Iberostar Hotels and Resorts roadmap for short-term decarbonization in operations and supply chain



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## Executive summary

In 2020, lberostar Hotels & Resorts publicly committed to reach carbon neutrality across its Scopes 1, 2 & 3 by 2030. In this document, we present its roadmap for decarbonization in line with its objective. This ambition was validated by SBTi in October of 2022 and is below the emissions reductions necessary to be in line with 1.5  $^{\circ}$ C of warming by 2050.

Iberostar Hotels & Resorts commits to reduce absolute Scope 1 & 2 GHG emissions 85% by 2030 from a 2019 base year. Iberostar Hotels & Resorts also commits to reduce absolute Scope 3 GHG emissions from purchased goods and services, capital goods, fuel and energy related activities, waste generated in operations, downstream leased assets, business travel and employee commuting 50% within the same timeframe.

Across all scopes, Iberostar will reduce its emissions 58% by 2030 relative to a 2019 baseline. This document details the eleven pathways of decarbonization Iberostar will use to achieve these targets as well as details the yearly targets it will apply to the business to get there. The document then details Iberostar's ambition to offset its remaining footprint by 2030 through restoring and protecting nature in its destinations while boosting climate adaptation in response to climate change-related extreme weather events. The document concludes by recommending actions businesses can take to start decarbonizing their own businesses today. The ambition of this roadmap represents the accommodation sector's most ambitious decarbonization targets to date, achieving an emissions intensity of zero, twenty years before the global target and ten years before the suggested average for the accommodation sector. It demonstrates that it is possible not only to halve emissions intensity overall by 2030, but to use only actions in decarbonization (removing sources of carbon) to do so without relying on carbon offsets.

Iberostar's carbon footprint in 2019 is estimated to be 1.02 million tonnes of CO2e, 8% from Scope 1, 14% from Scope 2, and 77% from Scope 3. With this ambition, by 2030, Iberostar will have an expected 2030 footprint annually of 594,000 tonnes of CO2e, 3% from Scope 1, 4% from Scope 2 and 93% from Scope 3. In order to reach carbon neutrality by 2030, Iberostar will offset the remaining footprint as it continues to decarbonize its business beyond 2030. In this roadmap we describe eleven pathways for decarbonization. There are four pathways for Scope 1 & 2: reducing refrigerant gas emissions, renewable electricity sourcing, electrification of usages of fossil fuels and optimization of energy consumption. There are seven pathways for Scope 3, corresponding to each of the seven categories that make its Scope 3 footprint.



#### Iberostar's Decarbonization Pathway to 2030

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	tieren teratoritation part	tritsion source	962D	12 COAS	Justion % 2019 Jacobies files	usion milowi Inestnett	equired le	Joele Honor Stiller
cope 1	Electrification of usages of fossil fuels Reducing refrigerant gas omissions	Fossil fuels	4.2%	77.3%	Low / Medium	000	4	<ul> <li>Reduction in fuel consumption through behavioral changes of employees and new procedures</li> <li>~90% Electrification of space and water heating systems, kitchens and onsite transportation</li> <li>Substitution of remaining fossil fuels with high emission factors by natural gas and/or LPG</li> <li>Compliance of new entrants to portfolio with electrification requirements</li> </ul>
S	Renewable electricity sourcing	F-gases	3.7%	-91.6%	Low / Medium	66	3	<ul> <li>Procedures and training for early leakage detection</li> <li>Introduction of design criteria to reduce mass requirements for F-gases</li> <li>Operative changes to optimize operation of equipment with F-gases</li> <li>Retrofitting and replacement of equipments and machines for operation with low-GWP F-gases</li> </ul>
Scope 2	Optimization of energy consumption	Electricity	14.1%	-87.7%	Medium / High	<del>C</del> C	2	<ul> <li>Reduction in electricity consumption through behavioral changes of employees and new guidance and procedures</li> <li>Reduction in electricity consumption through system recommissioning and modernization of equipment</li> <li>Renewable sourcing of electricity through onsite renewable generation, renewable PPAs and EACs</li> </ul>
	Purchase of goods and services	PG&S	61%	-50.1%	High	<del>cc</del> / <del>ccc</del>	4	<ul> <li>Circular procurement framework + Guidelines</li> <li>Supply Chain Collaboration Program</li> <li>CE Plans per hotel</li> <li>Operative changes</li> </ul>
-	Capital goods	Capital goods	19%	-50.0%	Medium / High	<del>CC / CCC</del>	4.5	<ul> <li>Impact on F&amp;E: Circular procurement framework + Guidelines</li> <li>Traceability of products and materials (Material passport project)</li> <li>Net Zero Carbon Building &amp; Circularity- Protocols &amp; plans, building efficiency</li> <li>Engagement with suppliers, protocol &amp; contractual requirements</li> </ul>
	Downstream leased assets	Downstream leased assets	10%	-51.0%	Medium	€€	2	<ul> <li>Scope 1 &amp; 2, decarbonization plan</li> <li>Extend Iberostar's standards for Circular Economy</li> <li>&amp; Decarbonization</li> </ul>
Scope 3	Fuel- and energy- related activities	Fuel and energy related activities	6%	-50.0%	Low / Medium	€	3.5	<ul> <li>Scope 1 &amp; 2, decarbonization plan</li> <li>Upstream emissions criteria as part of sourcing decisions</li> <li>Engagement with suppliers and data transparency</li> <li>Engagement with power utilities / grip operators to modernize the grid</li> </ul>
	Employee commuting	Employee commuting	3%	-50.0%	Low / Medium	€	2	<ul> <li>Mobility Plans in ALL hotels</li> <li>Engagement with destinations</li> <li>Compensation package including low emissions mobility</li> </ul>
	Business travel	Business travel	2%	-40.0%	Low	€	4	<ul> <li>Program "Iberostar travels with impact"</li> <li>Engagement plan with travel industry (air companies, tour operators, agencies)</li> </ul>
	Waste generated in operations	Waste	0.5%	-50.0%	Low / Medium	€€	2.5	<ul> <li>Sourcing to reduce waste emissions (Circular Procurement Framework)</li> <li>Plan to send zero waste to landfill by 2025 + focus on reducing the amount of waste generated in our operations</li> <li>Destinations enabled and industry collaboration</li> </ul>

#### The business case of mid-term carbon neutrality commitments to catalyze investment in decarbonization and destination resilience

The conditions of a carbon neutrality commitment that is within ten years creates a compelling business case to focus investments on decarbonization before compensation. If Iberostar were to take no actions to curb its emissions, it would need to purchase or generate offsets to remove an estimated 1.02 million tonnes of CO2e per year by 2030. Using a conservative estimate of carbon offsets in 2030 at \$40 per tonne CO2e, Iberostar can benchmark investments at roughly \$49 million per year to offset its footprint. With this business case, Iberostar can justify its investment in decarbonization to reduce intensity before it must achieve its carbon neutrality goal. With the ambition laid out in this roadmap Iberostar creates a savings of \$23 million per year by reducing its benchmarked annual investments to reach carbon neutrality to \$17 million per year. These savings, as well as the absence of annual carbon neutrality investments before 2030, help justify the significant investment that will be required early in the strategy in order to achieve the decarbonization ambition. Furthermore, as Iberostar commits to invest in nature-based compensation in its destinations to reach carbon neutrality, an expected investment of \$17 million per year provides a ceiling of annual investments it should be making by 2030 in its own projects on nature-based carbon offsets which also boost resilience in the destinations where it operates.

## A call for unprecedented collaboration across travel & tourism and its supply chain

When considering decarbonizing Scope 1 & 2, the roadmap demonstrates corporate decarbonization ambitions are strongly tied to renewable energy transitions across destinations. If operations are disproportionately in small islands or developing countries, this presents further challenges. For example, in this roadmap, decarbonizing 66% of Iberostar's Scope 1 & 2 will be dependent on adding the equivalent of approximately 220 MW of renewable installed capacity in its destinations, many of which are early in their renewable energy transition. This represents a need for unprecedented collaboration between nations and their NDCs, energy providers and purchasers such as Iberostar. Furthermore, the decarbonization roadmap demonstrates that emissions from the use of refrigerant gases were a highly material contributor to its direct emissions, representing 4% of its global emissions and half of its Scope 1 from only 28,000 kilos of refrigerant gases used. Iberostar recommends that other businesses ensure they are taking action to measure and decarbonize their use of refrigerant gases. The roadmap also showcases the importance and challenges of electrification in order to aid in a renewable energy transition within its destinations. This roadmap details Iberostar's ambition to achieve in its hotels an average of 90% electrification. This commitment will require some of the highest investment, primarily in high efficiency heat pumps and electric kitchens as well as in retrofitting existing

equipment, yet contributes to decarbonizing only 6% of Iberostar's Scope 1 & 2. As electrification is necessary for a Net Zero transition, this emphasizes the need to consider how to overcome the green fee of electrification and the need to consider electrification in the construction of new buildings. Finally, Iberostar demonstrates the importance of efficiency in achieving emissions reductions with its ambition to reduce energy consumption 35% by 2030.

Some of the most novel contributions in this roadmap are the description of a comprehensive set of Scope 3 emissions as well as a strategy to decarbonize across the supply chain. Representing 77% of its total carbon footprint, lberostar includes 7 of the 15 GHG Scope 3 categories which also cover all of the material elements of its Scope 3 emissions (lberostar does not include flights of clients per recommendation of the SHA Net Zero Methodology for hotels and currently does not depend materially on a franchise model in its business).

We demonstrate it is possible to halve emissions in Scope 3 by 2030, but to do so, it will require much more focus and collective effort than currently being placed on Scope 3 by travel and tourism. Our target for Scope 3 alongside our objective to achieve carbon neutrality demonstrated the incredible ambition required to simply remain aligned with a 1.5°C target. For Scope 3 heavy industries, the largest contributor to their overall footprint are through emissions generated outside of the control of businesses and distributed across complex supply chains. Ambition to decarbonize Scope 3 should first question consumption by a business, which can be done by reducing excess and shifting products. We demonstrate this in our roadmap through an ambition to inject circularity into the purchase of our goods and services, a strong focus on reduction of waste, our focus on Net Zero constructions and refurbishments, and more. However we expect these actions to have limited impact on our total Scope 3 footprint which is one of the key reasons why our ambition did not extend beyond a 50% reduction. Decarbonization in Scope 3 quickly becomes limited by the speed of decarbonization in the hard to abate sectors that contribute materially to a company's supply chain.

Furthermore, there are inherent challenges in measuring the embodied carbon that makes up a company's Scope 3 footprint. Our strategy focuses on improving methodologies of measurement which, in the process, may drastically alter the size of our estimated Scope 3 footprint. Changes to the size of our Scope 3 footprint because of changes in methodology may, in many cases, create more variability in the size of our footprint than the actions of decarbonization we aim to make within them. Furthermore, we quickly realized the need to balance the pursuit of improvement in measurement when it came at the cost of action. In the limited and unprecedented investments we will make to achieve this decarbonization transition, we are mindful that the cost of perfect measurement of Scope 3 can become the enemy of decarbonization progress and we will need to strike a balance for an efficient and effective transition.

As the primary focus of this roadmap is to detail the reduction of emission intensity of Iberostar's operations and supply chain, more detail about Iberostar's work on nature-based offsets and climate adaptation can be found in its Coastal Health Roadmap to 2030. In this roadmap, Iberostar reaffirms its commitment to offset at least three quarters of its expected 2030 footprint or up to 500,000 tonnes of offsets per year through the protection and restoration of nature in its destinations. Iberostar also reaffirms its commitment to having programs that enhance or restore ecosystem services that reduce risk to exposure to climate change in all its vulnerable investments and operations by 2030.

In addition to showcasing Iberostar's decarbonization strategy, we also aim for this roadmap to provide useful lessons to businesses also working to decarbonize. We detail the facilitating environment that was necessary in order for us to start our journey. We describe the strategic framework that we use to enact change across our eleven decarbonization pathways. For each pathway – which has a corresponding roadmap – we detail sub targets and their corresponding quantitative milestones. Finally, we synthesize actions for businesses to take now, no matter where they are on their decarbonization journey, to start reducing their emissions. These actions are based on the most material contributions towards our decarbonization strategy.

We hope for this strategy to provide a practical and tangible example of a roadmap for accommodation to greatly accelerate its decarbonization work. We showcase that this level of ambition is impossible for a single business to achieve and will require unprecedented collaborations with destinations, supply chain and competitors. However we also believe that with enlightened leadership, science-driven strategy, and ambitious targets, it is possible to mobilize the massive shifts in business necessary for accommodation to reach Net Zero well before 2050.



## Iberostar's response to the urgent need for climate action

The well-documented expected impacts of human-induced climate change will broadly affect humanity and the global economy. Tourism, in particular, is expected to be disproportionately negatively affected (Scott et al. 2012). A few examples of expected impacts are geographic shifts in tourism demand (Pew), weather-dependent impacts on length and quality of stays, degradation of natural assets that define destinations and expected policy and governance shifts that will regulate tourism to curb emissions (Scott et al. 2012). Moreover, for beachfront vacation-driven tourism, the disproportionate negative impacts of climate change on vulnerable regions such as Small Island Developing States (SIDS) and Least Developed Countries (LDCs) further exacerbate the threat to tourism.

Tourism is also a major contributor to global emissions. Estimated at 11% of global emissions (up to 5.4b tCO2e in 2019), accommodation contributes substantially to this footprint (WTTC Net Zero), not only through its estimated 324 million tCO2e from Scope 1 & 2 emissions but also through contributions from Scope 3 emissions in the goods, services and constructions that tourism utilizes. The Scope 3 footprint of tourism is estimated to represent up to 40% of its total impact (<u>WTTC Net Zero</u>).

The negative impacts of climate change on tourism and tourism's significant contribution to global emissions make climate action urgent and necessary for the well-being of humanity and the industry's survival. It is in the direct interest of businesses in travel and tourism to decarbonize, mitigate climate change and boost adaptation within their destinations.

The potential devastating negative impacts on our business are clear enough to encourage immediate action. However, as it was for lberostar, it can be challenging to convert the concern over the expected negative impacts of climate change into tangible and scalable action within the everyday business environment. This document intends to describe how lberostar is doing so and to inspire others to join efforts and drive the scale needed for decarbonization across accommodation.

This transition can happen quickly. In 2018, Iberostar's environmental, social and governance (ESG) materiality assessment showed "energy, emissions and climate change" as non-material to stakeholders and of low importance to the business. Now, only four years later, we present the accommodation sector's current most ambitious decarbonization and carbon neutrality ambition. We credit our Wave of Change movement, the identification of the impacts of climate change on our business and the growing pressure globally for businesses to act as core drivers of this rapid transition.



While all businesses, governments and citizens must act together to achieve 1.5 °C by 2050, not all sectors face the same challenges when removing sources of CO2e from their value chain emissions. Accommodation is not an inherently hard-to-abate sector (while aviation and shipping are considered hard-to-abate), and many solutions already exist to assist in decarbonizing the built environment. Yet the transition toward net zero faces major bottlenecks, both within and outside of the control of a single business, that will require collective action.

While the primary purpose of this document is to outline our SBTi validated ambition, our decarbonization pathway and our yearly objectives, we will also provide steps for businesses to start taking action today and will synthesize how we've used existing guidance to help inform our decarbonization ambition.

This roadmap is guided by our journey to submit an SBTi; our internal experts and their alignment research; and our involvement in the WTTC sustainability task force, the Sustainable Hospitality Alliance Planet Committee, the World Economic Forum Global Futures Council for Sustainable Tourism, the Glasgow Declaration, the UNW-TO and the United Nations Environment Programme One Planet Sustainable Tourism Network.

Engagement in these forums was insufficient for us to land our decarbonization strategy. We found it necessary to hire internal talent that filled three functions: specialization in measuring and decarbonizing Scope 2, specialization in measuring and decarbonizing Scope 3 and specialization in developing carbon offsetting to reach carbon neutrality. With this expertise, enlightened leadership and the incredible actions ultimately enacted at the scale of a single hotel, led by our general managers and their teams, we hope to demonstrate that swift action to race to a low-carbon future is possible. We hope the messages we give to take action at a single hotel will serve as inspiration for small and medium enterprises and larger chains that communicate to their franchises.



## Description of Iberostar Hotels & Resorts Business boundaries and material elements

Defining a business's carbon footprint depends heavily on describing the boundaries and material elements for that business. Therefore, we will focus on describing the business's most relevant aspects to defining a carbon footprint and decarbonizing. The full extent of the description of Iberostar Hotels & Resorts and Iberostar Group is found in our annual Sustainability Report.

For our decarbonization ambition, we use a baseline of 2019 based on the availability of data and a reasonably representative year of business as usual. For 2019, Iberostar Hotels & Resorts counted 97 four- and five-star hotels in 14 countries. At Iberostar, we consider the scope of our carbon neutrality goal and decarbonization ambition to include the greatest extent of our properties as possible. Thus we have all owned and managed hotels with all three of their scopes included in our ambition.



**97** Number of hotels

41% Hotels in subtropic / tropic zones

46% Hotels under ownership **33,000** Number of rooms

**27%** Hotels that are open seasonally

100% Hotels under management **14** Number of countries

24% Hotels in SIDS and LDCs Due to the geographic distribution, segmentation, and luxury classification of our business, we expect certain aspects of our business to have a material impact on our carbon footprint, levers of action, and decarbonization rate.

High operational control	Faster decarbonization action
Centralized purchasing system	Faster decarbonization action
All-inclusive	Larger Scope 3, specifically contribution from purchased goods and services
Vacational	More services and therefore larger Scope 3
Luxury	Higher carbon intensity per stay
Disproportionately in SIDs or LDCs	Limited renewable energy or countries in rapid renewable energy transition

At Iberostar, we believe that strong leadership and the right facilitating environment are critical to taking ambitious action on any ESG-related topic. We also believe that leadership must be guided by science-driven, action-focused technical expertise that functions with the greatest agility when internally developed. We believe these features were necessary to provide the right facilitating environment for this ambition.



Long-term vision Iberostar leadership is multigenerational from the family that owns the company



Enlightened leadership Executive committee is deeply engaged in decision-making around strategic pillars of sustainability



Science-driven, actionfocused technical expertise Internal expertise synthesizes the changes businesses need to make to meet global ambitions (1.5°C) into tangible business action



High risk posed from climate change: As primarily beachfront properties, exposure to extreme weather events, natural disasters and climate change have been identified as the number one risk to the business

### Iberostar Hotels & Resorts 2019 baseline carbon footprint

In 2020, Iberostar committed to reaching carbon neutrality across its operations (Scope 1 & 2) and supply chain (Scope 3 as defined in this document) by 2030. According to the WTTC decarbonization corridors in its net zero study, this represents the most ambitious target for an accommodation provider. We aim to detail the baseline and pathway of that ambition.



#### Decarbonization target corridors for the travel and tourism sector as defined by WTTC

We will provide background information about our 2019 footprint, the material elements, boundaries and the methodology we used for calculation. Then we will detail the ambition for decarbonization and the eleven pathways for us to achieve that goal.

To design our emissions inventory, calculate our 2019 footprint and ensure that we can track our emissions over time, we have followed the guidelines of Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard.

Scope 3 fosters collaboration across the supply chain; most of its emissions lie outside the company's operations assessing its footprint. Because companies do not have direct control over these emissions, their measurement and actions focus heavily on supply chain engagement. For a company in a sector that is not hard-to-abate, Scope 3 emissions on average are expected to make up 70% of that company's footprint.

The measurement of Scope 3 is carried out as well following the international standard of the GHG Protocol, which defines 15 categories to be considered when analyzing the carbon footprint from the value chain. Not all apply to hospitality; for example, we do not deal with the use of sold goods as a manufacturer would. For the hospitality sector, the following eight categories would apply: purchased goods and services, capital goods, fuel and energy use, waste, business travel, employee commuting, downstream leased assets and franchises. Flights of clients would fall under upstream or downstream transportation and distribution. However, according to industry guidance such as Net Zero Methodology for Hotels, they are out of scope for hospitality.

For Iberostar Hotels & Resorts, emissions from franchises are not applicable since franchises are not part of our business model. Therefore, we will focus on the remaining seven categories.

Improving methodology in our Scope 3 categories will be critical for decarbonization, moving from spend-based to average-data and supplier-specific methods. This initial baseline provides powerful insight into developing our decarbonization strategy.

As we do not have direct control over these emissions, tackling Scope 3 is about engaging with suppliers, collaborating with the hospitality sector and with other industries and fostering collective change. There is also a business opportunity and a need to start leading with actions.

See annex Scope 3 methodology for more detailed information.



Scope 3 emissions lie outside our operations and come from indirect emissions that occur in the value chain.

As we do not have direct control over these emissions, they require supply chain engagement and collaboration, they influence and enable change, and they lead with actions to foster carbon footprint reductions.

**Improving methodology in our Scope 3 categories will be critical for decarbonization,** moving from spend-based to average-data and supplier-specific methods. This initial baseline provides powerful insight into

\* Regarding Kyoto's GHG gases, our GHG footprint includes CO2, N2O and CH4 emissions. Perfluorocarbons (PFCs), sulfur hexafluoride (SF6) and nitrogen fluoride (NF3) are excluded as they are not applicable for Iberostar Hotels & Resorts.

\* For more detailed methodology on measurement of Scopes, please review the annex

developing our decarbonization strategy.

IBEROSTAR\* GROUP beverages, water, hotel services,

bar and kitchen tools, services for marketing and IT,

laundry, textiles

## Iberostar's eleven decarbonization pathways to reduce its annual carbon footprint 58% by 2030

After showcasing the material contributions to Iberostar's 2019 carbon footprint of roughly 1 million metric tons, we will now lay out our decarbonization ambition. Validated by SBTi in October 2022, Iberostar Hotels & Resorts commits to reducing absolute Scope 1 & 2 GHG emissions by 85% by 2030 from a 2019 base year. Iberostar Hotels & Resorts also commits to reducing absolute Scope 3 GHG emissions from purchased goods and services, fuel- and energy-related activities, capital goods, business travel, employee commuting, waste generated in operations and downstream leased assets by 50% within the same time frame. These ambitions are  $1.5^{\circ}$ C-aligned targets and do not consider any contribution from compensation described later in this document.

Iberostar will reduce absolute Scope 1 & 2 emissions by 85% AND reduce absolute Scope 3 emissions by 50% by 2030 from a 2019 baseline. Iberostar will offset any remaining emissions by protecting and restoring nature in its destinations to reach carbon neutrality by 2030. Across all scopes, Iberostar will reduce its emissions 58% relative to a 2019 baseline.

Through this decarbonization pathway, lberostar showcases that for accommodation, it is possible to halve emissions of both operations and supply chain by 2030 and be well on track to reach net zero in emissions far before 2050.

To detail this, Iberostar describes eleven decarbonization pathways, four for Scope 1 & 2 and seven for Scope 3.

## Four Scope 1 & 2 decarbonization pathways:



## Seven Scope 3 decarbonization pathways:



Through these pathways, many challenges will require collective action and collaboration to succeed. To make this happen, lberostar will embrace the widespread changes to its operative practices, long-term vision toward investments, engagement with its supply chain and much more. However, success will only be possible when all stakeholders in our destinations and supply chains evolve toward low-carbon models.



#### Iberostar's Decarbonization Pathway to 2030

#### Decarbonization contributions by lever

When modeling our roadmap, we assumed emissions would increase 20% from 2022 to 2030 due to the growth of our company. Note that these figures represent targets that lberostar will benchmark against. They do not represent real emissions in non-baseline years, such as 2020 or 2021.

For Scope 1 and Scope 2, these projected emissions are counterbalanced by energy savings. This is done by reducing emissions caused by F-gases, electrification and the sourcing of renewable electricity. This will result in a 85-86% decrease in emissions relative to 2019. To be aligned with 1.5 °C of warming by 2050, lberostar would need to reduce its emissions by 46%; thus our ambition is 39% above a 1.5 °C-aligned target. With the level of ambition detailed in this document, we show that accommodation is capable of highly ambitious decarbonization of their Scope 1 and Scope 2 emissions without depending on compensation.



#### Reduction of carbon from baseline year (tCO2e)

For Scope 3, projected emissions reductions come through action plans for each of the Scope 3 categories. This will result in an emissions intensity of 50% less than Iberostar's intensity in 2019. To be aligned with 1.5 °C of warming by 2050, Iberostar would need to reduce its emissions intensity by

46.2%; thus our ambition is 3.8% above a 1.5  $^{\circ}$ C-aligned target. With the level of ambition detailed in this document, we show that accommodation will require substantial support across industries in its supply chains to be barely aligned with 1.5  $^{\circ}$ C ambition without depending on compensation.



### Strategic framework for decarbonization

Achieving our ambition of decarbonization will require collective action, supply chain engagement, effective governance, innovation, private and public collaboration, leadership and a clear roadmap.

We outline 10 strategic pillars that we use to help create the goals, targets and timelines for each of our objectives.



**Strategy:** Develop roadmap and targets and validate with SBTi. For Scope 1 & 2, mobilize resources to ensure the necessary degree of investment from today to 2030. For Scope 3, identify and prioritize key material categories, undertake key supplier spend analysis, engage with internal stakeholders and build your roadmap.

**Systems, process and legal:** Ensure effective systems and measurement for tracking. For Scope 1 & 2, generate procedures and protocols to ensure the integration of decarbonization and energy efficiency criteria in the operation of hotels and the purchase of energy-consuming equipment and machinery. For Scope 3, review legal procedures, code of conduct and legal frameworks applicable to suppliers, because the evolution of methodology for measurement and the changes required for decarbonization will require changes in their practices.

**Supply chain engagement:** For Scope 1 & 2, engage with power utilities in destinations with high-grid emission factors to increase the penetration of renewable technologies in their generation mixes. For Scope 3, understand your supply chain and its starting point on decarbonization to immediately articulate a collaboration program with top suppliers. Encourage and support them to set CO2 reduction goals and activate decarbonization plans.

**External partners:** Activate collaboration with strategic partners to speed up decarbonization. No company can drive this journey in isolation.

**Methodology, measurement and digitalization:** For Scope 1 & 2, automate the capture of energy and F-gas consumption data and conduct periodic checks to ensure data reliability. For Scope 3, improve methodology following the best standards, better track your carbon footprint and, more importantly, create the capacity to capture emissions reduction by evolving from a spendbased methodology.

**Engagement and training:** Foster awareness and excitement among employees; get them to be champions. Connect with your customers and increase customer satisfaction through a decarbonized business model.

**Insights and inspire:** For Scope 1 & 2, capture trends and learn from others' best practices and investment modalities. For Scope 3, capture trends and keep up to date with trends, best practices, regulations and methodology, as Scope 3 is an emerging area. Share and learn from other decarbonization strategies, driving systemic change through an open culture of collaboration.

**Innovation:** For Scope 1 & 2, keep up to date with the latest and emerging energy clean tech technologies and with low global warming potential (GWP) F-gases. For Scope 3, champion innovation in material areas that require a major supply chain disruption and foster cross-sectoral partnerships. Switching source materials to lower embodied carbon products will contribute to decarbonization.

**Reporting:** Advance best-in-class annual reporting, increase accuracy and automation and reduce the average time spent on carbon reporting. Communicate your performance transparently to all the stakeholders.

**Compensation:** Create an offsetting strategy to eliminate the CO2 emissions that can't be reduced.

## Decarbonization pathways for Scope 1 & 2



# 1

## Reducing emissions caused by refrigerant gases

Nearly half of our Scope 1 emissions in 2019 were due to the diffusion of approximately 28,000 kilograms of hydrofluorocarbons (HFCs) into the atmosphere.

To decrease these emissions, we intend to work along three lines:

- 1 Take aim at gas leakages from the machinery and equipment with more ambitious procedures and by ensuring that annual third-party leakage tests are conducted in all destinations.
- 2 Reduce the average GWP mix of F-gases used in Iberostar Hotels & Resorts. We will do this through a machine retrofit, but in many instances, the machine/ equipment will need to be substituted.
- **3** Introduce operational changes to reduce the need for refrigeration and cooling.

## 2030 goal

Reduce fugitive emissions of F-gases by 92%.

## 1.1 **2030 targets**



## 1.2 **Timeline and milestones**

	<ul> <li>100% of destinations</li> </ul>	<ul> <li>100% of equipment substituted or retrofitted</li> </ul>	• In all destinations
2030	• In all destinations	100% of equipment substituted or retrofitted	
2029	In all destinations	98% of equipment substituted or retrofitted	In all destinations
2028			
	• In all destinations	<ul> <li>90% of equipment substituted or retrofitted</li> </ul>	• In all destinations
2027)-			
	In all destinations	81% of equipment     substituted or retrofitted	• In all destinations
2026	In all destinations	69% of equipment substituted or retrofitted	• In all destinations
2025			
2024	• In destinations representing 97% of F-gas emissions (Cuba, Brazil, Jamaica, Tunisia)	• 47% of equipment substituted or retrofitted	In destinations representing 97% of F-gas emissions (Brazil, Jamaica, Spain, Tunisia)
2023	In destinations representing 57% of F-gas emissions (Mexico, Dominican Republic, Spain)	14% of equipment substituted or retrofitted	In destinations representing 72% of F-gas emissions (Mexico, Dominican Republic, Cuba)
	Procedures for leakage detection	Low GWP equipment	Operational changes to reduce demand

# 2

## Ensuring renewable sourcing of electricity in all destinations

Approximately three-quarters of our global Scope 1 & 2 footprint in 2019 was caused by our electricity consumption, especially in countries such as Cuba, the Dominican Republic, Jamaica and Morocco, where electricity generation is highly reliant on the combustion of fossil fuels.

Our corporate sourcing of renewable electricity aims to reduce emissions to achieve our decarbonization ambition and to reduce electricity-related spending. However, of all the instruments we have available, we prioritize those that add the greatest value and can contribute to increasing the penetration of renewables in the destinations where we operate. Therefore, both renewable Power Purchase Agreements (PPAs) and onsite renewable generation take precedence over Renewable Energy Certificates (RECs).

## 2030 goal

Reduce Scope 2 emissions by 88% through the combination of various instruments such as renewable PPAs, onsite renewable generation and renewable energy certificates.

### 2.1 **2030 targets**



\* Final shares will depend on negotiations with power retailers about the sourcing strategy in Spain and on a more detailed sizing of the capacity for onsite renewable generation.

### 2.2 **Timeline and milestones**



# 3

## Electrifying current applications of fossil fuels

We use fossil fuels in kitchens, laundries and vehicles as well as in boilers to produce hot water and heating. Achieving our 2030 ambition means we will need to electrify most of these usages.

Provided that we have successfully implemented a corporate strategy for sourcing renewable electricity, the electrification of current usages and applications of fossil fuels is key to achieving our 2030 decarbonization goal.

There are five main usages of fossil fuels in our hotel: space heating, hot water production, kitchen equipment such as stoves or ovens, fleet and vehicles, and laundry. Electrification of the first two implies the substitution of boilers for high-efficiency heat pumps. As a side benefit, the introduction of heat pumps also significantly impacts energy savings due to the high Coefficient of Performances (COP) of heat pumps in the market. Secondly, the electrification of kitchen appliances and equipment will require progressively phasing out equipment running on propane or natural gas. Induction technology will be deployed together with high-efficiency electrical appliances in significant consumers. Third, part of our hotel-based fleet has already switched to electrical, but we still have a margin for improvement. Electrifying the fleet will allow us to eliminate petrol from our portfolio or reduce diesel fuel consumption to a minimum. Fourth, the electrification of our industrial-size laundry facilities remains a major challenge to become fully electric.

## 2030 goal

Reduce Scope 1 fossil fuel-based emissions by 78% through the electrification of current applications of fossil fuels or by switching to others with lower emission factors.

## 3.1 **2030 targets**



Hotels in Jamaica, Cuba and the Dominican Republic substitute 100%, 25% and 10% of their diesel fuel, respectively (and LPG in Jamaica), with cleaner fuel, and Tunisia substitutes 40% of its LPG consumption with natural gas.



All hotels in the EU and USA reach an electrification ratio of 95% in current applications of natural gas or LPG. For the rest of Europe, Middle East, and Africa (EMEA), the target is 90%, and in AME, except for the USA, the target is 85%.



All new entrants to Iberostar Hotels & Resorts portfolio comply with electrification and fuel substitution requirements.

## 3.2 **Timeline and milestones**

2023	Substitution of high-emission factor fuels	Electrification	New entrants
2024	100% substitution of diesel fuel     and LPG by natural gas in Jamaica	68% global     electrification ratio	100% of new entrants comply with electrification requirements
	5% substitution of diesel fuel by LPG in the Dominican Republic	71% global electrification ratio	100%
2020	<ul> <li>10% substitution of diesel fuel by LPG in the Dominican Republic</li> <li>10% substitution of diesel fuel in Cuba</li> <li>20% substitution of LPG in Tunisia</li> </ul>	74% global electrification ratio	100%
2027	<ul> <li>5% substitution of diesel fuel by LPG in the Dominican Republic</li> <li>10% substitution of diesel fuel in Cuba</li> <li>20% substitution of LPG in Tunisia</li> </ul>	79% global electrification ratio	100%
2026	• 25% substitution of diesel fuel in Cuba 20% substitution of LPG in Tunisia	82% global electrification ratio	100%
2029	• 100% substitution of target fuels in target destinations	• 85% global electrification ratio	100%
	<ul> <li>100% substitution of target fuels in target destinations</li> </ul>	88% global electrification ratio	100%
2030	100% substitution of target fuels     in target destinations	90% global electrification ratio	100%



## Optimizing energy consumption

While each of the three previous levers targeted a specific material element of our baseline GHG footprint, reducing energy consumption affects Scope 1 and Scope 2 emissions as it pertains to energy reduction in any form. For two reasons, improving our energy consumption is a cornerstone of our decarbonization efforts. First, a sound decarbonization strategy for energy consumption cannot be based solely on sourcing renewable energies. Instead, this strategy requires that we reduce energy waste and optimize how we consume energy. Second, energy reduction measures lead to saving operational costs, which strengthens the business case for decarbonization.

We aim to achieve this goal by working along three lines. First, everyone at Iberostar Hotels & Resorts has to get better at consuming energy and avoiding energy waste. To do this, we will work with all teams in all locations through energy-related best practices and energy audits. Every year, we will develop and launch new best practices. Those best practices that have proven to have an impact on energy consumption will be integrated into the ways of working in our hotels through procedures and operational changes. In the second line of work, we will invest in high-efficiency equipment and the improved operation and maintenance of major equipment and machinery. Finally, we will save energy by electrifying space and water heating with high-efficiency heat pumps. This will effectively contribute to our energy reduction goal.

## 2030 goal

Reduce energy consumption by 35%.

## 4.1 **2030 targets**



15% global reduction in energy consumption through the introduction of best practices, procedures and operational changes. 11% global reduction in energy consumption through other investments and systems' recommissioning and adjustment.



## 4.2 **Timeline and milestones**

2030	j 15%	j	11%	j	9%
2029	14%	j	10%	j	9%
2028	13%	j	9%	j	9%
2020	12%	j	8%	j	8%
2021	10%	j	7%	j	6%
2025	9%	j	6%	j	4.5%
2020	7%	j	5%	j	2%
2027	5%	j	3%	j	1%
2023	Reduction in energy consumption through behavior change		Reduction in energy consumption through investments and recommissioning		Reduction in energy consumption through electrification

## Decarbonization pathways for Scope 3



Scope 3 at a glance	obe	uction 9 baseline*	t on 3 reduction	ility (1-very easy sry difficult)	
		% of sc	% Red vs 201	Impac Scope	Feasib to 5-ve
Lead decarbonization in the purchase of goods and services used in our operations by prioritizing low emission sourcing decisions, engaging with our supply chain, reducing emissions in key material categories (i.e., food and water) and injecting circularity in our hotels.	Purchase of goods and services	61%	-50,1 %	High	4
Advance toward net zero buildings in new constructions and reformations, maximize building efficiency, prioritize low emission ma- terials in our investments (F&E) and engage supply chain.	Capital goods	19%	-50%	Medium High	4.5
As our downstream leased assets rent within our hotels, reduction in their emissions is directly linked to decarbonization of Scope 1 & 2. We also aim to extend decarbonization to the products and services sold by downs- tream leased assets through our work on offering community tourism experiences and products in all properties by 2030.	Downstream leased assets	10%	-51%	Medium	2 (reliant on Scope 1 & 2)
Capitalize on decarbonization of Scope 1 & 2, prioritize fuel and energy suppliers with low upstream emissions when possible, increase data transparency and engage with power utilities and grid operators to modernize the grid and reduce T&D losses.	Fuel- and energy-related activities	6%	-50%	Medium Low	3.5
Drive decarbonization by promoting low-car- bon mobility among our employees through mobility plans in all hotels and headquarters. Engage public administration to accelerate zero emission mobility in destinations.	Employee commuting	3%	-50%	Medium Low	2
Boost low emissions travel through launch of internal program "Iberostar Travels with Po- sitive Impact." Prioritize use of low emission vehicles and collaborate with supply chain on decarbonization strategies (i.e., air travel, car rental). Finally, accelerate the decarboniza- tion of the travel industry as a whole.	Business travel	2%	-40%	Low	4
Drive decarbonization by becoming free of waste sent to landfill by 2025, promoting the continuous reduction of waste generated in our hotels (particularly food waste) and foste- ring improved waste management capacity in destinations.	Waste	0.5%	-50%	Medium Low	2.5 (linked to objective to send no waste to land fill by 2025)

\* Decarbonization measured vs 2019 baseline. See more details at Annex 3 "Overview of decarbonization pathway & key drivers per scope or category" 5

# Purchase of goods and services

The purchase of goods and services will be a crucial category to lead decarbonization for the accommodation sector, considering that up to 40% of global GHG emissions are driven or influenced by purchasing decisions. As hotels purchase many goods for their operations, the ability to impact goods and services to reduce the carbon footprint is critical. Every item we purchase has a linked carbon footprint, which is not equally distributed in the products. Knowing the embodied carbon of products depends on its unique life cycle (land use change, farm, processing, transport and packaging are some of the variables).

The hospitality sector makes more than 1 million daily decisions impacting operations, customer satisfaction, finance and, as a result, emissions. As decision-makers, we make a material impact through our sourcing and operational decisions, and we have the responsibility and opportunity to build business resiliency and reduce our carbon footprints. The need to gain a collaborative understanding of carbon footprint impact is cross-sectoral. There is also a need to increase data transparency by working with open data and identifying and promoting low emissions products by including these criteria as part of the decision-making process.

## Philosophy

Lead decarbonization in the purchase of goods and services used in our operations by prioritizing low emission sourcing decisions, engaging with our supply chain, reducing emissions in key material categories (i.e., food and water) and injecting circularity in our hotels.

## 5.1 Key facts

#### What's in it?

This category includes all upstream emissions from producing products purchased or acquired by Iberostar Hotels & Resorts in the reporting year (baseline 2019). Products include goods (tangible products) and services (intangible products).



## Strategic relevance

Purchases of goods and services represented 61% of Iberostar's Scope 3 emissions in 2019. This is the major contributor category to Scope 3 emissions, representing 47% of the total carbon footprint of Iberostar.





#### Methodology

100% spend-based methodology in 2019 (data from Iberostar Hotels & Resorts balance sheet, 2019).

#### **Deep dive**

What's in this category for Iberostar?

## 2030 goal

Achieve a 50.1% reduction in purchase of goods and services by evolving toward a model with low-carbon products and services while maintaining quality and high customer satisfaction.

## 5.2 **2030 targets**





Reduction of carbon footprint in top 10 material categories through operative changes



100% of owned and managed properties with circularity plans implemented



## 5.3 **Timeline and milestones**

2030	Year-over-year increase in procurement volume following new standards for low emissions sourcing	• Reduce carbon footprint in top 10 material categories through internal action	• 100% of owned and managed properties with circularity plans implemented	<ul> <li>Top 100 suppliers involved in Supply Chain Program 80% procurement volume engaged in Supply Chain Program</li> </ul>
2029	Year-over-year increase in procurement volume following new standards for low emissions sourcing			• Interview top 300 suppliers in countries with most activity and communicate to top 300
2028			• 100% of owned hotels with circularity plans	Activate collaboration with top 100 in countries with most activity
2027				<ul> <li>&gt;60% procurement volume engaged in Supply Chain Program Activate collaboration with top 50 in top three countries</li> </ul>
2026		<ul> <li>&gt;80% subcategories included</li> </ul>	• Implement circularity plans in all hotels, owned and managed	
2025	Guidelines for top 10 categories     Explore influence on suppliers     exclusive to tourism	• Top 10 material groups within subcategories >75% subcategories included	• Add implementation to Tunisia, Montenegro, and Cabo Verde	Activate collaboration with top 35     >35% procurement volume engaged     in Supply Chain Program
2024	Develop Decarbonization     Policy for all suppliers	Top five material groups within subcategories plus hotel services and laundry	Add implementation to Morocco, Portugal, Mexico, Brazil and Jamaica	<ul> <li>&gt;20% procurement volume engaged in Supply Chain Program</li> </ul>
2023	Kick off Circular Procurement Strategy Activate Circular Sourcing Guidelines on top five food categories	Top three subcategories: food, beverage and water	Implement circularity plans in Spain and Dominican Republic	Launch Supply Chain Program with top 10 suppliers in top three countries
2022	• Develop Circular Procurement Strategy Define key performance indicators, baseline and implementation plan	Food waste of top     food categories	• Develop Circular Strategy Framework and circularity plans per hotel	Interview top five suppliers in top three countries Develop Supply Chain Program from supplier feedback
	Sourcing	Operations	Circularity	Supply chain engagement

## Capital goods

The built environment generates nearly 50% of annual global CO2e emissions. Of those total emissions, building operations are responsible for 27% while embodied carbon (building materials and construction) is responsible for an additional 20% annually (cement is responsible for an estimated 8% of all emissions).

Hospitality contributes to these numbers by building new hotels, renovating existing buildings and adding and changing furniture. We are part of the problem and the solution. There is a collective global need to evolve toward net zero buildings to meet global emissions targets.

## Philosophy

Advance toward net zero buildings in new constructions and reformations, maximize building efficiency, prioritize low emission materials in our investments (F&E) and engage our supply chain.

## 6.1 Key facts





#### **Deep dive**

What's in this category for Iberostar? Construction 39% Real estate 29% Furniture 14% Other 18%

#### Methodology

100% spend-based methodology in 2019 (data from Iberostar Hotels & Resorts balance sheet, 2019).

### What's in it?

This category includes all upstream emissions from the production of capital goods purchased or acquired by Iberostar Hotels & Resorts in the reporting year (baseline 2019). Examples of capital goods include equipment, machinery, buildings, facilities and vehicles.

## Strategic relevance

Capital goods account for 19% of Scope 3 emissions, the second major contributor in this category that represents 14% of the total carbon footprint of Iberostar. We build, own and manage a relevant part of our hotels, making this category especially important.

## 2030 goal

Achieve a 50% reduction in capital goods by advancing toward net zero buildings and reformations.

## 6.2 **2030 targets**



Due to the high variation of this category, which is linked to the time line of construction and renovation of hotels, we have not mapped out a year-over-year timeline. In place, we define key levers for our net zero buildings and reformations guidance.

**Materials:** Build with low emissions materials and foster material efficiency to minimize carbon footprint. Material passport project: traceability of products and materials.

**Supply chain engagement:** Engage with top suppliers and achieve adherence to Iberostar internal protocols to build circular buildings.

**Net zero and circular buildings:** Protocols for net zero buildings, circularity plans, guidance on sustainable hospitality projects.

**Waste:** Minimize waste from construction following the best-in-class standards.



## Downstream leased assets

When a business gains income from leasing assets to others, it is responsible for considering the emissions associated with that revenue. For accommodation, the relevance of this category will vary depending on the business model and whether a company rents assets.

Reducing these emissions involves influencing the emissions of tenants through incentives, contractual requirements to source renewable energy, the selling of low emissions products and more. Sharing data and collaborating toward a common target are also necessary.

## Philosophy

As our downstream leased assets rent in our hotels, reduction in their emissions is directly linked to decarbonization of Scope 1 & 2. We also aim to extend decarbonization to the products and services sold by downstream leased assets through our work on offering community tourism experiences and products in all properties by 2030.

## 7.1 Key facts

#### What's in it?

This category includes emissions from the operation of assets owned by Iberostar Hotel & Resorts (acting as the lessor) and leased to other entities in the reporting year. It accounts for Scope 1 & 2 emissions of leased assets that are not already included in Iberostar's Scope 1 & 2 emissions.



#### Strategic relevance

Downstream leased assets are 10% of lberostar's Scope 3 and 7.7% of the total carbon footprint of lberostar. They represent the spaces we rent in our hotels to enhance the customer experience (i.e., supermarkets, souvenir shops, photography, car rental, meeting rooms). **Deep dive** What's in this category for Iberostar?

Rent shops to third parties in the hotels (represents greater than 80% of this category).

## **2030** goal

Reduce up to 51% of the emissions from our downstream leased assets by reducing Scope 1 & 2 and promoting goods and services from communities in our destinations.

## 7.2 **2030 targets**



## 7.3 **Timeline and milestones**



# 8

## Fuel- and energy-related activities

(not included in Scope 1 or Scope 2)

Globally, 55% of emissions are linked to the production of energy. For a business, not all emissions from energy production are accounted for in the business's Scope 1 & 2. In addition, the extraction, production and distribution of fuel and energy and the T&D losses also impact emissions and are accounted for in this category.

Acting on indirect GHG reductions from energy efficiency and renewable energy is a great start. Still, there is also a collective need to engage with suppliers and foster emissions reductions throughout the supply chain.

## Philosophy

Capitalize on decarbonization of Scope 1 & 2, prioritize fuel and energy suppliers with low upstream emissions when possible, increase data transparency and engage with power utilities and grid operators to modernize the grid and reduce T&D losses.

## 8.1 Key facts

#### What's in it?

This category includes emissions related to the production of fuels and energy purchased and consumed by Iberostar in 2019, not included in Scope 1 or Scope 2. This means all the upstream emissions of purchased fuel and electricity plus the T&D losses linked to electricity consumption.



accounted for 6% of Scope 3 CO2e emissions and 5% of the total carbon footprint of Iberostar Hotel & Resorts in 2019. Due to its idiosyncrasy, it is a category linked to fuel and energy consumption decisions related to Scope 1 & 2. Influencing suppliers, power utilities and grid operators will play an important role.



Activities included in fuel- and energy-related emissions for Iberostar.

## 2030 goal

Achieve a 50% reduction in emissions from Scope 3 fuel- and energy-related activities by reducing Scope 1 & 2 and encouraging modernization in energy grids in our destinations.

## 8.2 **2030 targets**



Capitalize on the 85% reductions of emissions in Scope 1 & 2.



Have 100% of destinations prioritizing fuel and energy suppliers with low emissions.



Engage top 10 energy and fuel suppliers (covers 75% of consumption).



Reduce T&D losses in top five countries, encouraging modernization of grid.



Record all the emissions following the average-data method (65%) or supplierspecific method (35%).

### 8.3 **Timeline and milestones**



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## Employee commuting

Businesses that provide services often require employees to be on site, generating emissions from the employee commute to the workplace. While the CO2e emissions impact may be minimal to an individual business relative to other Scope 3 categories, driving action in this category will be crucial to link corporate decarbonization strategies to the day-to-day of employees.

It's a unique company opportunity to drive employee engagement and incentivize low-carbon behavior change, a fundamental aspect of a transition to a low-carbon economy. This category is also relevant in terms of brand reputation and is an easy test of the consistency in the decarbonization strategy.

## Philosophy

Drive decarbonization by promoting low-carbon mobility among our employees through mobility plans in all hotels and headquarters. Engage public administration to accelerate zero emission mobility in destinations.

## 9.1 Key facts



This category includes emissions from the transportation of Iberostar's employees between their homes and work sites (headquarters or hotels). More specifically, emissions from employee commuting come from the distance traveled by employees per day, the number of days per week that employees use different vehicle types, the number of commuting days per week and the number of weeks worked per year. The mode of transportation selected by employees plays a critical role due to the different carbon emissions linked to those options.



#### **Strategic relevance**

Represents 3% of Iberostar's Scope 3 emissions and 2% of the total carbon footprint of Iberostar. We have more than 30,000 employees worldwide working to lead responsible tourism. They are part of the company, so our ability to drive positive influence in this area and the existence of solutions to promote low-carbon mobility increase the relevance of this category on the decarbonization path.

#### **Deep dive**

What's in this category for Iberostar? 30,000 employees

## 2030 goal

Foster a 50% reduction of emissions from employee commuting by including low emissions mobility as part of the business culture.

## 9.2 **2030 targets**



Capture insights from 100% of employees to map and track employee mobility.



100% of hotels and headquarters have low emissions mobility plans.



Include low-carbon mobility as part of employee compensation in more than 60% of contracts.



Advocate to advance low emissions mobility in top 10 destinations by engaging with public administrations and private sectors.

## 9.3 Timeline and milestones



# 10

## Business travel

Surprisingly, employees' business travel can be relatively small compared to other Scope 3 categories. However, for many businesses that are asset light (their Scope 3 is larger than their Scope 1 & 2), travel is a fundamental part of performing their business. This is especially true in hospitality, where traveling to destinations is necessary.

For most international businesses, emissions from business flights usually play a large role; however, rental cars and business-related hotel stays also contribute.

## Philosophy

Boost low emissions travel through launch of internal program "Iberostar Travels with positive impact." Prioritize use of low emission vehicles and collaborate with supply chain on decarbonization strategies (i.e., air travel, car rental). Finally, accelerate the decarbonization of the travel industry as a whole.

## 10.1 Key facts

#### What's in it?

This category includes emissions from the transportation of lberostar's employees for business-related activities (excluding commuting) in vehicles owned or operated by third parties, such as aircraft, trains, buses and passenger cars.



#### Strategic relevance

Business travel represented 2% of Iberostar's Scope 3 emissions and 1.2% of Iberostar's carbon footprint in 2019. Due to the idiosyncrasy of our business model, with more than 100 hotels in 16 countries, the need to travel to destinations is a fundamental part of our activities. Additionally, based on the location of our hotels, there is a high dependency on planes, so the impact from this category will be higher.

Deep dive What's in this category for Iberostar? Automobile 18% Airplane 61% Hotel room 21%

## 2030 goal

Cut emissions by 40% from business travel by incentivizing employees, engaging our supply chain and fostering decarbonization in the tourism sector.

## 10.2 **2030 targets**





Top five air company partners have decarbonization strategies. Mapped key opportunities with other stakeholders from the travel industry (i.e., agencies, tour operators).

|--|

Continuous improvement in data collection is achieved, with more than 80% based on a distance-based methodology.

## 10.3 Timeline and milestones



## Waste

Globally, the management of municipal waste contributes up to 2 billion tonnes of GHG emissions per year and is expected to increase. This is not only through the emissions that come from transporting and operating waste management facilities but also through harmful emissions that come directly from the decay of waste in landfills. The volume of emissions generated by waste management is directly related to the volume of waste produced by individuals and businesses.

This is an additional challenge for tourism, particularly for those businesses that are disproportionately on islands. In many tourism destinations, the volume of waste from tourists far outweighs the waste generated by residents. There is a cross-sectoral need to individually and collectively act on this category to implement waste management practices from operations such as avoiding waste generation, fostering waste reduction, avoiding waste sent to landfill and reusing and recycling. Additionally, there is a need to accelerate the creation of waste and wastewater management capacity in destinations. These will lead to CO2e emission reductions and contribute to public health, environmental protection and a range of sustainable development co-benefits.

## Philosophy

Drive decarbonization by becoming free of waste sent to landfill by 2025, promoting the continuous reduction of waste generated in our hotels (particularly food waste) and fostering improved waste management capacity in destinations.

## 11.1 Key facts



#### What's in it?

This category records emissions from third-party disposal and treatment of waste generated in lberostar's owned or controlled operations in the reporting year. This category includes emissions from disposal of both solid waste and wastewater.



Waste represented 0.5% of Iberostar's Scope 3 emissions and 0.4% of Iberostar's total carbon footprint in 2019. Despite the low contribution based on the initial methodology, this category is considered strategic for Iberostar since it's part of our own Agenda 2030 to send no waste to landfill by 2025.



#### **Deep dive**

What's in this category for Iberostar? 3,970 CO2e tonnes



100% spend-based methodology in 2019 (data from Iberostar Hotels & Resorts balance sheet, 2019).

## 2030 goal

Reduce 40% of emissions from waste disposal by achieving zero waste to landfill by 2025, encouraging continued reduction of waste and improving waste management capacity in destinations.

## 11.2 **2030 targets**



## 11.3 **Timeline and milestones**



## Boosting resilience in our destinations to reach carbon neutrality

After these efforts, we will have reduced our total annual emission intensity to 430,000 tonnes of CO2e per year, 93% of that from our supply chain. To reach our objective of carbon neutrality by 2030, we will offset any remaining emissions by restoring, protecting and sustainably managing nature in our destinations.

The business case for investing in our destinations is compelling. In 2022, the market price of offsetting a tonne of CO2e can vary greatly and ranges from \$3 to greater than \$20 per tonne for nature-related carbon capture and from \$15 to \$120 per tonne for other processes. These prices are expected to increase by 2030, with some using figures that range from \$30 to \$360 per tonne of CO2e. If we use the tonnes of CO2e in our 2030 scenarios and use a conservative estimate of \$40 per tonne of CO2e in 2030, taking no action in decarbonization would represent a financial burden of \$49 million per year (77% of that corresponds to compensating Scope 3) to reach carbon neutrality. This decarbonization roadmap will allow for a more manageable portfolio of \$17 million per year to reach carbon neutrality (93% of that corresponds to compensating Scope 3).

Three major findings help define our carbon offsetting strategy and allow us to reach carbon neutrality, drive toward a regenerative tourism model and boost long-term resilience and adaptation in our destinations:

1 Investing in our destinations to boost resilience: Carbon offsets in a global market present a user-friendly pathway to offsetting emissions. Because of the importance of nature protection and the role of biodiversity in tourism, we favor high-quality nature-based carbon offsets. When we favor these projects in our destinations, we receive additional benefits of boosted adaptation, restored ecosystem services, biodiversity protection, community integration and more.

**2** Prioritizing investment in actions: As nearly all our 2030 emissions will come from our supply chain, there are inherent challenges in accurately measuring this footprint, as detailed by this decarbonization strategy.

Similarly, there are challenges in measuring nature-based compensation projects' in situ carbon sequestration potential. This is particularly true for vulnerable coastal ecosystems in our destinations, such as mangroves, which have higher sequestration potential when accounting for the carbon in their root structures and sediment capture. As there are no methodologies to measure the additional carbon capture of roots and soil with remote sensing (a cost-effective way to standardize and measure carbon sequestration of forest canopy), they require substantially higher investment to measure the carbon premium of mangrove ecosystems. Our measurement of both the embodied carbon in our supply chain and the sequestration potential of our nature-based offsets could be endless. And while high-quality measurement will be necessary for both our supply chain footprint and nature-based offsets, we aim to strike a balance so that we avoid overinvesting in measurements at the cost of greater collective action.

**3** Resilient financial models for nature-based compensation: The investment required by 2030 will represent substantial income to communities for nature protection. As we aim to achieve our net zero goal through decarbonization, the incentive to invest in carbon sequestration projects decreases, hence affecting the flow of income to nature-based projects. It is our goal to design nature-based carbon sequestration projects in a way that the initial investment serves as a catalyst to develop self-sustaining models of conservation and management that are increasingly less reliant on carbon credit income.

We propose doing so by creating a model that best benefits tourism and the destinations where our activities occur. This work prioritizes benefits to biodiversity and communities alongside CO2e sequestration potential. Since we aim to offset emissions mostly from our supply chain, we ensure that investment considers strong measurement but favors action to multiply impact. We must design models with varied revenue sources for long-term financial stability.

As a result, Iberostar has committed to the following objective to reach carbon neutrality by 2030.

## 2030 goal

Offset 75% of Iberostar's emissions through high-quality carbon sequestration in our destinations that protects and restores ecosystems and provides economic benefit to local communities and stakeholders.

### 2030 targets



\* 22,000 ha is an estimate based on 23mt2 of carbon captured per ha as per estimate of Winrock International https://winrock.org/fir-calculator/. Actual numbers may vary.

## **Timeline and milestones**

22,000 ha sustainably managed	Carbon neutral for operations and supply chain	50% of projects are community     led NbS solutions
	Meet 75% of projected 2030 scope 3	
2029	Meet 50% of projected 2030 scope 3	
2028 10,000 ha sustainably managed		• 25% of projects are community led NbS solutions
2021	Meet 25% of projected 2030 scope 3	
5,000 ha sustainably managed	• Offset all of projected scope 1 and 2 meeting carbon neutrality in operations	
	Offset 50% of projected scope 1 and 2	
Establish baselines according to ecosystems     in destinations where projects will be implemented	Three pilot projects for carbon sequestration in place	Implement at least one community led NbS project
Identify models of area-based management that include CO2 sequestration	Set CO2 emission reduction targets	Define models of community engagement
Hectares protected	Metric tons of CO2 captured	Communities engaged in NbS for CO2 sequestration

Iberostar is also investing in climate adaptation in its coastal ecosystems. As a part of our business case to restore ecosystem services for risk reduction, we have set the following objective for 2030. Our objectives are followed by key objectives and year-over-year targets to 2030. More information on this can be found in our Coastal Health Roadmap.

## 2030 goal

Integrate procedures to enhance or restore ecosystem services that reduce risk to exposure to climate change into investments and operations.

## 2030 targets

100% of owned and managed\* at-risk properties integrate mitigation procedures into operations.



Risk has decreased in properties exposed to impact.



Incidences, as well as cost impacting hotel infrastructure, have been reduced.

\* Iberostar has two main categories of hotel management: those owned and managed by Iberostar and those owned by a third party but managed by Iberostar (these are designated as not-owned & managed).



## **Timeline and Milestones**

2030	<ul> <li>50% of non-owned &amp; managed properties identified at risk integrate mitigation procedures into operations</li> </ul>	RMI measured in 100% of risk impacted owned & managed properties and 50% of managed properties	<ul> <li>Incorporate systems into 100% of owned &amp; managed properties and 50% of non-owned &amp; managed properties</li> </ul>
2029	All owned & managed properties identified at risk integrate mitigation procedures into operations	• RMI measured in 75% of risk impacted owned & managed properties	
2028	All owned & managed properties in Spain identified at risk integrate mitigation procedures into operations	• RMI measured in 25% of risk impacted non-owned & managed properties	<ul> <li>Incorporate systems into 25% of non-owned &amp; managed properties</li> </ul>
2027	25% of non-owned & managed properties identified at risk integrate mitigation procedures into operations	• RMI measured in 50% of risk impacted owned & managed properties	
2026	• All owned & managed properties in Mexico and the Caribbean and 25 % of owned & managed properties in Spain identified at risk integrate mitigation procedures into operations		<ul> <li>Incorporate systems into 50% of owned &amp; managed properties</li> </ul>
2025	<ul> <li>25% of owned &amp; managed properties identified at risk integrate mitigation procedures into operations</li> </ul>	RMI measured in 25% of risk impacted owned & managed properties	
2024	All new properties opening in areas at risk integrate procedures since the site and design phase		Develop all economic valuation and monitoring     and reporting systems
2023	Develop Risk Assessment and Mitigation protocols and trainings	• Develop and test monitoring protocols	Identify baselines and costs
2022	Identify Iberostar properties at risk	• Establish Risk Mitigation Index (RMI)	Define models of community engagement
	At-risk properties with risk mitigation procedures in place	Risk Mitigation Index (RMI)	Reduced economic impact

This is one of five business cases in coastal health to have all ecosystems improving in ecological health by 2030. Many of these objectives focus on boosting climate adaptation in our destinations. As this is not the focus of this roadmap, which primarily speaks to the decarbonization component of our work on mitigation, we encourage the reader to discover more in our Coastal Health Roadmap.

## Decarbonization actions for businesses

To foster and catalyze decarbonization across our portfolio, we have synthesized the following actions any hotel can take to start its journey today. While we aim to develop a series of actions that will be synthesized as we learn, these are a synthesis of those we believe can be taken immediately, no matter where you are on your journey. Please remember that your actions or material elements may differ depending on your business architecture.

Fortunately, many resources are available for measuring or estimating your carbon footprint. Therefore, this section will not focus on actions for starting measurement. Instead, we have synthesized actions that help build the facilitating environment for removing carbon from value chain emissions in areas that were material for us. We will continue on our journey for improved measurement and report on this in our annual carbon report.

## Creating the facilitating environment and appropriate governance

- Get your leadership involved, then have a sustainability point person that reports directly to leadership.
- Empower your maintenance team. Can they work towards preventative maintenance? Do they have the budget necessary?
- Empower your purchasing team. Do they have decision-making power? Do they actively maintain relationships with suppliers where they are capable of asking for more detailed information on products or shifts on products?

#### Decarbonizing your Scope 1 & 2

- How much refrigerant gas are you buying a year? How do you ensure you don't buy more next year (likely due to leaks or poor maintenance)?
- Ask your energy provider if they have options for buying renewable energy (usually, this is just a certificate you can buy). Keep asking them since that builds a foundation that there is interest.
- Consider going fully electric, especially when considering heating and cooling and your kitchens.
- It's not just an investment in new machinery. See if you can alter your processes to reduce emissions - it may impact more than speaking to your clients.

#### **Decarbonizing your Scope 3**

- If food is a major component of your service, estimate the portion of food you're consuming (if in weight, even better!). If you can only focus on a few items, focus on red meat and dairy. From your measurements, multiply them by emission factors found on the WRI Cool Food pledge, then set a target of dietary shifts to reach a 25% reduction in a reasonable timeframe.
- Focus on reducing food waste, particularly of proteins and dairy. Start from your operations and, if possible, track and measure food waste.
- Question areas where you have single-use or a large generation of waste. Start avoiding single-use plastics. See if you can move towards bulk or reusable models.
- Understand your primary services. Their purchase of goods and services, office heating and electricity and business travels may account for a major part of their carbon footprint. Encourage and prioritize companies that measure carbon footprint data and set emission reduction targets (moving to renewable energy and reducing business travel are usually the first actions they take).
- Engage with your top providers of any goods. Ask them if they know what their carbon footprint is. Encourage them to think about their own climate impact because of your interest.
- Water is a material topic, so focus on reducing water consumption and maximizing water recovery and recycling. Get support from systems to optimize management and improve monitoring.
- Launch surveys to your employees to understand mobility patterns. How do they come to work? Which are the desirable incentives to move to low emission ways of transport? Analyze responses and define mobility plans ad hoc for your company
- Prioritize low emissions vehicles in business travel when possible and establish preferential collaboration with companies with decarbonization plans (airlines, rental cars, etc.).
- If you have downstream leased assets, review current contracts and understand the influence needed to move to renewable energy as the first step.

## Glossary

Additionality: Term to describe renewable generation that is truly new, i.e. additional. Companies that support new renewable energy developments can claim additionality, as opposed to those that buy what is already existing or planned.

**Carbon offset:** Method of promoting global CO2e reduction that does not involve a direct reduction in the amount of CO2e. **Circular economy**: A new economic model based on the principles of designing out waste and pollution, keeping products and materials in use, and regenerating natural systems. **CO2e**: The number of metric tons of CO2e emissions with the same warming potential as one metric ton of another greenhouse gas. **Decarbonization**: As defined by SBTi, "the process by which CO2e emissions associated with electricity, industry, and transport are reduced or eliminated."

Defra: Department for Environmental, Food and Rural Affairs of the UK's Government. Downstream emissions: Indirect GHG emissions from sold goods and services. Downstream emissions also include emissions from products that are distributed but not sold (i.e., without receiving payment). Embodied carbon: According to the Carbon Leadership Forum, "embodied carbon refers to the greenhouse gas emissions arising from the manufacturing, transportation, installation, maintenance, and disposal of building materials."

**Emission factor**: A factor that converts activity data into GHG emissions data (e.g., kg CO2e emitted per liter of fuel consumed, kg CO2e emitted per kilometer traveled, etc.). **Emissions**: The release of greenhouse gases into the atmosphere.

#### **Energy Attribute Certificate (EAC):**

Official document proving renewable energy consumption. Each EAC corresponds to 1 MWh of renewable energy. Global EAC standards for renewable energy claims are Guarantees of Origin (GOs) in Europe, RECs in the U.S. and International RECs (I-RECs) in a growing number of countries of Latin America, Africa, Asia and the Middle East. **EPA**: U.S. Environmental Protection Agency. **ESG**: Environmental, Social and Governance. Investors are increasingly applying these non-financial factors as part of their assessments to identify material risks and opportunities.

Fluorinated gases (F-gases): Chemical compounds that contain fluorine and which are used in commercial refrigeration equipment, chillers and heat pumps.Of all types of F-gases, only hydrofluorocarbons (HFCs) are relevant for Iberostar Hotels and Resorts. Global Warming Potential (GWP): The ratio of heat absorbed by any greenhouse gas in the atmosphere with respect to what would be absorbed by the same mass of Carbon Dioxide (CO2e). The GWP is used to calculate the CO2e equivalent (CO2e) of a mass of any greenhouse gas.

Greenhouse gases (GHGs): As defined by SBTi, "gases which absorb and re-emit infrared radiation, thereby trapping it in Earth's atmosphere. Includes carbon dioxide (CO2e), water vapor, methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons PFCs), sulfur hexafluoride (SF6), and nitrogen trifluoride (NF3)." Iberostar's Carbon Neutral objective: When the carbon intensity of Iberostar Hotels & Resorts Scope 1, 2, and 3 as defined in this document and estimated with best available methodology that favors action towards decarbonization is offset through its own nature-based carbon offsets or through high quality carbon offsets disclosed in its annual climate reporting.

**IEA**: International Energy Agency. **Indirect emissions**: Emissions that are a consequence of the activities of the reporting company, but occur at sources owned or controlled by another company.

LCA: According to EEA, "Life-cycle assessment (LCA) is a process of evaluating the effects that a product has on the environment over the entire period of its life thereby increasing resource-use efficiency and decreasing liabilities. It can be used to study the environmental impact of either a product or the function the product is designed to perform, LCA is commonly referred to as a "cradle-to-grave" analysis. LCA's key elements are: (1) identify and quantify the environmental loads involved; e.g. the energy and raw materials consumed, the emissions and wastes generated; (2) evaluate the potential environmental impacts of these loads; and (3) assess the options available for reducing these environmental impacts."

Liquified Petroleum Gas (LPG): A fuel gas which contains a variable mixture of propane and butane. Normally used as an alternative to natural gas in kitchen equipment and in boilers for space and water heating. Net Zero: As defined by SBTi, "setting corporate net-zero targets aligned with meeting societal climate goals means (1) achieving a scale of value chain emissions reductions consistent with the depth of abatement at the point of reaching global net-zero in 1.5 °C pathways and (2) neutralizing the impact of any residual emissions by permanently removing an equivalent volume of CO2e." Product life cycle emissions: defined by the GHG Protocol as "all the emissions associated with the production and use of a specific product, from cradle to grave, including emissions from raw materials, manufacture, transport, storage, sale, use and disposal." **Refrigerant gas**: A category of working fluids used in refrigeration, in air conditioning or in heat pump systems. Currently, most refrigerant gases (usually synthetic refrigerants such as HFCs) have a very high global warming potential (GWP).

**Renewable energy**: Energy that has been produced using renewable sources such as solar, wind and hydroelectric.

**Renewable Power Purchase Agreement** (**PPA**): Long-term agreement (typically 10 years) between a renewable developer and a consumer to purchase clean energy from a specific asset at a predetermined price. The signing of a PPA can be understood as the sale of a project and its Energy Attribute Certificate (EAC).

**SBTi**: Science-based targets provide a clearly-defined pathway for companies and financial institutions to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels.

**Scope 1**: Defined by the GHG Protocol accounting standard as "A reporting organization's direct GHG emissions."

**Scope 2**: Defined by the GHG Protocol accounting standard as "A reporting organization's (indirect) emissions associated with the generation of electricity, heating/ cooling, or steam purchased for own consumption."

**Scope 3**: Defined by the GHG Protocol accounting standard as "A reporting organization's indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emission."

**Supply Chain**: A network of organizations (e.g., manufacturers, wholesalers, distributors and retailers) involved in the production, delivery, and sale of a product to the consumer.

**Upstream emissions**: Emissions from sources that are owned or controlled by the reporting company.

**Value chain emissions**: As defined by SBTi, "a company's Scope 1, 2, and 3 emissions as defined by the GHG Protocol accounting standard."

**Waste**: An output of a process that has no market value.





### Annex 1: Methodology

We have followed GHG Protocol's guidelines to calculate our 2019 footprint for our Scopes 1, 2 and 3.



## Scopes 1 and 2

Activity data (in most cases, energy consumption data) has been gathered following a centralized approach. Sites take daily energy consumption readings and introduce them in an internal tool so they can be shared with the corporate level where the calculation of emissions is done. The same procedure is followed to record the refilling of refrigerant gases.

The calculation is based on documented emission factors and it is carried out automatically by our internal ESG tool. The sources used to obtain the emission factors are the following:

**Emission factors for gaseous and liquid fuels.** The database "CO2e emissions from fuel combustion" (IEA 2020-2018 data year) is used for countries with available country-specific data. For those countries with no

specific data, "Greenhouse gas reporting: conversion factors 2019" by DEFRA is used instead.

#### Global Warming Potentials (GWP) for refrigerant

**gases.** Main reference is "Greenhouse gas reporting: conversion factors 2019" by DEFRA. If the GWP of a certain gas is not available there, then "Default emission factors: 2021" by The Climate Registry is used instead.

**Grid emission factors.** IEA's "CO2e emissions from fuel combustion" is used (2020, 2018 data year) for all countries except for the USA. In the USE emission factors have been taken from "US EPA eGRID 2020 v.2" (2018 datayear).

**Biomass.** "Out-of scope" emissions associated with the biomass element of consumed wood pellets are calculated using the "out-of-scope" emission factors for biomass, wood chips, published in "Greenhouse gas reporting: conversion factors 2019" by DEFRA. N2O and CH4 emissions are included in Scope 1 emissions while CO2e emissions are reported outside scope.

## Scope 3

We assessed and identified the relevant Scope 3 categories for Iberostar using Quantis, a tool developed by GHG Protocol and an external consultancy. This open tool enabled us to get a first approximation of our full Scope 3 inventory following the spend-based methodology (based on our internal data from the balance sheet in 2019).

Our initial baseline serves to identify areas of materiality to define our strategy, highlight the boundaries and identify data requirements. From the 15 categories that the GHG Protocol analyzes, the following eight categories apply to hospitality: Purchased goods and services, Capital goods, Fuel and energy use, Waste, Business travel, Employee commuting, Downstream leased assets, and Franchises. Flights of clients would fall under upstream or downstream transportation and distribution. However, according to industry guidance such as Net Zero Methodology for Hotels, they are out of scope for hospitality.

For the case of Iberostar Hotel & Resorts, as franchises are not part of our business model, this category is not applicable.

Improving the methodology in our main categories will be a critical part of our decarbonization roadmap, moving from spend-based to average data and supplier-specific methods. However, this initial methodology is a powerful tool for developing our decarbonization strategy.

### Annex 2: Materiality assessment

As part of the initial assessment, we have delved into the subcategories of the methodology to to identify critical areas within the categories defined by the GHG Protocol (as the GHG Protocol sets a standard for different sectors, this simple analysis highlights the materiality of specific industries).

As a result, F&B is the largest contributor to our carbon footprint (18% total), closely followed by Scope 2 (14%) and then Scope 1 (8%). After the top three, we will find subcategories with relevant impact such as water with a 7% contribution to CO2e emissions each. Other outstanding subcategories (contribution between 6% and 2% of emissions) are F&E, hotel services, bar and kitchen tools, and marketing and IT services. Finally, with 1% each, we have laundry, plane flights for employees and textiles.

This understanding is relevant to set priorities and define the decarbonization roadmap.

#### Subcategories representing more than 1% of total CO2e emissions (S1, S2, S3)

Food and beverages				18%
Scope 2				14%
Scope 1				8%
Water (PG&S)				7%
Downstream leased assets (=)				7%
Fuel and energy related activities (=)				7%
Construction (Capital goods)				7%
F&E (Capital goods)				6%
Hotel services (PG&S)				4%
Bar and kitchen tools (PG&S)				3%
Services, MK and IT (PG&S)				2%
Laundry (PG&S)				1%
Air transport (Business travel)				1%
Textiles (PG&S)				1%

## **Annex 3:** Overview of key decarbonization drivers for each scope & category

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	Category	»\2019C	2018 2018 001	209000 209000	Le 120% by 20	ion paseline 2019 paseline 2019 paseline 2019 paseline	hosion <sup>1,2</sup> % <sup>1</sup> from <sup>1,2</sup> % <sup>1</sup> Grown <sup>2</sup> Potential Networks	ILS Investment require	Effort required to high	Key Drives
pe 1	Fossil fuels	4.2%	45,523	54,628	-77.3%	-82.9%	Low / Medium	666	4	<ul> <li>Reduction in fuel consumption through behavioral changes of employees and new procedures</li> <li>-90% Electrification of space and water heating systems, kitchens and onsite transportation</li> <li>Substitution of remaining fossil fuels with high emission factors by natural gas and/or LPG</li> <li>Compliance of new entrants to portfolio with electrification requirements</li> </ul>
Sco	F-gases	3.7%	38,231	45,877	-91.6%	-92.98%	Low / Medium	66	3	<ul> <li>Procedures and training for early leakage detxwection</li> <li>Introduction of design criteria to reduce mass requirements for F-gases</li> <li>Operative changes to optimize operation of equipment with F-gases</li> <li>Retrofitting and replacement of equipments and machines for operation with low-GWP F-gases</li> </ul>
Scope 2	Electricity	14.1%	144,646	173,575	-87.7%	-89.74%	Medium / High	<del>00</del>	2	<ul> <li>Reduction in electricity consumption through behavioral changes of employees and new guidance and procedures</li> <li>Reduction in electricity consumption through system recommissioning and modernization of equipment</li> <li>Renewable sourcing of electricity through onsite renewable generation, renewable PPAs and EACs</li> </ul>
	PG&S	61%	485,632	582,758	-50.1%	-58.42%	High	<del>cc / ccc</del>	4	<ul> <li>Circular procurement framework + Guidelines</li> <li>Supply Chain Collaboration Program</li> <li>CE Plans per hotel</li> <li>Operative changes</li> </ul>
	Capital Goods	19%	148,560	178,272	-50.0%	-58.33%	Medium / High	<del>cc / ccc</del>	4.5	<ul> <li>Impact on F&amp;E: Circular procurement framework + Guidelines</li> <li>Traceability of products and materials (Material passport project)</li> <li>Net Zero Carbon Building &amp; Circularity- Protocols &amp; plans, building efficiency</li> <li>Engagement with suppliers, protocol &amp; contractual requirements</li> </ul>
	Downstream leased assets	10%	79,063	94,876	-51.0%	-59.15%	Medium	CC *Linked to Scope 1&2, no additional investment required	2* 100% reliant on success from decarbonizing scope 1 & 2	<ul> <li>Scope 1 &amp; 2, decarbonization plan</li> <li>Extend Iberostar's standards for Circular Economy &amp; Decarbonization</li> </ul>
Scope 3	Fuel & Energy Related Activities	6%	49,353	59,224	-50.0%	-58.33%	Low / Medium	C * Linked to Scope 1&2.	3.5	<ul> <li>Scope 1 &amp; 2, decarbonization plan</li> <li>Upstream emissions criteria as part of sourcing decisions</li> <li>Engagement with suppliers and data transparency</li> <li>Engagement with power utilities / grip operators to modernize the grid</li> </ul>
	Employee Commuting	3%	20,400	24,480	-50.0%	-58.33%	Low / Medium	€	2	<ul> <li>Mobility Plans in ALL hotels</li> <li>Engagement with destinations</li> <li>Compensation package including low emissions mobility</li> </ul>
	Business Travel	2%	12,639	15,167	-40.0%	-50.00%	Low	€	4	<ul> <li>Program "lberostar travels with + impact"</li> <li>Engagement plan with travel industry (air companies, tour operators, agencies)</li> </ul>
	Waste	0.5%	3,973	4,768	-50.0%	-58.33%	Low / Medium	66	2.5 *linked to our objective to send no waste to landfill by 2030	<ul> <li>Sourcing to reduce waste emissions (Circular Procurement Framework)</li> <li>Plan to send zero waste to landfill by 2025 + focus on reducing the amoun of waste generated in our operations</li> <li>Destinations enabled and industry collaboration</li> </ul>

## Annex 4: Decarbonization Table

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Scope 1 Refrigerants	38,231	38,869	39,518	38,231	33,134	22,443	13,255	10,855	7,080	4,813	3,221	3,221	
Scope 1	42,523	43,234	43,957	42,112	35,654	29,480	22,264	17,600	14,507	13,081	10,274	9,675	
Scope 2	144,646	147,063	149,521	136,153	126,582	120,996	109,846	103,518	92,882	80,944	33,794	17,816	1.5 2030 Scope 1&2 <b>121,716</b>
1 Purchased goods and services	485,632	493,748	502,000	500,182	483,114	466,629	445,962	408,074	363,032	317,426	277,548	242,258	
2 Capital goods	148,560	151,043	153,568	156,134	150,806	145,660	140,690	128,737	115,182	99,541	86,024	74,281	1.5 2030 Scope 3 <b>430,196</b>
<b>3</b> Fuel and energy-related activities	49,353	50,178	51,017	50,832	49,097	47,422	45,804	41,912	38,352	33,144	28,643	24,675	
5 Waste generated in operations	3,973	4,040	4,107	3,967	3,630	3,137	2,552	2,465	2,381	2,239	2,106	1,987	lberostar 2030 Scope 1&2 <b>30,711</b>
6 Business travel	12,639	12,851	13,065	13,284	13,506	13,388	12,31	12,490	11,429	10,155	8,776	7,584	
7 Employee commuting	20,400	20,741	21,088	21,440	20,054	18,351	16,792	14,511	12,541	11,475	10,839	10,201	lberostar 2030 Scope 3 399,739
13 Downstream leased assets	79,063	80,385	81,728	81,017	78,252	75,582	73,003	66,823	59,936	51,889	44,843	38,753	
Total	1,025,021	1,042,152	1,059,568	1,043,351	993,830	943,089	883,099	806,986	717,321	624,706	506,066	430,450	
BAU	1,025,021	1,042,139	1,059,543	1,077,237	1,095,227	1,113,517	1,132,113	1,151,019	1,170,241	1,189,784	1,209,654	1,229,855	

