillar.

Management's role in assessing and managing climate related risks and opportunities

The **Sustainable Executive Committee**, co-chaired by the Chief Assets and Development Officer and the Chief People and Sustainable Business Officer, is responsible for providing strategic direction for the management of ESG issues, including climate related.

The **Board of Directors** is the Company's highest control and representation body. It is empowered and conceived as a supervisory and control body, while the ordinary management of the Company's business is entrusted to the executive bodies and the management team.

The Board of Directors will discharge its duties in line with the corporate interest, which is understood to be the Company's interest; and in this regard it will act to safeguard the Company's long-term viability and to maximize its value, also weighing the many legitimate public or private interests involved in relation to any business activity.

The **Nominations, Remuneration and Corporate Governance Committee** has the duty of overseeing that the Company's ESG related matters. It has the power to supervise the progress and achievements of the NH Hotel Group Sustainable Business Strategy, including Climate related issues. The Nominations, Remuneration and Corporate Governance Committee analyses and prepares discussions within the Board of Directors on these matters.

The sphere of competence of the **Audit and Control Committee** encompasses the overseeing and evaluation of the process to identify, assess and control systems for the management of both financial and non-financial risks, including climate related.

Last April 2022, NH Hotel Group created its **Sustainable Executive Committee**, including representants of those functions with a direct impact in the execution of the company's strategy but also representing the group's globality. This committee is co-chaired by the Chief Assets and Development Officer and the Chief People and Sustainable Business Officer, and it has the function to support the Board in its duty of overseeing the Sustainable Business Strategy, including climate related issues.

On one hand, this Committee is responsible to validate and implement the Sustainable Business Strategy, providing the necessary resources for the achievement of the objectives. It is also in charge of following-up the progress and achievement of goals and targets.

But also, it is the body which must report to the Nominations, Remuneration and Corporate Governance Committee the progress on Sustainable Business Strategic Pillar.

In addition, and in coordination with the Risk Executive Committee, it must validate the ESG Risk maps identification and assessment process, including the Climate related Risk & opportunities maps. It is also responsible to validate the action plan defined to minimize those risks identified and maximize the value of the opportunities. Lastly, it is the body in charge of presenting to the Audit and Control Committee the progress on implementation status of the agreed action plans.

So, depending on the nature of the climate related issue to be reported to the Board, the Sustainability Committee reports it through one or the other Committee of the Board (Nominations, Remuneration and Corporate

Governance Committee, or Audit and Control Committee).

This Sustainable Executive Committee meets on a quarterly basis.

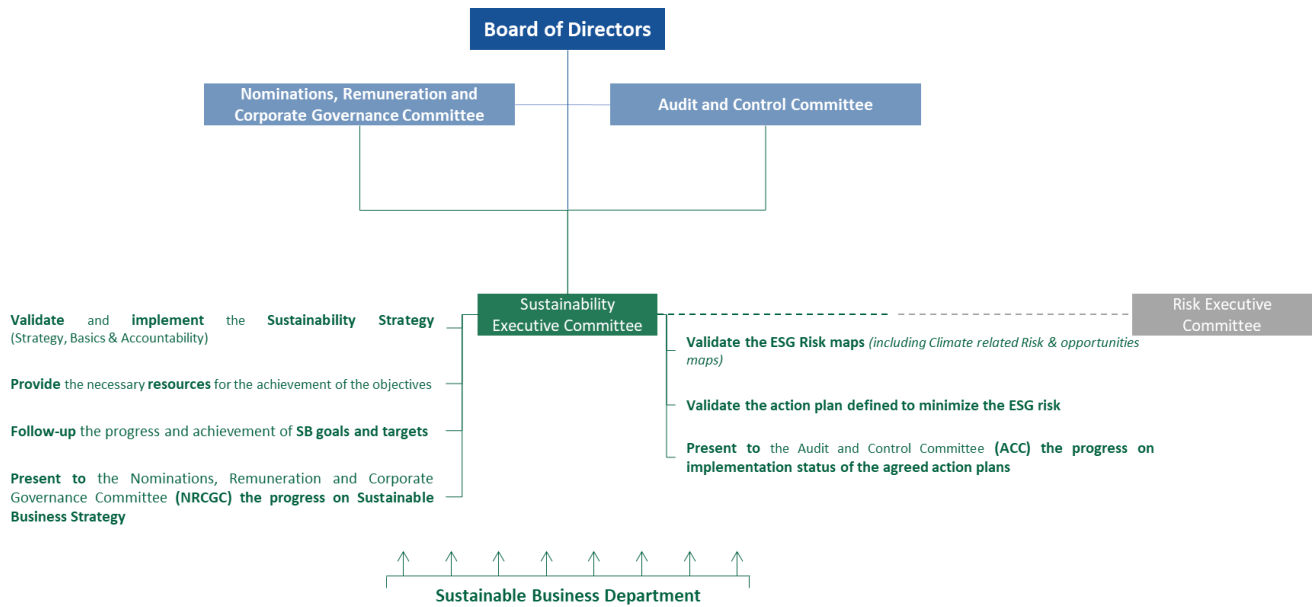


Fig.1 – Reporting lines Sustainable Business Governance Bodies

NH Hotel Group knows that to achieve its sustainable commitments is crucial to involve the whole company and materialize it through the **Sustainable Business Mindset**. The Company has identified those key areas which

have to work together and join efforts to face its ambition of being ready to operate in a decarbonized world. And whose Directives are also the members of the Sustainable Executive Committee.

Sustainable Business Strategy



“Sustainable business plan to be ready to operate in a decarbonized world”

The **Chief People and Sustainable Business Officer** is in charge of Sustainable Business Strategy. She coordinates the monitoring of ESG targets and ambition, and the performance of the SB roadmap.

The **Sustainable Business Department** manages of climate and ESG issues, which represent both a risk and an opportunity of the Group and monitors climate and ESG performance and objectives.

Sustainable Business Mindset

DECARBONIZATION

The **“SBT 2030” working group** is a response to NH Hotel Group’s commitment to achieve carbon neutrality, or “zero net emissions”, by 2050. As a 1st step, NH Hotel Group will reduce its CO₂ emissions 20% emissions by 2030 in its whole value chain. The success of the “zero net emissions” ambition is based on these 2030 targets validated by the Science Based Target initiative and on several action levers. This working group coordination is led by the Sustainable Business Department.

At Group level:

- Building, maintenance and engineering
- Operations department
- Coperama
- Assets department
- Strategic and Planification

The **Business Units and Countries**

- Deploy the NH decarbonization strategy and adapt it to their market context; identification of cross-functional issues for which NH Hotel Group can provide innovative and competitive responses using local and global synergies

SUSTAINABLE EXPERIENCE

Customers & Sustainable workforce

Take advantage of the sustainable solutions to adapt and reinforce the NH’s value proposition. Use Group’s strategy to move from a commodity-based offer to a sustainable experience solutions-based offer, which would be more efficient and adapted to its markets and direct stakeholders. This group focuses on identifying proposals for solutions that combine sustainability and performance and to measure the benefits for guest, clients and team-members. This working group is co-led by the Human Resources and Marketing Department.

At Group level:

- Marketing department
- Operations department
- Building, maintenance and engineering department
- Coperama
- Humman Resources
- SB Department

RISK MANAGEMENT

The Risk Management working group is responsible for identifying, assessing and mitigating potential ESG risks (including climate change) that could impact the Group’s strategy.

At Group level:

- Strategy Department
- Assets department
- SB Department
- Risk Department
- Compliance Department

The **Business Units and Countries** identify the risks and manage the risk control.

Fig.2 – Sustainable Business Mindset

To move forward decarbonization, NH Hotel Group has created the “SBT 2030” working group. As a 1st step, NH Hotel Group will reduce its CO₂ emissions by 20% by 2030 for its whole value chain. The success of the “zero net emissions” ambition is based on these 2030

targets validated by the Science Based Target initiative and on several action levers. This working group coordination is led by the Sustainable Business Department, and all the areas with a key role to play in decarbonizing the company are involved.

Strategy

<p>Climate-related risks and opportunities identified over the short, medium, and long term</p>	<p>NH Hotel Group has analyzed the climate risks and opportunities expected to materialize and that could impact the company in 4-time frames (current, short, medium and long term). To determine the relevance of the risk and opportunity, the Company considers its presence in terms of volume of hotels owned or leased, their contribution to the results and their strategic relevance.</p>
<p>Impact of climate-related risks and opportunities on the NH Hotel Group's businesses, strategy, and financial planning</p>	<p>For those identified risks and opportunities the Company analyzes where, within its value chain, those risk and opportunities may impact: on its supply chain, on its own infrastructure or on its services. As a next step, the Company will progress in quantifying the financial impact of such risks and opportunities.</p>
<p>Resilience of the strategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario</p>	<p>The risk assessment carried out included an analysis of climate scenarios considering both physical - Representative Concentration Pathway (RCP) - and socio-economic factors - Shared Socioeconomic Pathways (SSP) -. The selected scenarios consider the limitation of temperature to 2° or less, but also its general characteristics such as typology, diversity, scope... The scenario chosen to perform the climate risk and opportunity analysis, SSP1 -RCP2.6, has been selected due to NH Hotel Group's commitments to reduce carbon emissions, Minor International's net zero commitment, the TCFD recommendation to choose at least a 2° or lower scenario and the IPCC recommendations.</p>

During the first half 2022, NH Hotel Group has carried out an analysis to identify its exposure to physical and transitional risks and opportunities associated to Climate Change.

- Current (0-2 years :2022-2024)
- Short term (3 - 8 years: 2025-2030)
- Medium term (9 - 28 years: 2031-2050)
- Long term (> 29 years: beyond 2050)

For each of the climate related risks and opportunities considered in this analysis, the time frame impacts associated with each of them, which are expected to materialize in a significant way, has been assessed. The valuation has been carried out considering the impact in 4-time frames:

The analysis covers those countries where the presence of NH Hotel Group is most relevant in terms of volume of hotel owned or leased, their contribution to the Company's results and their strategic relevance: Argentina, Austria, Chile, Colombia, France, Germany, Italy, Mexico, Portugal, Spain, USA and the Netherlands.

The financial impact that these risks and opportunities could cause to NH Hotel Group and the effect that they could have on its business, strategy and financial planning will be carried out as a second phase of the works developed to define the alignment with the TCFD recommendations. The company is committed to be aligned by 2023.

The definition of the universe of risks included in the analysis took into account the IPCC with respect to the factors generating climate risks: "Primary Climate Impact Driver" and the "Secondary Climate Impact Driver". Besides the typologies of climate risks defined by TCFD have also been considered: physical risks (acute and chronic) and transition risks (political and legal, technological, market and reputational).

As a result, the analyzed risks were classified, following the TCFD inventory, according to their nature into two categories:

- **Physical risks**, analyzing the impacts of both acute and chronic risks on NH

Hotel Group activities along its whole value chain.

- **Transitional risks**, assessing the impact of a political, legal, market, technological and reputational nature can have on the Group's activities and/or its value chain.

Risk universe analyzed

Impact on value chain element (Supply chain [SC]; Infrastructure management [I]; Services [S])

Physical	Chronic	<ul style="list-style-type: none"> – Increased ambient temperature [SC; I; S] – Sea level rise [I; S] – Reduction in the availability of water resources [SC; I]
	Acute	<ul style="list-style-type: none"> – Extreme weather events: Cyclones, hurricanes, typhoons, tornadoes, etc. [SC; I; S] – Extreme precipitation: Torrential rains, hailstorms, snowfall, etc. [SC; I; S] – Pluvial and fluvial floods [SC; I; S] – Extreme coastal phenomena [SC; I; S] – Forest fires [SC; I; S] – Alteration and imbalance of living organisms in marine ecosystems [SC; I; S] – Insect plagues [SC; I; S]
Transitional	Political and regulatory	<ul style="list-style-type: none"> – Taxes linked to GHG emissions [SC; I; S] – New climate disclosures reporting requirements [SC; I] – New legal requirements regarding energy efficiency [SC; I; S] – New legal requirements related to GHG emission reduction and climate risk management [SC; I; S] – New legal requirements related to infrastructure safety [I] – New legal requirements regarding environmental protection [I; S] – Increased exposure to litigation/environmental infractions [I] – Restrictions on vehicle mobility [SC; I]
	Market	<ul style="list-style-type: none"> – Changes in customer behavior/preferences [SC; I; S] – Variation in the availability of resources [SC; S] – Geopolitical and social instability [SC; I; S] – Change in insurance conditions [I] – Inadequate insurance coverage [I] – Difficulties to access financing [SC] – Loss of assets value [I]
	Technological	<ul style="list-style-type: none"> – Transition to low-emission technologies [SC; I] – Increased operational difficulties of equipment and facilities [I]
	Reputational	<ul style="list-style-type: none"> – Failure in achieving climate targets [SC; I; S] – Changes in customer perception of the company [SC; I; S] – Degradation of the tourism industry's image [SC; I; S]

The inventory of opportunities under analysis were classified as follows:

Opportunities universe analyzed

Impact on value chain element (Supply chain [SC]; Infrastructure management [I]; Services [S])

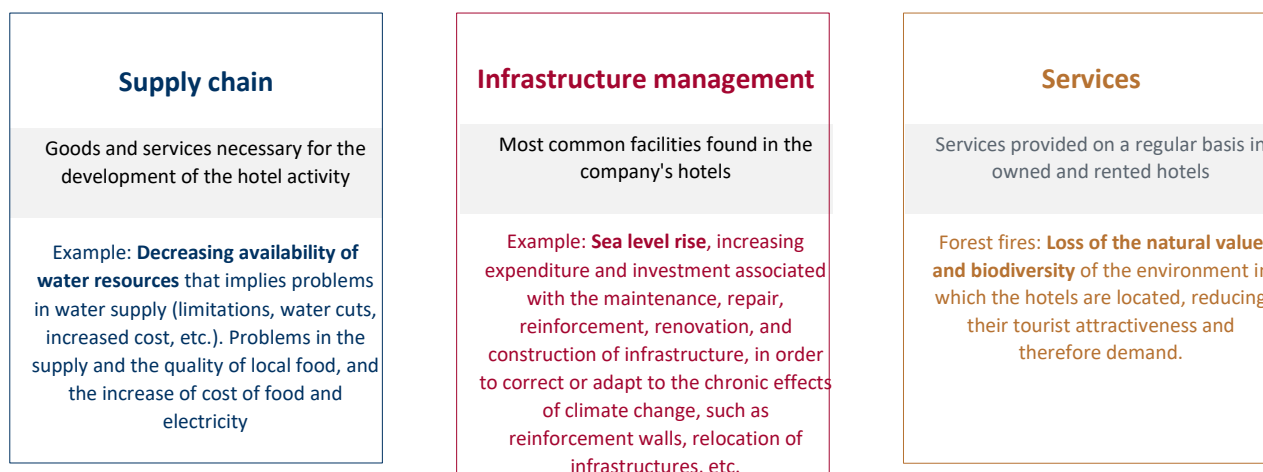
Products and services	– Changes in customer behavior/preferences [SC; I; S]
Resource efficiency	– Direct government incentives relating to energy efficiency and resource consumption [SC; I]
Energy source	– Direct government incentives related to transport decarbonization [I]
Markets	<ul style="list-style-type: none"> – Access to finance [SC] – Changes in customer perception [S] – Changes in insurance conditions [SC] – Improving the image of the hospitality industry [SC; S] – Differentiation from the competition [S] – Opening of new markets [I; S] – Indirect government incentives [SC; I; S] – Capitalization of assets [I]
Resilience	– Direct government incentives related to the fight against climate change [I]

Once the risk and opportunity for the Company was identified and defined, a further analysis of the impact in the value chain was executed. This allows to understand the specific climate change impact on the whole Company activities. Three different areas were considered:

- Upstream - Supply chain [SC]

- Infrastructure management [I]
- Downstream – services [S]

The Company has separately analyzed the implications of each risk and opportunity in these three elements to assess the effects of climate change on NH Hotel Group's value chain.



To know how the climate impacts affect to the financial planning, the financial variables in line with the TCFD recommendations have been

identified, and they will be quantified in a next step of the implementation.

Financial variables	Example of potential impact for NH Hotel Group
Revenues	Changes in client behavior and preferences, such as a decrease in tourism in certain areas affected by the physical risks of climate change, would affect the demand of Company services, resulting in a decrease in revenues obtained
Costs	Increasing the operational cost such as energy price or staff. Also, the higher exposure to environmental litigation/infractions may result, in case of non-compliance with these requirements, in an increase in the cost structure as it faces a higher penalty
Assets and liabilities	An increase in extreme coastal phenomena may mean a depreciation of the asset as it is exposed to a higher risk. Without complying the new regulation requirements for decarbonizing buildings, the assets would be negatively affected reducing its market value
Access to capital	The high exposure of the hotel sector to climate change risks (physical or transition) could increase the requirements to obtain finance and its price

Following TCFD recommendations, the risk assessment carried out included an analysis of climate scenarios considering both physical - Representative Concentration Pathway (RCP) - and socio-economic factors - Shared Socioeconomic Pathways (SSP) -.

The chosen scenarios have been selected taking into account the Paris Agreement goals, the new scientific updates on the latest IPCC Assessment Report (AR6) and the global set of TCFD recommendations, not only the limitation of temperature to 2° or less, but its general characteristics as well: typology, diversity, scope...

Among the four scenarios, the one chosen for the analysis of climate risks and opportunities goes in line with both the company's reality (realistic and consistent with its objectives and commitments) and the evolution of

projections suggested by the trends analyzed by the scientific community for global climatology.

This scenario, known as **SSP1 – RCP2.6**, envisions a future in which society will gradually but broadly shift to a more sustainable model than today, achieving more inclusive development that respects perceived environmental limits. Management of the common goods will slowly improve, investments in education and health is going to accelerate the demographic transition, and the emphasis on economic growth shifts to a broader emphasis on human well-being. Driven by a growing commitment to achieving development goals, inequality will be reduced both between and within countries. Consumption will shift toward low material growth and lower resource and energy intensity.

Risk and uncertainty matrix

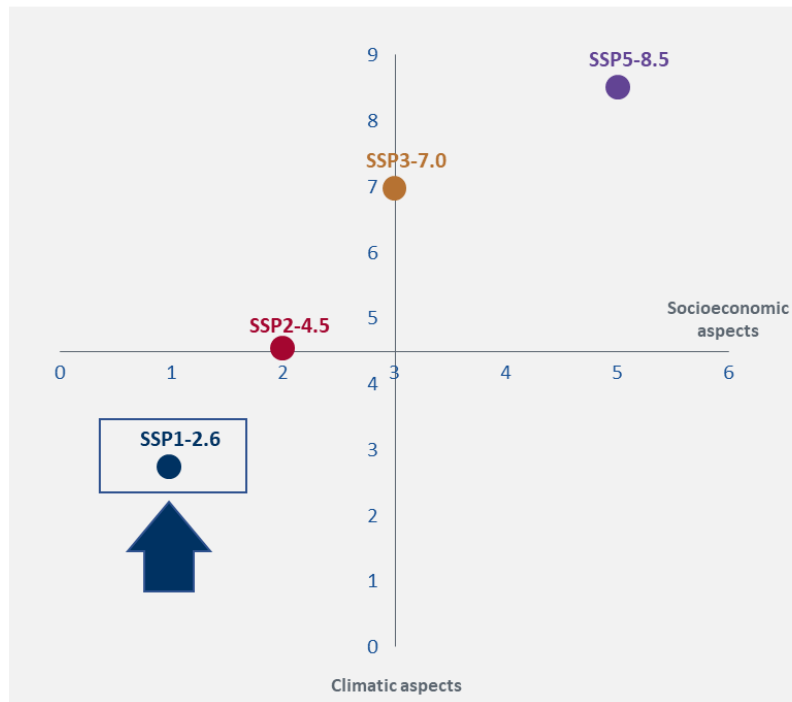


Fig.3 – Scenario selection. The blue arrow is the scenario chosen to perform the climate risk and opportunity analysis. SSP1 -RCP2.6 has been chosen due to NH Hotel Group's commitments to reduce carbon emissions, Minor International's net zero commitment, the TCFD recommendation to choose at least a 2° or lower scenario and the IPCC recommendations.

This will lead to an increase in the average surface temperature of 1.7°C between 2046 and 2060.

In addition to the analysis scenario, three other scenarios have been defined to ensure that a

wide range of future possibilities are covered. These are SSP5 - 8.5, SSP3 - 7.0 and SSP2 - 4.5.

The time horizon to evaluate climate risks and opportunities ends in 2050. The company's climate strategy is based on this scenario and time horizon.

Risk Management

<p>NH Hotel Group’s processes for identifying and assessing climate-related risks</p>	<p>To identify the climate risks and opportunities that may affect NH Hotel Group, the Company first define the universe of risk and opportunities based on the climate scenarios and the identification of the impact within its value chain. This universe of risks and opportunities defined is assessed of the through the regulatory and cartographic analysis of the climate variations expected to occur in the selected scenario in 2050. This valuation has assigned values of impact, probability of occurrence and time horizon, following the NH Hotel Group risk management model.</p>
<p>Processes for managing climate-related risks</p>	<p>Following the NH Hotel Group risk management model, adequate responses and controls are designed for the risks identified and assessed, with the aim at achieving an acceptable Risk Level for the Company. If the risk level is not within the willingness to accept, after the controls and actions undertaken to mitigate it, additional actions will be required to lower the risk level to an acceptable level.</p>
<p>How processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management</p>	<p>The methodology followed is aligned with the NH Hotel Group risk management model, based on the Enterprise Risk Management (“ERM”) Methodology. To determine the magnitude of the impact of the risks and opportunities identified, the inherent potential impact and the probability of occurrence were also assessed, following the Corporate Risk Scale. This allows to integrate climate risk within the Corporate Risks Map.</p>

To identify and evaluate the climate risks and opportunities that will affect NH Hotel Group, the following processes have been carried out:

1 Analysis of climate scenarios: through the choice of a climate scenario, to help the Company to assess the relevance of climate risks and opportunities through heat maps.

2 Value chain analysis: to identify and understand within its whole operation (supply chain, infrastructure management and services) where the business, its strategy and financial planning could be more impacted by climate risks and opportunities.

3 Definition of the universe of climate risks and opportunities: Based on the IPCC, the TCFD and the nature of NH Hotel Group, a universe of climate risks and opportunities has been defined, thus obtaining a preliminary vision of the risks that could affect the company.

4 Evaluation of climate risks and opportunities: Assessment of the universe of

risks and opportunities defined through the regulatory and cartographic analysis of the climate variations expected to occur in the selected scenario in 2050. This valuation has assigned values of impact, probability of occurrence and time horizon for what it is estimated whether the impact of the risk or opportunity will be significant for NH or not. The scales of valuation are set in accordance with the Company’s corporate risk analysis model.

The analysis of risks and opportunities carried out is based on the latest updates of the IPCC (6th Assessment Report (AR6)). Most of the evolution maps of climate variables (causing physical risks) analyzed for the physical risk assessment are based on CMIP6 (Coupled Model Intercomparison Project) projections.

In addition, to assess the regulatory transition risks, a regulatory study for each country included in the assessment has been carried out.

Although this is a specific process to assess climate related risks, the methodology followed is the aligned with the NH Hotel Group risk management model, based on the Enterprise Risk Management (“ERM”) Methodology.

To determine the magnitude of the impact of the risks and opportunities identified, the the

inherent potential impact and the probability of occurrence were also assessed, following the Corporate Risk Scale. This allows to integrate climate risk within the Corporate Risks Map. In addition, to prioritize climate risks, the control environment is assessed, to determine whether the company already has risk control elements.

Climate related risks ranking

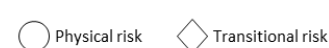
Based on the severity of the risks (probability × impact)

1	Reduction in the availability of water resources	16	Change in insurance conditions
2	Transition to low-emission technologies	17	New legal requirements related to GHG emission reduction and climate risk management
3	Pluvial and fluvial floods	18	New climate disclosures reporting requirements
4	Extreme precipitation: Torrential rains, hailstorms, snowfall, etc.	19	Alteration and imbalance of living organisms in marine ecosystems
5	Extreme weather events: Cyclones, hurricanes, typhoons, tornadoes, etc	20	Degradation of the tourism industry’s image
6	New legal requirements regarding energy efficiency	21	Variation in the availability of resources
7	Loss of assets value	22	Taxes linked to GHG emissions
8	Increased ambient temperature	23	Changes in customer behavior/preferences
9	Sea level rise	24	Insect plagues
10	New legal requirements related to infrastructure safety	25	Inadequate insurance coverage
11	Extreme coastal phenomena	26	Increased operational difficulties of equipment and facilities
12	Forest fires	27	Difficulties to access financing
13	Increased exposure to litigation/environmental infractions	28	Geopolitical and social instability
14	Restrictions on vehicle mobility	29	Changes in customer perception of the company
15	Failure in achieving climate targets	30	New legal requirements regarding environmental protection

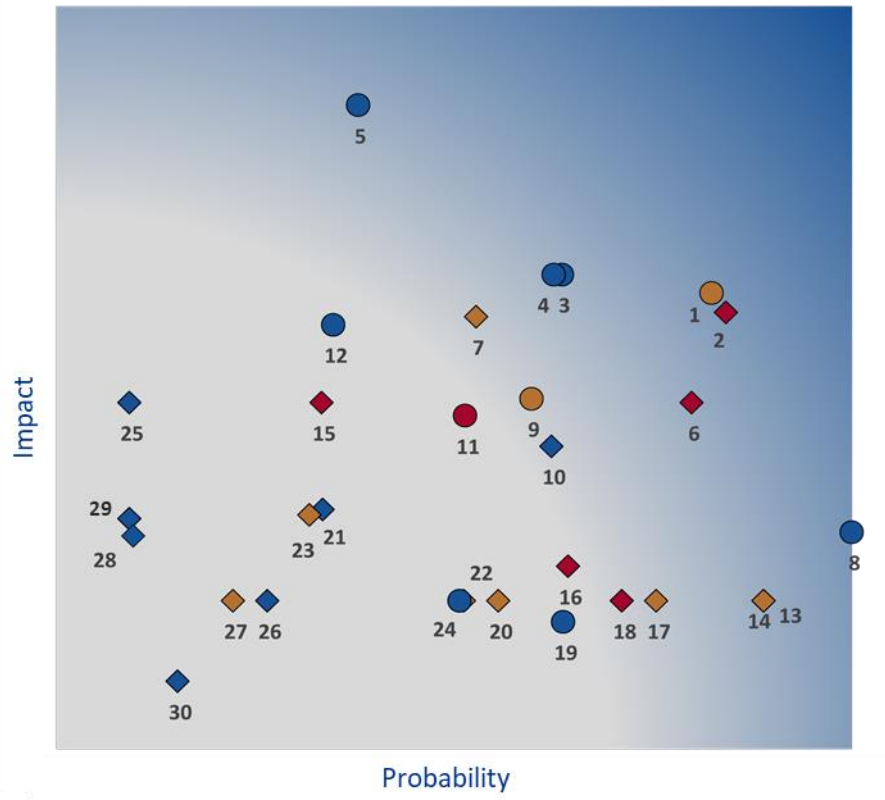
Time frames



Risk category



Climate related risks matrix



Once the risks have been identified and evaluated, adequate responses and controls will be designed with the aim at achieving an acceptable Risk Level for the Company.

If the risk level after taking into account the controls and actions undertaken to mitigate it is not within comfort limits (the Organisation’s willingness to accept), additional actions

through an Action Plan will be required to lower the risk level even more to an acceptable level.

This Action Plan will be present to Risk Management Team to be reviewed and validated. It will be also submitted to the Executive Risk Committee for validation and approval.

Climate related opportunities ranking

Based on the severity of the opportunities (probability × impact)

- 1 Changes in customer behavior/preferences
- 2 Access to finance
- 3 Direct government incentives relating to energy efficiency and resource consumption
- 4 Direct government incentives related to the fight against climate change
- 5 Indirect government incentives
- 6 Changes in customer perception
- 7 Direct government incentives related to transport decarbonization
- 8 Changes in insurance conditions
- 9 Improving the image of the hospitality industry
- 10 Differentiation from the competition
- 11 Opening to new markets
- 12 Capitalization of assets

Climate related opportunities matrix



Metrics and targets

Metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process	CEO and COO remuneration is linked to the 2022 annual carbon target achievement. In addition, all key roles responsible to activate the levers of the “2030 SBT Plan” have objectives included in this sense as part of their variable remuneration.
Disclose Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions, and the related risks	NH Hotel Group publicly reports Scope 1, 2 and 3 within its annual Consolidated Statement on Non Financial Information, available on the corporate website (https://www.nh-hotels.com/corporate/responsible-and-sustainable-company/csr-annual-reports). The carbon footprint is calculated in accordance with the Greenhouse Gas Protocol
Targets used to manage climate-related risks and opportunities and performance against targets	The Company has made the commitment to reduce its carbon emission through its value chain by 20% by 2030. All areas involved to activate the levers to achieve this target and its annual splits work together under the “2030 SBT Plan”. The Sustainability Executive Committee follows up the performance of this target and tasks implemented to achieve it.

In 2019, the Company became the first Spanish hotel company to establish emission reduction targets that have been scientifically validated by the Science Based Targets initiative (SBTi) – the leading alliance and driving force in the business sector against climate change with the participation of CDP, the UN Global Compact, World Resources Institute and Worldwide Fund for Nature.

In doing so, NH Hotel Group formalizes its commitment to reduce its carbon emissions throughout its value chain by 20% by 2030, thus avoiding the emission of more than 70,000 metric tons of CO₂ into the atmosphere. Setting this target marks out NH Hotel Group’s roadmap towards a significant reduction in the carbon footprint of its activity in the coming years, aligned with the goal set out in the Paris Agreement to limit the increase in global temperature to less than 2°C, and join the efforts being made globally towards the transition to a low-carbon economy.

During 2023, the Company will re-target its commitment to align it with the global ambitions of keeping temperature increases below 1.5°C.

NH Hotel Group’s efforts to combat climate change are part of the “**2030 SBT Plan**”, which

sets out the levers of action to comply with the goal of reducing its carbon emissions by 20% throughout the value chain by 2030.

Control and monitoring – the level on which work is being done to improve data capture and analysis, both from the activities of the hotels and of their suppliers, and seek an alignment of commitments to reduce emissions in the value chain.

Energy efficiency – considers all actions that can improve efficiency in the hotel’s energy consumption.

Green energy considering both the installation of renewable energy for own consumption and the purchase of green electricity.

Emission offset strategy, with a twofold objective. On one hand, offsetting as an exceptional alternative to comply with the annual targets set and, on the other hand to give visibility to the Company’s climate commitment by involving guests in it.

Carbon analysis in development projects to anticipate the needs of adaptation of new properties to the climate goal so that it is not compromised.

This plan was conceived, as a first step, and to set the pathway to move forward the next level of ambition to define a net-zero

commitment and its pathway to achieve it by 2050.

The relevance of this climate commitment made that CEO and COO remuneration (also Executive Directors) is linked to the 2022 carbon emissions target achievement.

Additionally, there is a need to evolve towards a model where sustainable criteria is

Carbon Footprint methodology

NH Hotel Group's emissions are calculated in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), using the operational control approach, and its supplement Corporate Value Chain (Scope 3) Standard.

In compliance with regulatory reporting duties, NH Hotel Group publishes its annual sustainability performance as part of its Consolidated Statement of Non-financial information, and available on the corporate website

(<https://www.nh-hotels.com/corporate/responsible-and-sustainable-company/csr-annual-reports>).

The scope 1 and 2 data externally verified (ISAE 3000) as part of the Consolidated Statement Non-financial Information assurance process by PwC.

Carbon reporting scope

NH Hotel Group's reporting consolidation criteria covers all the hotels operated by the Company under ownership and lease.

integrated into day-to-day operations and to become a company ready to operate in a decarbonized economy world.

To move forward this direction, the key roles responsible to activate the levers of the "2030 SBT Plan" had targets in this sense included as part of their variable remuneration.

Scope 1: Direct GHG emissions occur from sources that are owned or controlled by the company (natural gas, LPG, propane, gas oil, BTZ fuel, and biomass).

Scope 2: Indirect emissions from the generation of purchased electricity, district heating and district cooling consumed by the owned and leased hotels.

Scope 3: Indirect emissions that are a consequence of the activities of the company but occur from sources not owned or controlled by the company. Broken down by relevant category:

- *Upstream activities:* purchase of goods and services, capital goods, indirect fuel and energy consumption, upstream transportation and distribution, generated waste, business travel and employee commuting
- *Downstream activities:* managed and franchised hotels (Scope 1 and 2).

Carbon footprint

	Total emissions (eq Tn CO ₂)				Emissions ratio (eq kg CO ₂ /RN)			
	2021	2020	2019	2018 Baseline	2021	2020	2019	2018 Baseline
Scope 1	48,858	33,650	50,301	49,267	8.34	7.97	4.18	4.23
Scope 2	46,872	30,034	50,940	32,769	8	7.11	4.24	2.82
Total	95,730	63,684	101,241	82,036	16.34	15.08	8.42	7.05

The exceptional and irregular operating conditions of the hotels since March 2020 and throughout the rest of the year are reflected in NH Hotel Group's carbon footprint 2020 data. Absolute emissions decrease in all scopes due to the decrease in activity, and consequently in consumption, however the emissions ratio increases due to the drastic decrease in occupancy (RN).

As most hotels have remained open throughout 2021, total emissions have increased considerably in whole Company. However, although occupancy has also increased compared to the previous year, the increase has not been significant enough to decrease in the ratios, as many hotels have remained operational but with very low occupancies.

	Total emissions (eq Tn CO ₂)			
	2021	2020	2019	2018 Baseline
Scope 3	188,490	162,752	389,862	362,477
Purchase of goods and services	83,604	88,653	225,646	237,613
Capital goods	65,171	35,450	93,405	58,802
Indirect fuel and energy consumption	8,807	6,636	9,408	9,025
Upstream transportation and distribution	723	688	3,098	3,042
Generated waste	289	302	757	4,852
Business travel	1,680	5,393	22,948	10,837
Employee commuting	11,909	9,136	9,455	9,455
Managed hotels	15,703	15,571	23,531	26,946
Franchised hotels	603	922	1,615	1,905

Purchase of goods and services is the highest impact in the Company's scope 3. An exhaustive analysis of the opportunities to continue working with suppliers and together reduce the carbon footprint. During the last two years, largest carbon footprint suppliers have been identified to work with them to improve reporting channels

and to seek alignment to reduce emissions in the value chain.

Energy consumption

Additional to the commitment to reduce its carbon footprint, NH Hotel Group has implemented an Energy Efficiency Plan to group together “energy efficiency” projects, considering all those that can improve energy consumption in the hotels, as well as the associated costs:

- Changes in equipment, where the replacement involves greater efficiency: light bulbs, minibars, washing equipment, heating and air-conditioning, boilers, coolers...

- Investments related to control of installations: building energy management systems, update of meters, improvements in lighting...
- Actions on building façades that represent improvements in the envelope and in insulation.
- Since 2019 the Company has a specific CapEx line aimed at projects where not only the economic return is sought, but also the environmental return. Some of these projects are the elimination of fossil fuels and the increase of renewable energy.

Energy consumption by source (MWh)¹

	2021	2020	2019	2018
Natural Gas	231,928	158,960	229,591	222.322
Gas Oil	1,655	1,301	2,646	3.312
LPG	3,276	1,885	6,801	6.993
Propane	797	422	4,292	6.838
BTZ	1,343	871	587	1.862
Biomass	344	144	233	278
Electricity	216,350	175,226	290,389	272.329
Renewable Electricity	134,767	106,312	148,616	204.663
District heating	45,331	38,544	44,854	48.878
District cooling	2,124	1,301	2,059	1.046
Total	503,149	378,653	581,452	563,857

As most hotels have remained open for most of 2021, energy consumption has increased in the whole Group.

At the end of 2021, 62% of all electricity consumed annually comes from renewable energy sources, 100% of green electricity sources in the hotels of South of Europe (France, Italy, Portugal and Spain).

¹ Data reported within the Consolidated Statement on Non-financial Information which is reviewed by PwC (ISAE 3000). - <https://www.nh-hotels.com/corporate/responsible-and-sustainable-company/csr-annual-reports->

Conclusion

NH Hotel Group is a company committed to the wellbeing of its guests and to an efficient management of the available resources in the environment where the Group's hotels are located. The Company is aware of the effects of its activity on the environment, and works to prevent and anticipate possible environmental contingencies, as well as to integrate sustainability in all its processes, striving to reduce its impacts.

At NH Hotel Group, the fight against climate change is a fundamental strategic value, and with the aim at advancing in the definition of its climate strategy, and the Company is working since the end of 2021 to implement the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) to be aligned with it in 2023.

The Board of Directors of NH Hotel Group is responsible for supervising the Sustainable Business Strategy, defined as one of the pillars of the Company's strategy.

This supervision and control task is articulated through two of the Committees of the Board of Directors. On one hand, the Nominations, Remuneration and Corporate Governance Committee is responsible to follow up the progress on Sustainable Business Strategy. On the other hand, the Audit and Control Committee is responsible for assessing any matter relating to risks, which includes climate risks.

To support the Board on its duty of overseeing the Sustainable Business strategy, including climate related issues, NH Hotel Group created its Sustainable Executive Committee. It is composed by representants of those functions with a direct impact in the execution of the company's strategy but also representing the group's globality, and co-chaired by the Chief Assets and Development Officer and the Chief People and Sustainable Business Officer.

In 2019, the Company became the first Spanish hotel company to establish emission reduction targets that have been scientifically validated by the Science Based Targets initiative (SBTi) – the leading alliance and driving force in the business sector against climate change with the participation of CDP, the UN Global Compact, World Resources Institute and Worldwide Fund for Nature.

In doing so, NH Hotel Group formalizes its commitment to reduce its carbon emissions throughout its value chain by 20% by 2030, thus avoiding the emission of more than 70,000 metric tons of CO₂ into the atmosphere. Setting this target marks out NH Hotel Group's roadmap towards a significant reduction in the carbon footprint of its activity in the coming years, aligned with the goal set out in the Paris Agreement to limit the increase in global temperature to less than 2°C, and join the efforts being made globally towards the transition to a low-carbon economy.

During 2023, the Company will re-target this commitment to align it with the global ambitions of keeping temperature increases below 1.5°C.

A working group has also been created with members from the areas of Operations, Procurement, Commercial, Assets, Building, Engineering and Maintenance, and Sustainability. This working group is meant to draw up and implement the "2030 SBT Plan" and report on its progress to the Sustainable Executive Committee.

During the first half 2022, NH Hotel Group has carried out an analysis to identify its exposure to physical and transitional risks and opportunities associated to Climate Change. In a second phase, the Company will advance to quantify the financial impact of such risks and opportunities.

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