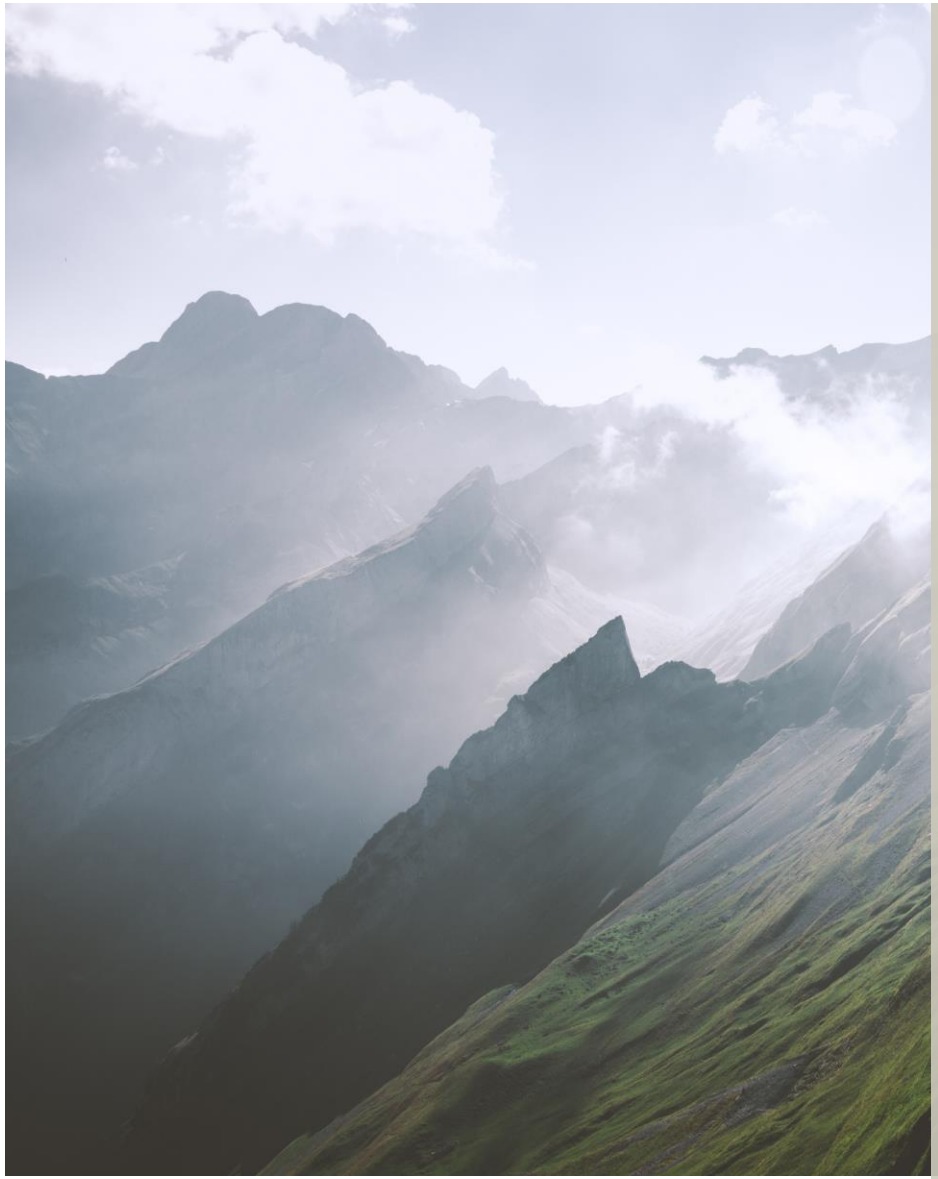


CIC Hospitality Sustainability Report

2022

About this report

Sustainability is one of the most important and pressing themes of our age. Environmental, Social and Governance (ESG) are the three central factors in measuring the sustainability and ethical impact of a company. ESG factors, though non-financial, have a material impact on the long-term risk and financial performance of a company. Principally, companies that use ESG standards are more conscientious, less risky and are more likely to succeed in the long run.

This report describes the relevance of ESG in the industry that CIC Hospitality is operating in. It highlights the key material ESG themes, assesses performance on those themes and provides an action plan identifying value creation opportunities. The report is updated annually to monitor progress and keep the company focused on achieving the goals of becoming a more sustainable and future-proof company over time.

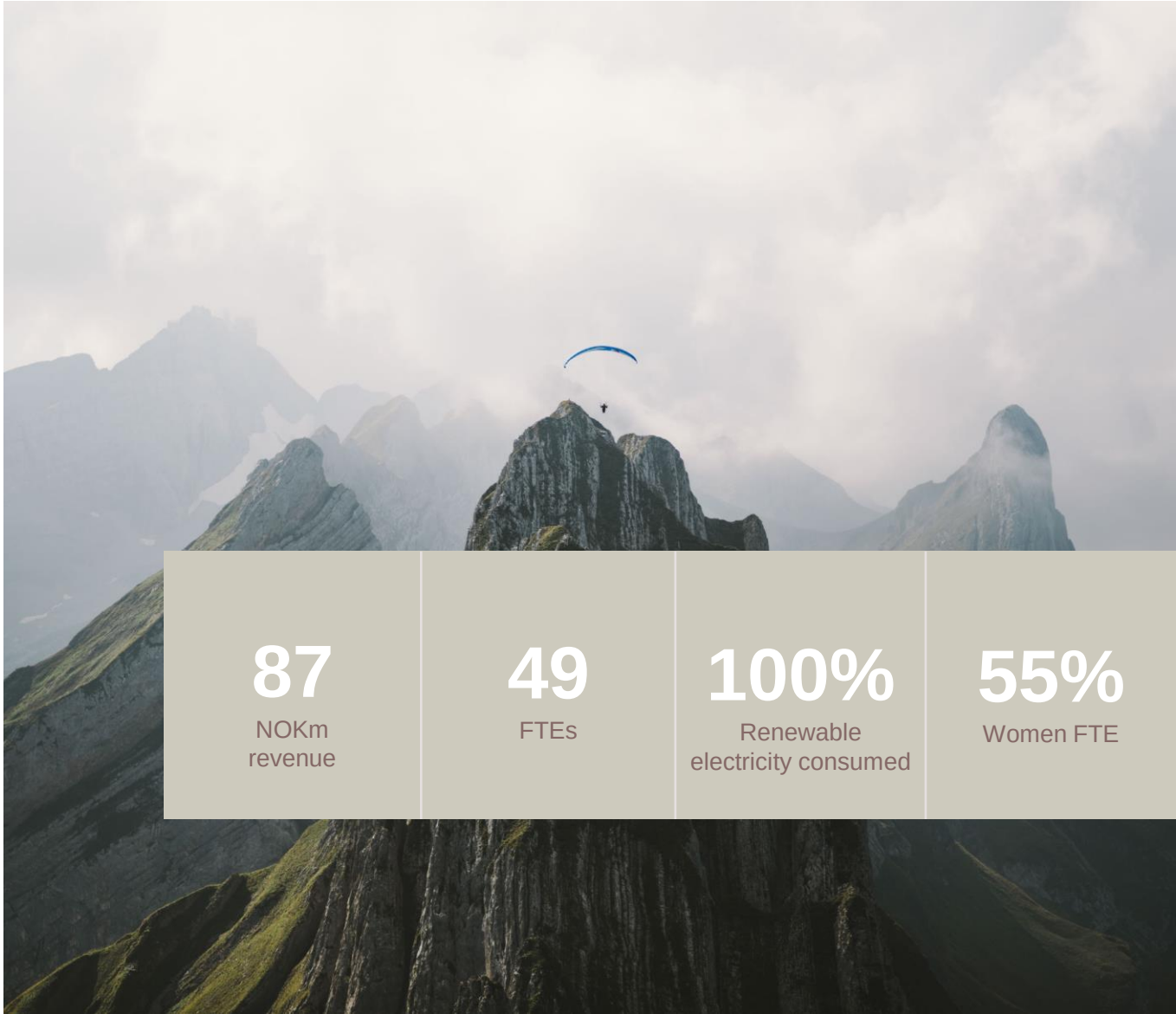
The report is the result of an independent review by the ESG & Sustainability consulting firm MJ Hudson, commissioned and approved by the board and management of CIC Hospitality.

Note: All judgements are, where possible, based on or backed by analyses conducted by MJ Hudson. In cases involving across-category comparisons or result classification, judgements are not always based on objective analyses or data. These judgements are intersubjective in the sense that they are agreed between MJ Hudson and management, and in line with the thinking of industry experts and leading NGOs.

Contents

Company at a glance

- CIC Hospitality (CIC), founded in 2018, is a fast-growing independent owner and operator of price-friendly hotels in the Nordics, operating both own hotels and externally owned hotels on behalf of real estate owners or other hotel chains.
- With the focus on best-in-class cost management and innovative solutions, CIC can offer accommodation in cities and locations with limited accommodation alternatives. The company's vision is to care, inspire and create experiences.
- The hotels are strategically located in areas where tourism is not the primary driver for demand; but rather where hospitals, construction projects, or other commercial activities drive customer stays.
- CIC is headquartered in Oslo, Norway and has over 160 individuals employed within our organization. The hotel portfolio currently consists of 16 hotels; primarily based in Norway, though in 2021, international expansion was realized with the opening of the first location in Copenhagen, Denmark. CIC holds agreements with hotel chains such as Best Western, Radisson BLU and Scandic Hotels.



87
NOKm revenue

49
FTEs

100%
Renewable electricity consumed

55%
Women FTE

How we look at sustainability

Investigate the industry exposure

First, the relevance of ESG is assessed for the industry that the company operates in, and a long-term vision for a sustainable industry is defined.

Determine key impact areas

Key material themes are highlighted, taking a perspective on the full value chain. They are reviewed on an annual basis.

Assessing performance

The company's performance on the identified key material themes is assessed, reflecting on relevant initiatives and performance metrics.

Position for the future

Finally, opportunities are identified where ESG and value creation coincide, formulated in actionable priority projects to drive progress.

Sustainability in the industry

Today's industry

- **Market demand –** The notion of sustainable or responsible travel is becoming increasingly important to hotel customers. Customers increasingly consider how hotels reduce negative consequences on biodiversity, the environment, and local communities. Hotel operators' brand image is increasingly affected by company performance on resource efficiency, actions to protect ecosystems, and efforts to act in the interest of local communities. While hotel guests demand more transparency and traceability on these topics, only 30% of the hospitality industry publicly communicates sustainability initiatives.[1]
- **Regulations & certifications –** The regulatory pressure for the industry is shaped by local institutions and government bodies (e.g. greenhouse gas emissions, data security and privacy, local environmental impacts). Following the EU's GDPR, hotel operators must undertake action to ensure the secure handling of customer data. Certifications, such as ISO 27001, can serve as a framework for relevant data security and privacy policies and procedures. Other relevant certifications include ISO 14001 and ISO 9001. Given the changing demand, the Eco-Lighthouse certification seems to be key as it is the leading standard for excellence in the field of environmental responsibility and sustainable operation within the industry.
- **Industry initiatives –** Relatively large industry peers have sustainability initiatives in place and disclose their goals and performance publicly on their websites, e.g. emission reduction programs, Too Good To Go partnerships, plastic-free meals, etc. Smaller peers seem less focused or vocal on sustainability.

[1]Based on a Booking.com 2021 survey of 29,000 travelers from 30 countries.

Long-term vision for a sustainable industry

- The industry has the potential to reach a future-proof state with conditions for growth. Hotel operators should work towards a net zero carbon footprint (i.e. renewable energy for facilities, an electric fleet, offsetting remaining emissions). Energy efficiency measures should be integrated into building design and refurbishments.
- Given the nature of operations, hotel operators need to have a good relationship with the local community around every site. Impacts from the hotels on biodiversity and ecosystems, such as littering and noise pollution, should be closely monitored.
- Hotel operators play an active role in educating customers on making sustainable decisions, e.g. around energy and water consumption.
- Companies in the industry will need to eliminate the risks of environmental incidents by having a best-in-class ecological management system in place. Water consumption should be minimized, or at least part of closed-loop recycling systems. An action plan should be in place to ensure the health and safety of employees and consumers, thereby lowering absenteeism and increasing customer satisfaction.

Overview of the key material themes

Highlighting ESG themes relevant to CIC and the industry across its value chain using SASB's materiality map

	UPSTREAM	OPERATIONS	DOWNSTREAM
	Sourcing	Management, operations & development	Customer use
ENVIRONMENTAL			
Climate & energy		**Energy & carbon**	
Material circularity		**Material efficiency & waste**	
Biodiversity & ecosystem impacts			
SOCIAL			
Employee well-being	**Employee health & safety**		
Customer impact		**Service quality**	
Corporate citizenship			
GOVERNANCE			
Corporate governance			
Supply chain management	**Supply chain control**		
Business resilience & ESG		**Sustainability principles**	

Managing the key material themes

Energy & carbon

Involved

- CIC is focused on lowering its carbon footprint and has set initiatives to do so, such as the limited use of gas and the implementation of a travel policy.
- Emissions predominately result from hotel electricity consumption. Company management is exploring possibilities to reduce the associated emissions through, for example, solar panel installations and geothermal heating at all hotel sites.
- To minimize energy usage, e.g. when rooms are empty, CIC has installed ventilation systems per hotel room.
- A business travel policy is in place aiming to limit travel to business-critical only. To promote the use of electric vehicles, CIC has an established partnership with Tesla regarding charging stations at hotel sites.

Material efficiency & waste

Involved

- In accordance with Eco-Lighthouse and Swan Ecolabel standards, CIC aims to limit negative environmental impacts of the hotels. The company aims to have all properties Eco-Lighthouse certified.
- Using innovative solutions that can lead to a differentiated brand image, CIC aims to encourage guests to take environmental efforts, e.g., water use savings.
- Initiatives are in place to reduce water consumption and promote water recycling, e.g., CIC adopted Best Western's sustainable cleaning program.
- Procedures for waste management are in place. Hazardous waste streams are limited to batteries and small electronics left behind by hotel guests. Hazardous waste is disposed of at public recycling facilities.

Employee health & safety

Integrated

- CIC is focused on ensuring and improving the health and safety of its employees.
- Health and safety management is supported by software ('TuDu') where procedures and policies are documented. Staff is provided regular training using this software, e.g., related to health & safety.
- The work environment safety risks are assessed annually at all hotels. Follow-up action is taken if required.
- To improve working conditions and uncover any dissatisfaction among staff, annual individual dialogue and quarterly staff meetings are in place.
- Safety culture is embedded, evident in the zero-accident rate throughout 2019-21.

Service quality

Committed

- Best-in-class service quality is top of mind, evidenced in the digitalization of the customer journey; from self-check-in to the use of artificial intelligence to manage customer inquiries.
- Customer satisfaction is monitored using hotel chain-based systems, e.g., Best Western and Thon Hotels guest surveys. Routines are in place to monitor external surveying, e.g., TripAdvisor. All data is aggregated in TuDu, where CIC aims to respond to all customer feedback.
- Regular room and food inspections are carried out locally by the hotel chains themselves. Although most chains have dedicated staff to monitor quality, CIC has its own quality procedures.
- Quality-related incidents relate to room size and bed quality. Follow-up action is taken accordingly.

Supply chain control

Involved

- The Norwegian hospitality sector sources most products through national joint agreements, which implies that CIC cannot screen on its own ESG criteria in the selection of suppliers and that not much influence can be exerted on the environmental impact of suppliers.
- For the contracts that CIC does handle, company management controls all contracts and transactions across the hotel portfolio digitally from the head office. Although no ESG selection criteria have been established, there is a Supplier Code of Conduct in place signed by suppliers.
- CIC's key suppliers are based locally in Norway, Denmark and Estonia, and provide food, linen, energy, property management systems, and module construction services.

Sustainability principles

Involved

- ESG is starting to become more embedded into the policies and procedures of CIC. In 2022, the company aims to have established key governance policies, such as Whistleblowing Policy and ESG Policy.
- CIC has explored ESG-related membership and has obtained the Eco-Lighthouse ('Miljofyrtårn') certification. Obligated Eco-Lighthouse reporting is completed annually.
- ESG is not fully formalized into processes and procedures but has high priority. As the company grows, management aims to further formalise ESG into operations.
- Social responsibility is high on the agenda, including partnerships with the NAV to recruit individuals and local community projects, e.g. baking with children.

KPI overview*

	KPI	Unit	2020	2021	Target	Comment
Energy & carbon	Energy consumption	MWh	1,866	6,388		› Increase due to COVID; which significantly reduced demand
	Energy intensity	MWh / NOKm revenue	52.6	73.1		› Goal is to track progress and evaluate accordingly
	Share of renewable electricity	%	0%	100%		› Guarantee of Origins certificates confirm the renewable origin
	Carbon footprint	tCO2e	750	24		› Decrease due to 100% renewable electricity in 2021
	Carbon intensity	tCO2e / NOKm revenue	21.1	0.3		› See above
Material efficiency & waste	Waste consumption	Tonnes	N/A	253		› Goal is to track progress and evaluate accordingly
	Waste intensity	Tonnes / NOKm revenue	N/A	2.90		
	Water consumption	1,000m^3	6.8	14.8		
	Water intensity	1,000m^3 / NOKm revenue	0.2	0.2	<2%	› Target: realize 2% intensity reduction in 2022
	Eco-lighthouse certifications	% of certified properties	N/A	N/A	100%	› Target: obtain Eco-lighthouse certifications for all sites
Employee health & safety	Total absenteeism rate	%	1.8%	3.4%		
	Short-term absenteeism	%	0.6%	3.2%	<2%	› Target: short-term absenteeism at, or below, 2% in 2022
	Long-term absenteeism	%	1.2%	0.2%		
	Accident rate	# accidents / 1,000 FTE	0	0	0	› Target: maintain zero-accident rate in 2022
	Employee satisfaction	Score	N/A	N/A		› Target: Implement employee satisfaction survey in 2022
	Gender diversity	% women FTE	N/A	55%		
	Women on the board	#	0	0	1	› Target: 1 woman on the board of the directors by 2022
Service quality	Customer satisfaction	NPS score	N/A	N/A	8	› Target: customer satisfaction score >8 in 2022
	Quality-related incidents	#	N/A	N/A		› Goal is to set baseline in 2022
Supply chain control	Purchases through national corporations	% of properties	N/A	N/A	100%	› All properties should purchase through national corporations
	Adherence to environmental checklist	% of properties	N/A	N/A	100%	› All properties should conform to environmental checklist
	Supplier Code of Conduct sign-off	% of suppliers signed	N/A	N/A	100%	› Target: 100% of suppliers sign Code of Conduct by 2023

*Based on aggregated data reported by company management in the data gathering platform.

Priority projects (1/2)

A selection of projects has been defined that contribute to fulfilling CIC's sustainability ambition(s).

		
	Energy & carbon	**Material efficiency & waste**
Project	**Care – Carbon strategy**	**Care - Sustainable hotel construction**
Description	› In line with its ambitions to become a leader on sustainability within the industry, CIC aims to assess and develop a roadmap to achieving net zero over the next 5 years. › This is the first phase of a multi-year ambition to reach net zero.	› CIC will assess its opportunity to sustainably construct hotels. Initial steps include substituting concrete, bricks and steel for wood in construction, thereby promoting sustainable consumption and production in the hotel industry. › Through establishing ESG criteria that suppliers must abide by, CIC can secure sustainable material inputs. This may be a multi-year project with renewed goals annually.
Timeline	› **Q2 2022**: Plan for analysis, required information and external support – e.g. Science Based Targets initiative (additional information). › **Q3-Q4 2022**: Analysis to be conducted on the main sources of carbon from business operations and roadmap to be developed and communicated both internally and externally.	› **Q2 2022**: Define supplier ESG criteria. › **Q3 2022**: Initiate audits and screen 100% of suppliers on ESG criteria. › **Q4 2022**: Plan for LCA analysis[1], required information and external support – in line with EU Taxonomy, CIC needs to quantify the global warming potential contributions of a building along its life cycle (additional information).
Responsibility	› Management team	› CIC property development manager

1In a life cycle assessment, wood may not be perceived as a much more sustainable construction method given that carbon storage is not yet well taken into consideration in most established methods (more information).

Priority projects (2/2)

A selection of projects has been defined that contribute to fulfilling CIC's sustainability ambition(s).

	Material efficiency & waste	Sustainability principles
Project	**Inspire - One system for all**	**Create & Care - Social project**
Description	› CIC will implement an educational reward system to inspire guests to create a better environment and maximize impact – i.e. reduced energy and water consumption. › The ambition for this year is to set the stone on how to realize the guest interactive interface – e.g., on (check-in) pads in the lobby or tablets in the room. This may also include how guests obtain credits for savings and what they can redeem credits for, e.g., impact project of choice or, discount on the next stay.	› In line with the company values "Care, inspire, and create", CIC perceives guest and employee satisfaction as essential. › The ambition is to enable social projects, e.g., offering employees x amount of paid time off to volunteer for local charities, defining local community projects with employees, offering internships, and collaborating with NAV, to create new possibilities to take care of employees and the wider community and create a ripple effect of satisfaction.

Timeline	› **Q2 2022:** Determine practicalities on system.
	› **Q3-Q4 2022**:
	  › Initiate a pilot reward system in 1 hotel.
	  › Track customer satisfaction in surveys on system.
	  › Redefine system practicalities based on customer feedback/learnings and consider roll-out in other hotels.
		› **Q2 2022**: Identify 3 social projects to be completed.
		› **Q1 2023**:
		  › Evaluate 2022 social projects and based on learnings, define 6 social projects to be pursued in 2023.
		  › Externally communicate success on how CIC "creates", e.g. case studies on website.

Responsibility	› Marketing team	› CFO, Operation manager (TF) and Revenue manager (LD)

Actions & other initiatives

Actions	Timing	Responsible party	Comments
› Establish baseline carbon footprint incl. energy consumption of hotels	› 2022	› Management team	› Before annual gathering fall 2022
› Monitor % FSC certified and recycled materials	› 2022	› Operation team	
› Implement Norvestor standard policy package	› Q2 2022	› CEO	
› Establish set of indicators to monitor, report and communicate water and waste efficiency	› 2022	› CFO / CIC Development Manager	
› Minimise food leftover, partner with companies to sell and donate leftovers	› 2022	› Operation Manager (TF)	
› Obtain Eco-lighthouse certification for all CIC owned / managed properties	› 2022	› Operation Managers – per property	
› Abide by ISO 45001 standards to raise the bar of the health and safety management system	› 2023	› CEO and CFO	› Assistance from external part
› Implement a tool for periodic employee surveying (e.g. weekly pulses using &Frankly)	› 2022	› Commercial team	
› Employ a woman board member (FTE)	› 2022	› CEO	
› Publish an ESG or sustainability section on website	› 2022	› Commercial team	
› Publish sustainability initiatives on third party booking platforms	› 2022	› Commercial team	

Annex

Performance scale for key material themes

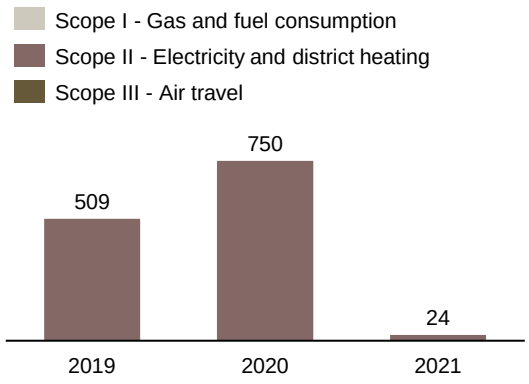
	Reactive	Involved	Committed	Integrated	Future proof
Energy & carbon	› Adherence to (local) energy regulations (i.e. EED (EU), ESOS (UK), Wet Milieubeheer (NL))	› Basic monitoring of energy and carbon emissions (Scope I + II) › Energy audit conducted and proposed actions fully lived up to › Focus on behavioural changes, quick-wins addressed › Carbon policy in place and regulation awareness at board level	› Energy management system in place › Monitoring of Scope I, II and III › Energy efficiency targets of >2% p.a. › Science-based target set in line with well-below 2°C climate scenario (2.5% ≤ X ≤ 4.2% annual linear reduction) › >50% of electricity derived from renewable sources (including RECs)	› YoY energy efficiency gains of > 2% › Science-based target set in line with 1.5°C climate scenario (X ≥ 4.2% annual linear reduction) › Onsite renewable energy generation deployed if possible and >75% of energy from renewable sources (including RECs)	› Energy consumption reduced to absolute minimum › Net-zero emissions achieved for Scope I, II and III emissions
Material efficiency & waste	› Input materials adhere to relevant laws & regulations › Limited insight into material efficiency › Insight in use of scarce materials	› Quick-wins deployed to increase material efficiency (e.g. through process improvements) › Initiatives mainly focused on achieving cost reductions › Options explored to reduce the use of scarce materials	› Action plan in place, incl. KPIs, targets an criteria on e.g. renewable, recyclable or recycled input; aim to reduce virgin input material › Alternatives for scarce materials implemented	› Tangible reduction in virgin input › >50% (or as much as reasonably achievable) of materials are renewable or recycled › All certifiable input materials are certified (e.g. FSC) › Tangible reduction in the use of scarce materials	› Zero virgin input materials › Pushing circularity standards (e.g. by replacing materials with better alternatives, design changes, or supply chain collaborations) › No to limited use of scarce materials
Employee health & safety	› Adherence to (local) H&S regulation › Risk management system in place (NL: RI&E) › Basic monitoring of absenteeism and accidents	› H&S policy and safety audit (e.g. VCA) in place › Sound follow-up on risk management system (RI&E) › Monthly board reporting on H&S performance › Mitigating efforts in place against work-related diseases	› H&S management system (e.g. ISO 45001) in place › Comprehensive reporting standards incl. near-misses, LTIF-rate, short/mid/long-term absenteeism › LTIF and absenteeism below industry average or else action plan in place, including KPIs and targets	› Proof of embedded safety culture › LTIF and absenteeism below industry average for past 3 years	› Best-in-class H&S management reflected in track record (i.e. LTIF and absenteeism <50% of industry average for past 3 years)
Service quality	› Information about terms and conditions available on website › Registration of customer complaints › Insight into customer satisfaction	› Customer service system in place with resolution system to handle complaints › Monitoring of customer retention rate	› Action plan in place to improve customer satisfaction	› Best-in-class (complaint) management system/service	› All complaints are followed up on swiftly › Year-over-year improvement of consumer satisfaction score for >3 consecutive years
Supply chain control	› Adherence to minimum regulatory standards (e.g. ILO & UN Global Compact principles) stated in supplier contracts › Little to no insight in impact and sustainable conduct of suppliers	› Material risks and mitigation opportunities (i.e. policy, auditing and certification schemes) identified throughout supply chain, incl. suppliers, services and input materials › Supplier code of conduct signed by exposed suppliers	› Strategy in place (including KPIs and targets) to eliminate risk exposure through supplier standards and audits (e.g. SA8000, SMETA 4P, Amfori BSCI, Sedex) and responsible product certification schemes › Audit and assist first tier suppliers to conduct corrective actions	› Strategy rolled-out and policy fully embedded in operations › Suppliers and products meet highest audits scores and responsible certification levels › Pro-active chain engagement to raise the bar of responsible conduct › Maximised efforts directed to create full transparency	› Supply chain risks fully mitigated and active contribution to sustainable development › Full chain transparency
Sustainability principles	› ESG statement on website › Standard ESG issues covered (e.g. safety)	› ESG policy in place › Exploring relevant ESG-related memberships	› Annual monitoring and updating of ESG policy › ESG action plan in place, including KPIs and targets › ESG related memberships in place	› ESG policy actively communicated to stakeholders › The firm's ESG measures are amongst the top of the industry and peers › Year-over-year progress on ESG integration › Reporting to management and board level	› Initiator/frontrunner of sustainability initiatives › Pushing ESG standards in industry

2020 performance 2021 performance

Energy & carbon

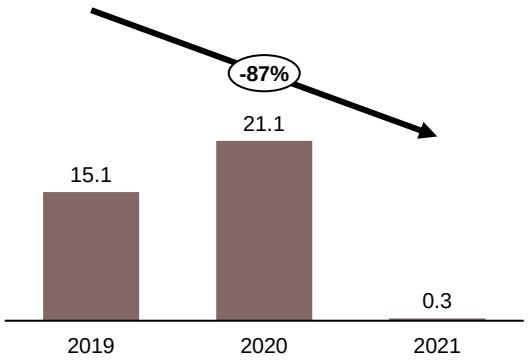
CARBON FOOTPRINT[1]

tCO2e



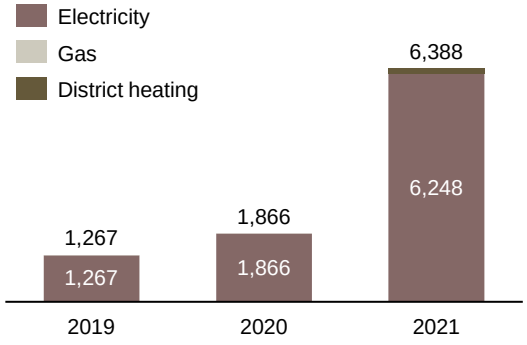
CARBON INTENSITY

tCO_2e / NOKm



ENERGY CONSUMPTION

MWh



- The carbon intensity dropped significantly from 2019 to 2021, explained by the 100% renewable electricity procured in 2021 - backed by Guarantee of Origin certificates.
- Scope I emissions come from car travel and gas consumption. Gas is only used on one of the sixteen sites for food preparation purposes.
- Scope II emissions come from district heating. To further reduce scope II emissions, current agenda items include the installation of solar panels and the use of geothermal heating at all hotel sites operated and owned by CIC.
- Scope III emissions are based on air travel. A business travel policy is in place, aimed to reduce the associated carbon emissions with business travel.
- Although there is no energy management system in place yet, company management is exploring possibilities in 2022 for its own hotels.

1As defined by The Greenhouse Gas Protocol; The carbon footprint includes the GHG emissions CO2, and is expressed in equivalent tonnes of carbon dioxide (tCO2e). Scope III is not exhaustive and only include business air travel. Source: Greenhouse Gas Protocol, Company data, MJ Hudson assessment

Material efficiency & waste

TOTAL WASTE

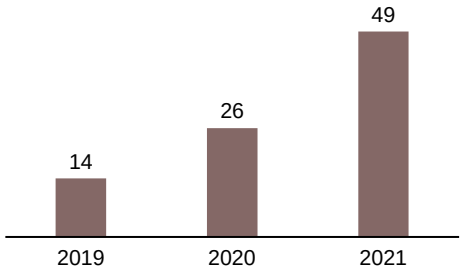
Tonnes, 2021

- CIC aims to source sustainable materials locally to minimize material sourcing risks. Top material suppliers are based in Norway, Denmark and Estonia.
- No hazardous materials are used in operations, where hazardous waste streams are limited to batteries and small electronics left behind by hotel guests – accounting for <0.1% of total waste streams.
- The company's environmental policy stipulates adequate waste management guidelines and principles. For example, recycling procedures and hazardous waste disposal guidelines are topics covered in the policy.
- The hotels that CIC owns and operates are not located in, or adjacent to, protected areas and areas of high biodiversity value. Over the past five years, the company has not experienced any incidents or legal issues related to the ecosystem and environment.

Employee health & safety

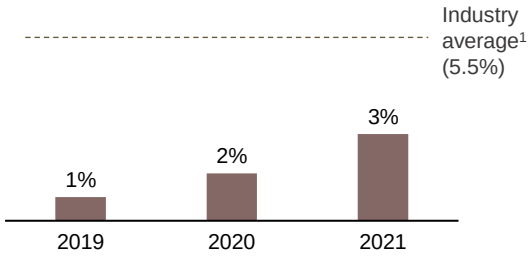
EMPLOYEES

FTE



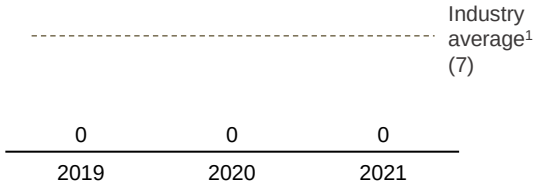
ABSENTEEISM RATE

%



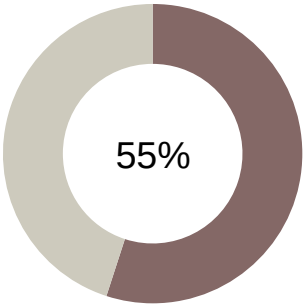
ACCIDENT RATE

Accidents / 1,000 FTE



GENDER DIVERSITY

% Women FTE



- Several policies, routines, and action plans are in place that aim to ensure and improve the health and safety of CIC's employees.
- The health & safety policy acknowledges CIC's responsibility when it comes to creating a safe and secure work environment.
- Regular safety inspections are conducted in the workplaces, staff is educated on safety issues, and CIC makes sure that staff has the required equipment to perform work safely.
- There is proof of an embedded safety culture within CIC, evidenced by the low accident and absenteeism rates over the years.

1Based on Statistics Norway (SSB) 2021 averages for the 'Accommodation and catering activities' industry.
Source: Company data, MJ Hudson assessment, SSB

Supply chain control

Top suppliers	Product	Location	Assessment of ESG proposition
ASKO	› Food	Norway	› ASKO aims to be sustainable and climate neutral. Their focus lies on resource efficiency, good quality, food safety, low emissions, and sustainable development. Environmental goals include reduction of energy consumption by 20%, self-sufficient provider of renewable energy, and use of 100% renewable fuel. › The company is vocal on sustainability initiatives and has a dedicated section on its website covering its ambitions and initiatives.
Nor Tekstil	› Linen	Norway	› Nor Tekstil's vision is to become the best in the world at innovative and sustainable textile service. Nor Tekstil aims that value creation and development shall take place in a responsible manner that respects people, society and the environment. › Besides an extensive website page covering sustainability initiatives, the ESG policy is publicly available and reviewed periodically (last updated December 2021).
Hafslund	› Energy	Norway	› Hafslund has no ESG statement, and no industry certifications mentioned on the website. › Notably, the company does have a 'Green Choice' offering wherein companies can have climate-neutral activities, backed by Hafslund's own certification scheme. In addition, choosing the 'Green Choice' helps support the Rainforest Fund.
Hoist Group	› Property management systems › TV › WiFi	Sweden	› The Hoist Group has a devoted CSR section, wherein they state their contribution to creating a shared effort. The company supports Hand in Hand in Njwata and Kinyambu in Kenya. › Besides the CSR section, the company is not vocal about internal sustainability initiatives, ambitions, and targets.
Algeco Norway	› Module construction	Norway	› Algeco Norway perceives sustainability and circularity as integral parts of their solutions and in how they run their business. › The company reports on ESG topics annually and discloses this publicly in the sustainability report. Targets are set for key metrics, for example, energy consumption and absenteeism rate.

› Due to the national joint agreement within the hospitality sector, CIC can exert limited influence on ESG-related topics within its supply chain. Yet, smaller contracts with suppliers that CIC controls pose an opportunity for the company to drive responsible conduct.

› Top suppliers are located in Denmark, Sweden, Norway and Estonia.

› Over the past three years, there have been no ESG-related issues with suppliers.

Climate risk assessment

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Type of risk

Description

Physical climate risks

To assess exposure to physical climate risks, a company's geographical presence and its upstream and downstream exposure are considered. The risk score takes water stress and country ESG RepRisk into consideration, retrieved from Aqueduct Water Risk Atlas tool[1] – recognized for physical climate risk assessment by the TCFD.

Exposure

Geographical presence CIC Hospitality

Legend: Operations; Upstream exposure; Downstream exposure

Risk score

UPSTREAM	OPERATIONS	DOWNSTREAM
LOW / **MEDIUM** / HIGH	LOW / **MEDIUM** / HIGH	**LOW** / MEDIUM / HIGH
Water stress risks in Sweden, Estonia and Norway are considered low; medium in Denmark. Estonia has medium institutional and socio-economic coping capacity.	CIC owns one premise in Oslo with low water stress risk and high coping capacity. From the hotel it operates, one[2] has high water risk, yet high coping capacity.	Given clients are primarily located in Norway, the downstream physical climate risk is low. Water stress risk is medium in Copenhagen.

Transition risks and opportunities

The transition risk element captures the risks associated with a shift to a low-carbon economy and the opportunity element portrays how well a company is positioned for a shift to a low-carbon economy. An example of a transition risk element would be high costs associated with the transition to lower emission technology.

Transition risks	Transition opportunities
Policy & legal	Resource efficiency
Technology	Energy source
Market	Products / services
Reputation	Markets

Legend: Material; Less material

TRANSITION RISK	TRANSITION OPPORTUNITIES
LOW / **MEDIUM** / HIGH	LOW / **MEDIUM** / HIGH
• **Policy & legal**: Relatively high energy intensity could lead to increased operating costs as a result of price increases for, e.g. renewable electricity. • **Reputation:** Shifting demand to make travelling as sustainable as possible, e.g., with low-carbon emissions, poses a potential financial risk.	• **Resource efficiency**: Closed-loop material management to realize efficiency gains and reduce costs. • **Energy source:** Installation of solar production panels on hotel premises can reduce exposure to GHG emissions and thus less sensitivity to changes in carbon costs.

1Link to Aqueduct Water Risk Atlas; indicators selected include Water Stress and Peak RepRisk Country ESG Risk Index; 2Hotel Astoria in Copenhagen.
Source: Aqueduct Water Risk Atlas, MJ Hudson analysis, TCFD

Targeted UN SDGs* for CIC

MAJOR CHALLENGES | SIGNIFICANT CHALLENGES | CHALLENGES REMAIN | SDG ACHIEVED

Company activity	SDG	SDG target	SDG indicator	Country status	Company KPIs
Impactful activities					
Sustainable hotel construction	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.2:** By 2030, achieve the sustainable management and efficient use of natural resources.	**12.2.2:** Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP.		*KPI to be determined in 2022*
Sustainable activities					
Minimise carbon emissions of operations	13 CLIMATE ACTION	**13.2:** Integrate climate change measures into (national) policies, strategies and planning.	**13.2.1:** Number of countries that have communicated an integrated plan for adaptability and resilience to climate change; - For companies: GHG contribution to national emissions.		**Carbon footprint, tCO2e** IRIS+ OI1479 2019: 509 2020: 750 2021: 24
Reduce water consumption and increase water efficiency of operations	6 CLEAN WATER AND SANITATION	**6.4:** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater.	**6.4.1:** Change in water use efficiency over time.		**Water consumption, m³** IRIS+ OI8060 2019: 3,507 2020: 6,820 2021: 14,887
Support employee rights and wellbeing	8 DECENT WORK AND ECONOMIC GROWTH	**8.8:** Protect labour rights and promote safe and secure working environments for all workers.	**8.8.1:** frequency rates of fatal and non-fatal occupational injuries, by sex and migrant status.		**Accident rate, #/1,000 FTE** IRIS+ OI3757 2019: 0 2020: 0 2021: 0

CIC activities are mapped to the SDGs and relevant targets. Each activity identified contributes to an IRIS+ KPI. Potential for national contribution is assessed using the SDG Report 2021, highlighting countries in the value chain that can benefit from company activities.

*United Nations Sustainable Development Goals

Impactful SDG activities

IMPACT MANAGEMENT PROJECT

INDICATIVE*

Company activity	SDG	What	How much	Who	Contribution	Risk
Sustainable hotel construction*	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	When constructing new hotel sites, sustainability is top of mind at CIC. By carefully selecting and managing natural resources, the company aims to showcase sustainable consumption and production methods.	CIC is still in the phase of identifying the practicalities as to how it will construct hotels sustainably. How much CIC contributes will be evidenced by a KPI, to be determined in 2022 – once CIC has finalized practicalities.	Constructing with sustainable materials, secured by certifications, helps the environment in many ways. For instance, certified materials may be produced in required volumes without depleting non-renewable resources and without disrupting the state of the environment. This impact indirectly translates to society, where humans may benefit from a healthier climate.	CIC actively engages with suppliers to push for sustainable solutions, from construction to operations.	Risks include: • Inadequate management of materials (e.g. not recovering and reusing as much as possible); • Claims on sustainable construction without valid standards, certifications (e.g. FSC) or transparency on management; • Claims on the positive impact of certain materials, e.g. wood, without quantification of impact.

The SDG assessment highlighted impactful activities. Using the Impact Management Project's five dimensions of impact framework, the scope and potential of impact of CIC's company activities is assessed.

*Indicative based on that CIC is still exploring opportunities to sustainably construct hotels.

Sustainability principles

Sustainability policies, certificates and targets

- A Code of Conduct and employee handbook are in place, along with relevant sustainability policies: Health & Safety Policy, Executive Compensation Policy, Contract Policy, and Supplier Code of Conduct.
- Most of CIC's hotels have obtained the Eco-Lighthouse ('Miljofyrtårn') certification.
- Although no ESG targets have been set, CIC does aim to reduce waste and water consumption and has set actions in place to reduce the use of chemicals in operations.

Engagement & responsibility of the Board of Directors

- As sustainability is one of the core pillars of CIC, ESG is prioritized and discussed in all board and management meetings.
- The CFO is responsible for ESG-related topics.

Risk inventory and evaluation

- A risk assessment is performed annually at all hotel sites; follow-up action is taken accordingly.

Quality of monitoring systems

- Quality procedures and controls are in place, where most hotel chains that CIC operates have designated staff internally for quality-related purposes.
- TuDu, a complete HSEQ management tool, ensures adequate reporting and monitoring of health, safety and quality issues. It is a tool that simplifies the daily tasks for employees and managers.

Ensuring supplier compliance to Sustainability standards

- The Supplier Code of Conduct is communicated to suppliers.
- Given that CIC makes purchases through national joint agreements for the hospitality sector, no ESG-related criteria have been established for supplier auditing and screening.

Transparency and reporting

- Annual reporting is completed for the Eco-Lighthouse ('Miljofyrtårn') certification.

Governance

Policy		Comment
Environmental	✓	› Highlight recycling and waste handling procedures
Code of Conduct	✓	› Longstanding
Anti-corruption/Bribery	✗	› Goal is to establish in 2022
Work Environment	✓	› Longstanding
Health and Safety	✓	› Longstanding
Whistleblowing	✗	› Goal is to establish in 2022
Privacy & data security	✗	› Data management according to GDPR standards, handled by CCO
Diversity / Anti-discrimination	✗	› Goal is to establish in 2022
ESG	✗	› Goal is to establish in 2022
Anti-trust Policy	✗	› Goal is to establish in 2022
Supplier Code of Conduct	✓	› Suppliers made aware of Code of Conduct
Executive Compensation	✓	› Longstanding

- Actions to foster ethics and compliance with the company include applying the company's key values: Caring, Inspiring and Creative. There is currently no reward or supporting incentive to implement this.
- CIC has established governance policies, yet aims to increase the scope of these in 2022. Policies to be implemented in 2022 include Diversity/Anti-discrimination Policy, ESG Policy, Anti-bribery and corruption Policy, Anti-trust Policy, Whistleblowing Policy, and Privacy & Data Security Policy.
- CIC is a tax resident in Norway, the location of its headquarters.
- A compliance management system is in place that reviews operations to ensure that responsibilities are carried out and requirements are regulations are met. The company is compliant with all relevant local environmental and social laws and regulations.

Additional ESG insights

UN Sustainable Development Goals

CLICK ON THE ICONS BELOW FOR MORE INFORMATION ABOUT EACH OF THE SDGS

- In 2015 the United Nations adopted the Sustainable Development Goals, intended to be achieved by the year 2030. The goals provide a shared blueprint for peace and prosperity for people and the planet.
- At its heart are the 17 Sustainable Development Goals (SDGs). They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.
- The 17 sustainable development goals each have a list of targets (169 in total) which are measured with indicators.
- The SDGs are increasingly being used by governments and organisations, both in marketing their sustainability efforts, as well as in demanding other organisations to show how they contribute to the goals.

How we measure the SDGs

1 Activities material to the SDGs

- The company's activities across material themes are taken as a starting point.
- Activities contributing to SDG targets are identified.
- Across the 17 SDGs there are 169 targets and 247 indicators. Based on identified activities, we select the targets and indicators that are considered relevant to the company.

2 Potential for national contribution

- National performance on the identified targets is assessed in the countries of operation.
- Utilising the UN's annual report on countries' progress SDG targets (link), the potential for company 'SDG impact' is assessed.
- Activities that have the potential to contribute to national goals are defined as Impactful.
- Activities supporting completed goals are defined as Sustainable.

3 Defining KPIs and assessing impact

- IRIS+ is used to measure contribution to KPIs over time.
- The IRIS+ system provides SDG-linked metrics and aligns with the GRI along with 50+ other frameworks and standards.
- Activities identified as impactful are assessed for potential impact based on the Impact Management Project's (IMP) 5 dimensions of impact framework.

Key frameworks employed

SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABLE DEVELOPMENT REPORT

IRIS+

IMPACT MANAGEMENT PROJECT

Selected peer initiatives

	The Fern	Meliá Hotels International	Parkroyal Collection – Pickering
	"Green is the new luxury"	**"Unique approach to sustainability"**	**"Eco-friendly garden concept"**
ENVIRONMENTAL	Piloting an innovative 'Green button' initiative, which is a guest interaction on the bedside control panel. A push on the button gives guests the ability to make contributions to the environment by reducing power. Guests receive certificates at checkout.	Allowing guests to purchase and spend credits on initiatives against climate change. Committing to the Paris Climate Agreement and has set environmental objectives related to combatting climate change in line with Science-Based Target Organization.	Winner of Design HICAP 2020; hotel features 15,000m^2 of self-sustaining sky gardens that consume minimal energy using solar panels, motion sensors, rainwater harvesting and reclaimed water. Interior includes vertical gardens and wood walls.
SOCIAL	Partnering with National Geographic Traveller India and Drop-Dead Foundation to help local communities fix water leaking fixtures and raise awareness on water conservation. Efforts were awarded the HICAP 2021 Sustainable Hotel Award.	Collaborating with organizations (e.g. La Caixa Foundation and Accenture) on projects to enhance employability and the workplace integration of people at risk of exclusion. Working with UNICEF and ECPAT to protect children's rights.	Multiple initiatives and partnerships in place to support local communities. For example, in Singapore the Eat Well With Us programme was launched in partnership with National Council of Social Service to create healthier meals for residents.
GOVERNANCE	Integrating ESG throughout the organization with a corporate green team – consisting of volunteers from the staff body. Employee engagement activities include eco quizzes, wealth from waste competitions and workshops to drive ESG awareness.	Linking the four-pillar corporate responsibility model – corporate ethics, society, environment, and reputation – with the UN Sustainable Development Goals to identify 2030 objectives. Public annual sustainability reporting on the website.	Public reporting on key performance indicators, also on third-party booking platforms – e.g. minimization of water usage through rain harvesting and Singapore's first zero-energy sky gardens powered by 60kWp solar cells.

Source: Company websites, MJ Hudson analysis

Science Based Targets initiative

A net-zero commitment validated by SBTi could be part of CIC's sustainability strategy

The Science Based Targets initiative (SBTi) is a partnership between the CDC, the UN Global Compact, the World Resource Institute and the World Wide Fund for Nature.

The SBTi defines and promotes best practice in emissions reductions and net-zero targets which are in line with climate science. Offering a range of target-setting resources and guidance, the SBTi independently assesses and approves companies' targets.

To determine whether a target is truly science-based, the Science Based Targets team can review a company's submission, validate it against their science-based criteria and communicate their decision including feedback.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTI's target validation proposition

Services

- Initial screening of target submission
- Up to two target assessments by a Target Validation team member. Companies will have 6 months after the first submission is completed to submit the second submission
- For each assessment, one comprehensive target validation report including recommendations to address non-compliances if applicable and a written decision <30 business days
- Up to 60 min of feedback conversations after each assessment
- Assistance with formulating targets for complete validations

Costs

- The target validation fee is $4,950, or $1,000 for SMEs, including two target assessments. The fee for resubmissions is $2,490 and is applicable to firms that already submitted a target assessment at least once through the paid service or already have approved targets that need to be updated.

Service availability

- The service closes each year from begin December to begin January. To obtain results before closure, companies need to submit targets before the end of October.

How to submit targets for validation

Steps	Description
1	Fill out the target submission form or target-setting letter for SMEs and check with the guidelines if the form is completed adequately.
2	Send out the form, together with any supporting documents to the SBTi through email: targets@sciencebasedtargets.org.
3	After screening the submission, the SBTi will reach out with the validation services contract, which ought to be signed before the validation process starts.

Guidelines on target setting

The SBTi has publicly available criteria and recommendations on how to set targets, following Greenhouse Gas Protocol accounting standards.

Source: MJ Hudson and Science Based Targets (link)

Wood and sustainable construction

When managed well, it seems that wood construction can offer environmental benefits*

Pros

- Unlike concrete or steel, wood is a renewable and versatile raw material. Rather than mine extraction, e.g. steel, wood can be (re-)grown in forests.
- Research from wbscd and Eurostat, among others, shows that the uptake of wood as a raw material in the construction sector can advance decarbonisation agendas as buildings made of wood can store carbon for the duration of their lifetime.
- The UN Food and Agriculture Organization recognizes that sustainable wood value chains are relevant for responsible consumption and production (SDG 12), climate action (SDG 13), and life on land (SDG 15).
- Waste wood may be recycled, repurposed, and produced into different goods throughout the value chain, and at the end of life, it can be burned to generate bioenergy, substituting fossil fuels.

Cons

- Forests may not be protected to deal with a sharp uptake in demand for wood, especially as intact ecosystems may be replaced by managed forest monocrops, e.g. in Canada current rates of cutting are outpacing the cut forest's natural ability to recover and sequester more carbon than they release[1].
- There are no definitive answers as to how mass timber forests are managed or how much carbon is emitted in the logging, manufacturing, and transportation of wood products used in construction.
- The International Institute for Sustainable Development found that variables that create carbon in forest ecosystems and in the industry are difficult to track. Some of the information required is partial or missing, e.g. length of time the wood will be utilised and the amount of fuel burnt during harvesting.[2]

Conclusion

- Despite critique, there is substantial evidence that wood construction can be part of a sustainable future due to the environmental benefits, including carbon storage and waste.
- Using certifications can help secure sustainable forest management for the wood being procured.

SELECTED CERTIFICATIONS

Certificate	Description	Comments
PEFC	PEFC promotes sustainable forest management using a bottom-up approach: endorsement of national forest certification systems, tailored to specific ecosystems and cultures while meeting a set of strict international requirements.	› In Q3 2021, more than 330 million ha. of forest area were managed under PEFC, making it the largest scheme for forest certification (by certified area). › In the respective country, a panel of stakeholders compiles the standards for sustainable forest management. This decision-making process has been criticized by NGOs for being influenced by vested interests of local industry stakeholders.
FSC	FSC ensures environmentally appropriate, socially beneficial, and economically viable forest management using a top-down approach. Organizations must meet a set of ten principles, from indigenous peoples' rights to environmental impacts.	› In Q3 2021, more than 228 million ha. of forest area were managed under FSC, which is considered the fastest growing scheme for forest certification (by certified area). › Greenpeace International discontinued FSC membership in Apr-18, while it was a founding member 25 years ago. The organisation saw uneven implementation of FSC principles in high-risk areas with weak institutions and high corruption.
ISCC	ISCC ensures sustainable deforestation-free and traceable supply chains, mainly for forestry materials. Organizations must have zero-deforestation policies, protect land with high biodiversity value /carbon stock, protect soil, water and air.	› Although predominantly a European certification, more than 4,000 companies in over 100 countries have been ISCC certified as of 2020. › The reporting process has received criticism from Greenpeace International due to its reliance on self-reporting. The ISCC counterclaims that under ISCC, materials can be traced back step-by-step throughout the entire supply chain.

*Based on high-level desktop research analysis; 1'Pandora's Box' by Natural Resources Defense Council (2018); 2'Emission Omissions' by International Institute for Sustainable Development (2019).
Source: Eurostat, Yale E360, wbscd, New Generation Platform, Natural Resources Defense Council, International Institute for Sustainable Development, UN FAO, MJ Hudson analysis

EU Taxonomy – Construction activities

If CIC aims to be taxonomy aligned, it needs to meet the criteria set out in 7.1 Construction of new buildings

7.1 Construction of new buildings

Description of the activity

Development of building projects for residential and non-residential buildings by bringing together financial, technical and physical means to realise the building projects for later sale as well as the construction of complete residential or non-residential buildings, on own account for sale or on a fee or contract basis.

EU TAXONOMY

Technical screening criteria

Substantial contribution to climate change mitigation

Constructions of new buildings for which:

1. The Primary Energy Demand (PED) defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council282. The energy performance is certified using an as built Energy Performance Certificate (EPC).
2. For buildings larger than 5000 m^2, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.
3. For buildings larger than 5000 m^2 ,the life-cycle Global Warming Potential (GWP)[1] of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.

Do no significant harm

Selection of criteria, for more see p. 167-169 of Technical Annex (link).

Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications:

- wash hand basin taps, and kitchen taps have a maximum water flow of 6 litres/min;
- showers have a maximum water flow of 8 litres/min;
- WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres;
- urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre.

Building designs and construction techniques support circularity and demonstrate, with reference to ISO 20887, or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.

1The GWP is communicated as a numeric indicator for each life cycle stage expressed as kgCO2e/m2 (of useful internal floor area) averaged for one year of a reference study period of 50 years (more information).
Source: EU Taxonomy

Ecochain for life cycle assessment

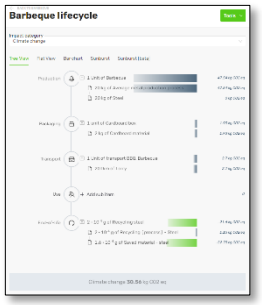
Ecochain can be a helpful tool to quantify the global warming potential contributions of a building along its life cycle

Ecochain is a data-driven organization that empowers sustainable change by visualizing the environmental impact of their clients.

Data is visualized through its platform, which includes various types of solutions: environmental claims (LCA & EPD), company footprints & GHG reporting, impact reduction scenarios & strategy, science-based targets, life cycle database, activity-based footprints, and environmental specialists.

MJ Hudson partnered with Ecochain, permitting access to its LCA tool 'Mobius'.

Ecochain



Why conduct a life cycle assessment?

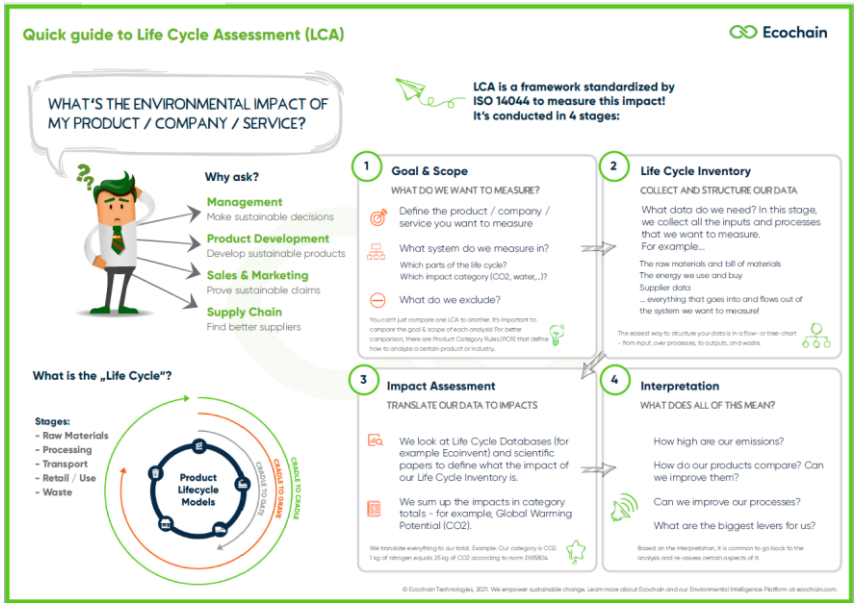
Regulatory compliance: many companies are involved in tendering processes, for which environmental data of products is increasingly required – and LCA can provide this data.

Product development: LCAs can compare how materials influence the environmental impact of the product, facilitating (re)thinking on how products can have a lower impact.

Supply chain control: supplier sourcing impacts product footprint. LCAs can give insights into where this impact lies, and which companies should be sourced from in that respect.

Marketing & sales: understanding the environmental impact through an LCA and communicating that can provide a competitive edge.

Strategic management: making decisions based on an environmental impacts/LCA findings can provide chances for an organization – i.e. avoid risks, lead strategically.



Source: MJ Hudson

Health & safety management

Certifying the H&S management system with ISO 45001, or abiding by its standards, can further strengthen CIC's quality of monitoring systems

ISO 45001 is an Occupational Health & Safety Management System, developed by the International Standard for Organization (ISO).

There are many benefits to the implementation of ISO 45001, including improved hazardous identification and risk assessment, reduced downtime and costs of incidents at the workplace, globally recognized standard, etc.

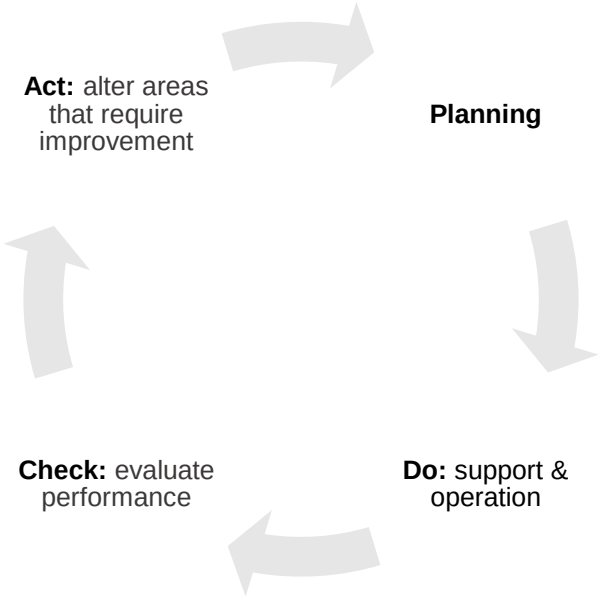
One major advantage of implement ISO 45001 is that it can be done in an organization of any size or type, since requirements of ISO 45001 are similar for all – yet the manner of implementation various to size and activity.

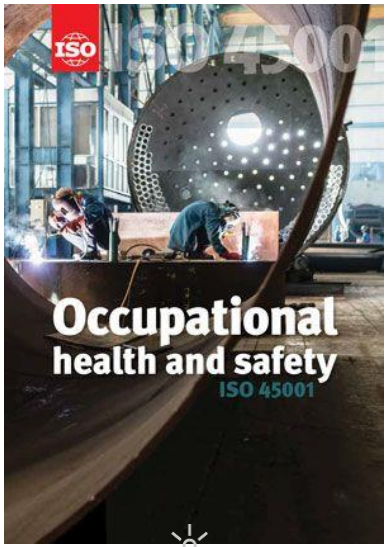
ISO 45001 provides an internationally recognized framework:

- Develop a clear health & safety policy
- Set achievable targets
- Designing ongoing action plans
- Measure progress

Continuous management process

ISO 45001 adopts a circular approach based on Plan-Do-Check- Act





Source: MJ Hudson