

**COVIVIO HOTELS  
GREEN FINANCING FRAMEWORK**

June 2023

**COVIVIO**  
HOTELS

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# 1. Introduction

## 1.1 About Covivio Hotels

Covivio Hotels, a 43.9%-owned subsidiary of Covivio, is a listed property investment company and **leading hotel real-estate player in Europe**. Its activity involves the acquisition, management, enhancement and in some limited cases, the development of new hotel properties.

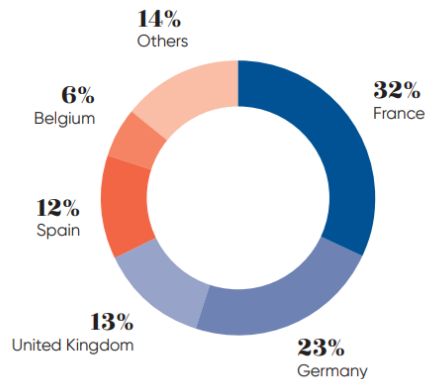
It owns a **high-quality hotel portfolio of 316 hotels worth €6.7 billion** (€6.0 billion in Group Share), focused on large European cities and let or operated by 16 major hotel operators (e.g. Accor, B&B, IHG, NH Hotels) with long-term leases.

This portfolio offers **geographic and tenant diversification** across 12 European countries.

### Covivio Hotels Business at a glance



### Geographical Diversification of the portfolio<sup>1</sup>



As a leading and responsible hotel real estate player, Covivio Hotels places environmental concerns at the heart of its business model and ensures an environmental responsibility throughout the whole lifecycle of its hotel buildings. It has developed an ambitious sustainability strategy, that it intends to highlight through this pioneering Green Financing Framework for the European Hotel Real Estate sector.

<sup>1</sup> Figures based on 2022 revenues

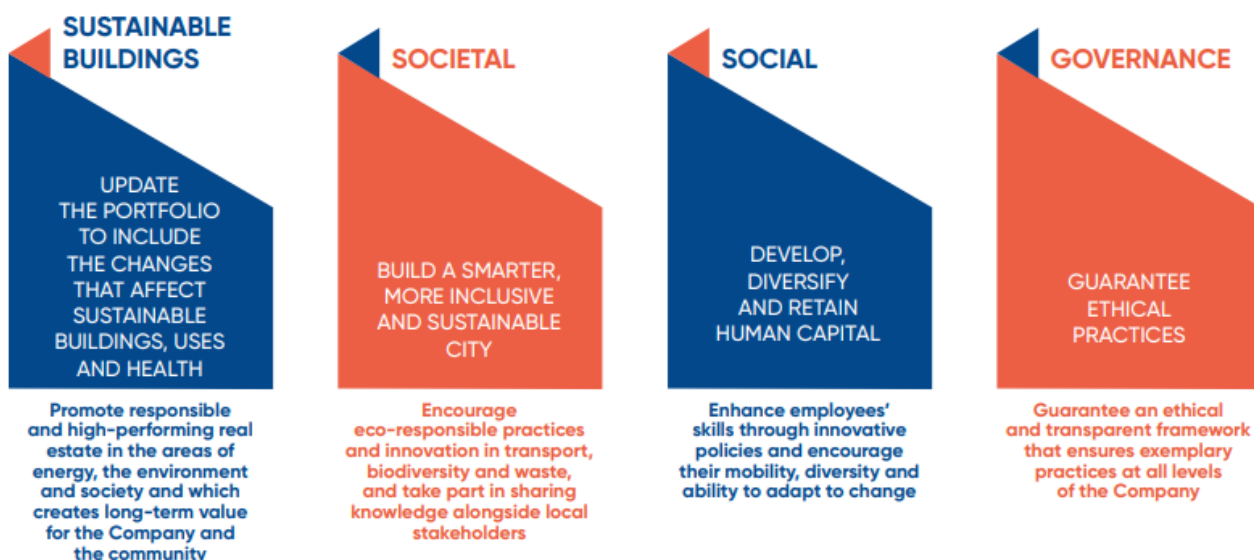
## 1.2 Covivio Hotels' longstanding and leading commitment to sustainability

### 1.2.1. Commitments derived from Covivio's Purpose and CSR strategy

Covivio Hotels' Sustainability Strategy fits into Covivio's well established sustainability approach, which has been at the core of Covivio's DNA for more than 10 years and is regularly praised by non-financial rating agencies<sup>2</sup>.

Built from Covivio's *Purpose* expressed in 2019 (i.e. "Build Sustainable relationship and well-being"), the group's Corporate Social Responsibility ("CSR") strategy is structured into 4 axes.

#### Four Key pillars of Covivio's CSR Strategy



Each of the pillars of Covivio's CSR strategy aims at addressing the main challenges for the real estate sector, and applies for all of Covivio's business activities: Office, Residential, and Hotel.

Its implementation for Covivio Hotels is ensured by a dedicated team, the ESG department of Covivio, in coordination with Covivio Hotels' team.

<sup>2</sup> See Covivio CSR Ratings & Awards here: <https://www.covivio.eu/en/our-csr-commitments/csr-resources/csr-ratings-awards/>

### 1.2.2. ... and adapted to match the specific challenges of the Hotel Real Estate sector

Based on the group's strategy, Covivio Hotels has **developed a market-leading sustainability approach that is tailor made to the very specific nature of hotel assets**, i.e.:

- a portfolio made up **entirely of single-let buildings**, with the tenants and managers of the hotels being responsible for the operation and management of energy, water and waste for each entire asset;
- a **resource-consuming asset class** due to the:
  - high level of technical equipment required, especially for prime hotels that involve more sophisticated equipment;
  - transient nature of the hotel sector, which implies high water consumption and waste production (e.g. single-used plastics, food waste) to ensure adequate guest experience.

Despite not having operational control of the assets and fully aware of the unique sustainability challenges of the Hotel Real Estate sector, **Covivio Hotels has embarked in an ambitious path** to both:



**Improve the environmental performance** of its hotel building portfolio via assets' renovation, new energy equipment installation and/or active management and;



**Engage in a close and constructive dialogue with the tenants and hotel managers** to support them in monitoring and reducing the environmental footprint linked to the operation of its hotels portfolio.

Covivio Hotels' sustainability approach can be summed up in the following **3 axes**:

**(A) Further improving the carbon efficiency of the assets**

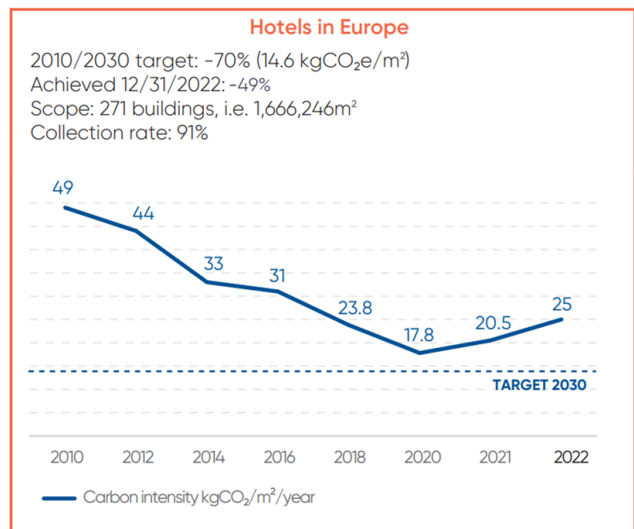
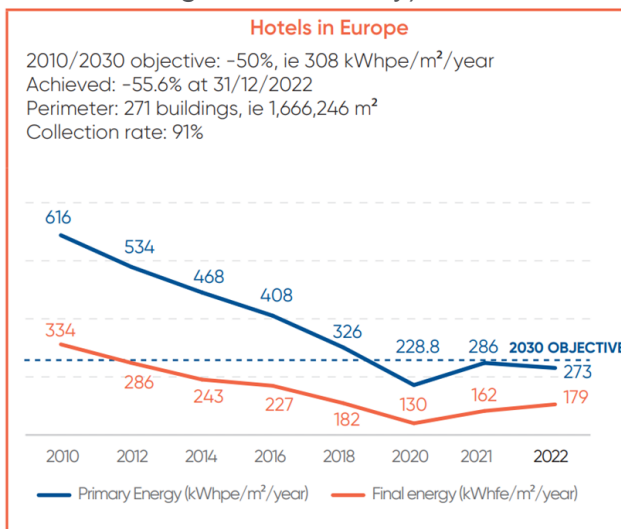
**A robust decarbonisation pathway**

Covivio Hotels has been committed for several years **to reduce the carbon intensity of its portfolio** and has already achieved in 2022 a **49% reduction of the CO<sub>2</sub>e emissions related to the operation of its assets** (i.e. Scope 3 from downstream leased assets) **per square meter since 2010**. Such reduction was mainly driven by the:

- **improvement of the energy performance of the portfolio**, that has decreased from 616 kWh<sub>ep</sub>/m<sup>2</sup>/year in 2010 to 273 kWh<sub>ep</sub>/m<sup>2</sup>/year in 2022 and which Covivio Hotels targets to further reduce thanks to energy efficiency measures and improved energy management, (i.e. the implementation of regular and reliable energy monitoring equipment);
- **choice of energy source** by decarbonizing the energy mix of the hotels owned, as well as encouraging tenants to subscribe to green electricity contracts.

This steep reduction positions Covivio Hotels **on track to reach its 70% reduction by 2030 vs 2010 objective**. A **€50M cumulated capital expenditures until 2030** (excluding the actions implemented by the hotel operators) will be implemented by Covivio Hotels to achieve this target, including:

- Short-term actions: **improved energy monitoring** through optimization of supervision systems;
- Medium-term actions: such as **technical improvements on the energy equipment or installation of solar panels**;
- Long-term actions: such as **installation of new equipment** (e.g. geothermal, free cooling, heat recovery)



Note that carbon intensity increased in recent years due to (i) Covivio Hotels' entry in 2019 into four to five star assets that are equipped with prime restaurants and services, and (ii) the increase in occupancy related to the post-COVID crisis effect.

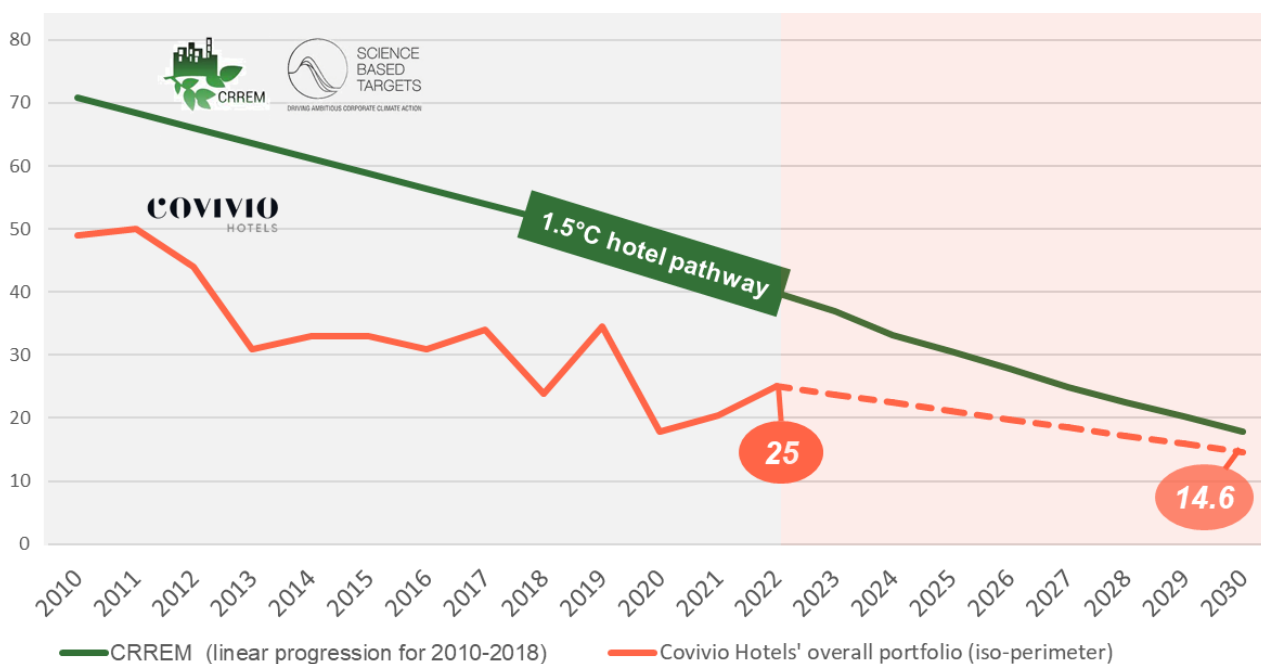
## A portfolio compatible with a 1.5°C scenario

Covivio Hotels' target relies on Covivio group's decarbonisation strategy and carbon trajectory. In 2021, an updated trajectory, consistent with a 1.5°C scenario for scope 1 and 2 greenhouse gas ('GHG') emissions and a Well-below 2°C scenario for scope 3 GHG emissions (including construction activity), was **approved by the Science Based Targets initiative ('SBTi')**. Covivio now aims at reducing its scopes 1 and 2 GHG emissions by 63% by 2030, and its scope 3 GHG emissions by 37.5% by 2030, against 2015 levels. These new targets mean a reduction of GHG emissions intensity per m<sup>2</sup> in Europe by 40% between 2010 and 2030 (compared with 34% previously). This encompasses scopes 1, 2 and 3, covers the full range of Covivio's European activities and spans the entire asset life cycle, from materials and construction to remodeling and operation. Covivio is also targeting net zero carbon from 2030 for scopes 1 and 2.



Covivio Hotels' longstanding decarbonization efforts have enabled it **to move towards a portfolio compatible with the 1.5°C scenario set forth in the Paris Agreement of 2015**. The average carbon intensity of its portfolio of hotel buildings (i.e. 25kgCO<sub>2</sub>e/m<sup>2</sup>) is aligned with the below CRREM-SBTi 1.5°C-aligned in-use emissions hotel specific pathway up to 2030 (cf. Appendix 1).

**Carbon intensity of Covivio Hotels' Portfolio (in kgCO<sub>2</sub>e/m<sup>2</sup>)<sup>3</sup>**



<sup>3</sup> At operating asset level including the GHG emissions related to the energy consumption of hotel operators. Note that the data used to define the alignment according to the CRREM criterion are climate-corrected.

The **European “green” taxonomy** also provides a useful and complementary tool to assess the environmental quality of a building portfolio. As part of a work initiated at the Group level, Covivio Hotels has analysed the share of revenues from renting hotels and capital expenditures aligned with the taxonomy. It shows that close to 20% of its operational revenue and 62% of its Capital Expenditures are already aligned to the EU Taxonomy. The asset-level analysis conducted to implement the taxonomy indicators made it possible to identify rapid improvement levers for certain assets. Some assets may also meet the alignment conditions following the investments implemented as part of the Group’s carbon trajectory.

### Summary table of taxonomic indicators at 31/12/2022

	Regulatory definition		Operational definition*	
	Eligibility	Alignment	Eligibility	Alignment
<b>Revenues</b>	51,20%	10,80%	79,60%	19,60%
<b>CAPEX</b>	100%	61,60%	100%	61,60%
<b>OPEX</b>				<i>Not material</i>

\*The taxonomy requires the use of 100% gross revenue, calculated in accordance with IFRS (which does not see revenues from hotels under management as eligible). However, in order to get closer to the operational reality and better reflect the real nature of the activity, Covivio Hotels has also established an operational definition of taxonomy indicators. This is based on net rental income for leased hotels (eligible) and on EBITDA for hotels under management (non-eligible).

### **(B) Beyond energy and carbon intensity, enhancing the overall environmental impact of the portfolio**

Covivio Hotels’ efforts to improve the environmental performance of its assets and the way assets are operated go beyond GHG emissions and energy consumption reduction. As Hotels are a specific assets class, the Group has set in place a dedicated approach covering certification, renovation, biodiversity and sustainable operations.

#### **Towards 100% environmentally Certified Hotel Buildings**

Covivio Hotels’ efforts to improve the environmental performance of its assets is supported by a **dedicated certification approach**, that focuses on **well-established labels specific to the hotel industry**, such as Green Key or Green Globe. Those labels are oriented both on the asset performance and on the operation of the hotels to ensure that assets achieved high level of social and environmental performance. This certification approach allows Covivio Hotels to have a more comprehensive sustainability approach by covering all the main ESG topics of the industry, including circular economy, local community, guest engagement, etc.



**Voluntary eco-label** awarded to ~4,000 hotels and other establishments in 60 countries

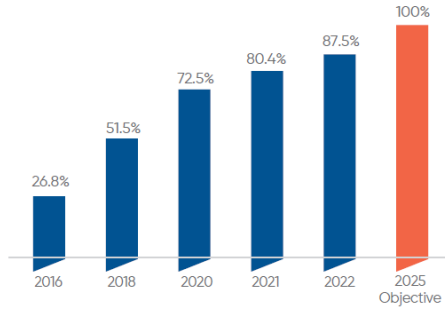
It is based on a **set of imperative and optional criteria** for the hotel accommodation category

Covivio Hotels targets **to reach and maintain 100% certified assets by 2025** versus 87.5% in 2022 and 26.8% in 2016.

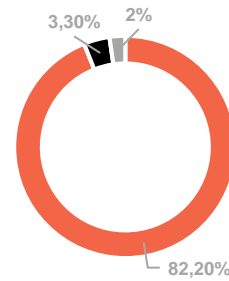


## Share of certified buildings and distribution by type of certification (Group share)

**Evolution of the certification rate**



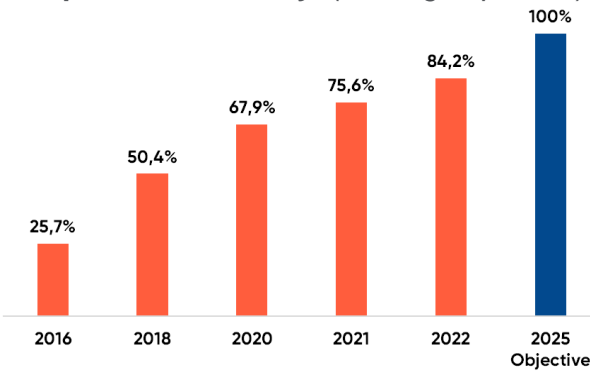
**Breakdown of certification**



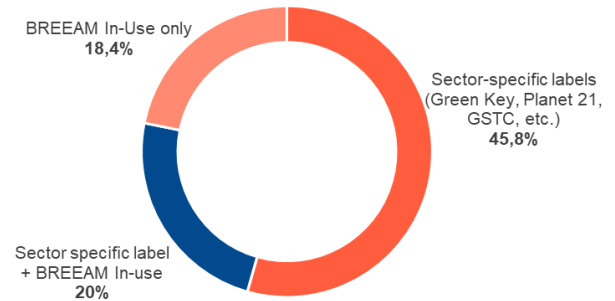
- Certified operation (BREEAM In-use or Green Hotel labels)
- Certified building (HQE or BREEAM)
- Certified building and operation

## Focus on In-Use Certification and sector-specific labels

**Evolution of the certification rate on operation side only<sup>4</sup> (share group value)**



**Breakdown of in-use certification by type**



Note that certifications related to construction & renovation are at a low share considering the fact that most of the portfolio is made of acquisition of existing buildings and not directly developed under Covivio Hotels certification policy.

<sup>4</sup> The 2025 target also includes certification on construction, which represented 5.3% of the portfolio at end-2022 (including 2% also certified on the operation)

## Responsible renovation and construction work

Construction and renovation of assets are carried out with strong attention given to environmental considerations.

In addition to the decarbonisation concerns, Covivio Hotels is paying a particular attention to waste management through the deployment of **low-hazard worksite charters** on each development projects, requiring for example **85% recycling of construction site waste** and **85% use of PEFC or FSC certified wood**.

Impacts the works may have on biodiversity are also carefully taking into account, including the location of new developments, that should not be built on protected areas.

## Biodiversity as a major and growing focus

Since 2010, Covivio Group has made the preservation of biodiversity a major focus of its environmental policy. It has reinforced its commitment in 2021 by joining the **ACT4Nature International initiative** and in 2022 with the realization of a comprehensive biodiversity footprint assessment using the **Global Biodiversity Score (GBS<sup>5</sup>)**, a pioneering and leading tool launched by CDC Biodiversité in 2020.



On the basis of this GBS study, Covivio aims at formalizing a strategy and an action plan dedicated to biodiversity in 2023, which will include the hotel activity. This strategy will build on the objectives and policies already in place, in particular as part of the Group's climate strategy and its commitments to fight against urban sprawl.

## Promoting more sustainable operations

In line with group's commitment and despite not having direct control on the building operation, Covivio Hotels focuses on activating all the levers it has to enhance the environmental footprint of its hotel buildings, especially on:

- **Water:** Covivio Hotels is committed to keep water consumption below 2m<sup>3</sup>/m<sup>2</sup>/year. It reached 1.55m<sup>3</sup>/m<sup>2</sup> in 2022, that is a 33% reduction compared with 2008.
- **Transport and accessibility:** reducing the carbon footprint also involves choosing sites that encourage the use of public and environmentally-friendly modes of transport. At the end of 2022, **90.7% of the hotels of the portfolio were located within 500 metres of at least one mean of public transportation.**

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<sup>5</sup> Launched in 2020 by CDC Biodiversité, the GBS is a tool for assessing the biodiversity footprint of companies that focuses on the impacts of economic activities on biodiversity throughout their value chain.

***(C) Supporting the CSR efforts of tenants & hotel managers to optimize the environmental performance related to the operation of the hotels***

As highlighted above, Covivio approach heavily relies on tenants and hotel managers. To ensure the highest possible alignment, Covivio has placed engagement with its stakeholders **at the core of its Purpose** (“Build sustainable relationships and well-being”). Considering that energy consumption as well as water and waste management are under direct responsibility of operators, this engagement is a key driver of Covivio Hotels’ own environmental performance.

This has translated into concrete actions which laid the foundations of **effective and constructive dialogue with the tenants**, including:

- **Signature of green clauses**, that Covivio Hotels intends to generalize to all assets irrespective of their location. It aims to maintain an ongoing dialogue on environmental aspects and to ease environmental data sharing;
- **Environmental development Partnership Committees** to promote best practices & improve data collection, especially on waste production and energy & water consumption<sup>6</sup>;
- **Support in the environmental certification process.**

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<sup>6</sup> Note that energy and water consumption data are the property of the operators. They are communicated by the latter on a voluntary basis and are therefore not directly verifiable by Covivio Hotels.

## 2. Green Financing Framework

Through this Green Financing Framework (“Framework”), Covivio Hotels aims at further underlining **its leading hotel-specific sustainability approach**, especially its efforts to decarbonize its hotel portfolio and adapt it to a trajectory compatible with the 1.5°C scenario set in the Paris Agreement of 2015. It also intends to contribute to the development of sustainable finance, that it views as a necessary lever to boost the transition to a carbon-neutral economy.

This Green Financing Framework serves as the reference document for future Green Financing Instruments (e.g. green bonds, green loans) of Covivio Hotels and/or requalification of existing conventional bonds into green bonds. From now on, Covivio Hotels also takes the commitment to only issue Green Bonds for the financing and refinancing of its activity.

Covivio Hotels’ Green Financing Framework complies with market best practices outlined by the International Capital Market Association (“ICMA”) 2021 edition of the **Green Bond Principles** (“GBP”)<sup>7</sup> and the Loan Market Association (“LMA”) 2023 edition of the **Green Loan Principles** (“GLP”)<sup>8</sup>; and follows its four core components:

- 2.1. Use of Proceeds
- 2.2. Process for Project Evaluation and Selection
- 2.3. Management of Proceeds
- 2.4. Reporting

In addition, Covivio Hotels has:

- developed its Green Financing Framework to align it, where relevant and applicable, with the draft European Commission’s proposal for a **European Green Bond Standard** (EU GBS)<sup>9</sup>; and
- defined its Eligible Green Criteria in line with best market standards for the sector, including the **CRREM-SBTi decarbonisation pathways**<sup>10</sup> for Hotel Real Estate and the criteria set out in the **EU Taxonomy** for climate change mitigation<sup>11</sup>

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<sup>7</sup> [Green Bond Principles-Jun-2021](#)

<sup>8</sup> [Green-Loan-Principles-Feb-2023.pdf](#)

<sup>9</sup> [Proposal for a Regulation of the European Parliament and of the Council on European green bonds](#)

<sup>10</sup> [Global Decarbonisation Pathways - CRREM Project](#)

<sup>11</sup> As defined by EU Taxonomy Appendix 1 of the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852

## 2.1 Use of Proceeds

### Eligible Green Portfolio

An amount equals to the net proceeds of each Green Financing Instrument will be used to finance or re-finance, in whole or in part, an Eligible Green Portfolio (“Eligible Green Portfolio”), that comprises Eligible Green Assets and Capital Expenditures.

Covivio Hotels commits on a best-effort basis to provide prior to issuance of every Green Financing Instrument a description of the estimated proceeds allocation per Eligible Green Category and to disclose the estimated share of financing versus re-financing. If unknown at time of the issuance, allocation of proceeds by category and by type of financing will be communicated as part of post-issuance annual reporting (see section 2.4. – Reporting).

The financing of such Eligible Green Portfolio is expected to create substantial contribution to:

- the EU’s environmental objective of climate change mitigation
- Sustainable Development Goals 11 “Sustainable cities and communities” and 13 “Climate Action”

Eligible Assets and Capital Expenditures of the Eligible Green Portfolio shall meet each of the following criteria:

1. **Accessibility to public transportation:** hotel building should be located within 500 metres of at least one mean of public transportation, including bus, urban and regional train, metro and tramway;
2. **Tenant relationships:** tenants of the building should have or plan to have signed green annexes<sup>12</sup> for buildings in France, and green clauses for new leases for buildings in all other geographies;
3. Meet the eligibility criterion of a category defined in the table below.

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<sup>12</sup> Environmental Annexes as defined by the Art. L. 125-9 of French Code de l’Environnement and French Decree n° 2011-2058 related to the content of the environmental annex.

## Eligible Green Categories and associated criteria

Eligible Green Categories	EU Taxonomy economic activity	Eligibility Green criteria
<b>GREEN HOTEL BUILDING</b>		
<b>Green Building</b>	<b>7.7</b>	<p><b>(1) Acquisition and Ownership of an existing hotel building that complies with any of the following criteria:</b></p> <ul style="list-style-type: none"> <li>• GHG intensity threshold at any time of the financing maturity, <i>in kgCO<sub>2</sub>e/m<sup>2</sup>/year</i>, as defined by the Carbon Risk Real Estate Monitor (CRREM) hotel pathways<sup>13</sup> for each considered location</li> <li>• Technical Screening Criteria of the EU Taxonomy<sup>14</sup>, including substantial contribution criteria for climate change mitigation, “Do No Significant Harm” criteria and minimum social safeguards (MSS)</li> <li>• Green Building Certifications “In-Use” :               <ul style="list-style-type: none"> <li>- BREEAM “Excellent” or above</li> <li>- HQE “Excellent” or above</li> <li>- LEED “Gold” or above</li> <li>- DGNB “Gold” or above</li> </ul> </li> </ul> <p><b>(2) Construction of a new hotel building for Covivio Hotel’s own activity, to lease at delivery<sup>15</sup>, that complies with any of the following criteria:</b></p> <ul style="list-style-type: none"> <li>• Technical Screening Criteria of the EU Taxonomy, including substantial contribution criteria for climate change mitigation, “Do No Significant Harm” criteria and minimum social safeguards (MSS)</li> <li>• Following Green Building Certifications expected on delivery:               <ul style="list-style-type: none"> <li>- BREEAM “Excellent” or above</li> <li>- HQE “Excellent” or above</li> <li>- LEED “Gold” or above</li> <li>- DGNB “Gold” or above</li> </ul> </li> </ul>
	<b>7.2</b>	<p><b>Hotel building undergoing large renovation that complies with any of the following criteria<sup>1617</sup>:</b></p> <ul style="list-style-type: none"> <li>• GHG intensity threshold expected on delivery, <i>in kgCO<sub>2</sub>e/m<sup>2</sup>/year</i>, as defined by the Carbon Risk Real Estate Monitor (CRREM) hotel pathways</li> <li>• Technical Screening Criteria of the EU Taxonomy, including substantial contribution criteria for climate change mitigation, “Do No Significant Harm” criteria and minimum social safeguards (MSS)</li> </ul>

<sup>13</sup> CRREM global pathways for Hotels - cf. Appendix 1

<sup>14</sup> Details of the criteria in Appendix 2 and Appendix 3

<sup>15</sup> As a REIT, Covivio develops buildings for its own activity, to lease at delivery, then its activity still falls under the “7.7 – Acquisition and ownership of buildings” activity. Cf. Question 9.B. ([see here](#))

<sup>16</sup> After 1 full year of exploitation post-delivery, a hotel building can no longer be eligible under this category and falls back under the “ownership” category

<sup>17</sup> This refers to building for which Covivio Hotels has obtained the internal assurance that this asset will comply in the next 36 months with one of the Eligible Green Criteria. If the building fails to achieve the criteria in this timeframe, it ceases to become eligible and Covivio Hotels commits to replace it as soon as reasonably practicable.

		<ul style="list-style-type: none"> <li>Following Green Building Certifications expected on delivery <ul style="list-style-type: none"> <li>- BREEAM “Excellent” or above</li> <li>- HQE “Excellent” or above</li> <li>- LEED “Gold” or above</li> <li>- DGNB “Gold” or above</li> </ul> </li> </ul>
<b>INDIVIDUAL RENOVATION MEASURE</b>		
<b>Energy Efficiency<sup>18</sup></b>	<b>7.3 / 7.5</b>	<b>Investments in installation and operation of on-site energy efficiency equipment (such as insulation equipment, energy efficient windows) and on-site instruments and devices for measuring and controlling energy performance of buildings, which comply with:</b> <ul style="list-style-type: none"> <li>the associated Technical Screening Criteria of the EU Taxonomy, including substantial contribution criteria for climate change mitigation, “Do No Significant Harm” criteria and minimum social safeguards (MSS)</li> </ul>
<b>Renewable Energy<sup>18</sup></b>	<b>7.6</b>	<b>Investments in installation and operation of on-site solar photovoltaic systems and heat pumps’ equipment, which comply with:</b> <ul style="list-style-type: none"> <li>the associated Technical Screening Criteria of the EU Taxonomy, including substantial contribution criteria for climate change mitigation, “Do No Significant Harm” criteria and minimum social safeguards (MSS)</li> </ul>

## Look-back period

Eligible Green Assets qualify without a specific look-back period at their appraisal value.

Eligible Green Capital Expenditures qualify with a maximum look-back period of 2-years.

## 2.2 Process for Project Evaluation and Selection

Covivio Hotels has set up a **dedicated Green Financing Committee**, which will meet at least annually, decide by consensus and is comprised of:

- Covivio Chief Sustainability Officer
- Covivio Chief Financial Officer
- CEO Covivio Hotels

The Green Financing Committee is responsible for:

- Reviewing and updating the content of this Framework, if needed;
- Overseeing the process of selecting, evaluating and monitoring Eligible Green Portfolio against the Eligibility Green Criteria set out in section 2.1, as well as applicable laws and Covivio’s own ESG screening practices. This process is traceable via Committee meeting minutes and includes:
  - o Validating at least annually the list of Eligible Green Assets and Capital Expenditures prepared by the ESG Department based on the environmental data collected from operators;

<sup>18</sup> For the avoidance of doubt, note that Green Capex eligible under the Energy Efficiency and Renewable Energy categories concern hotel buildings that are not eligible under the Green Buildings Categories.

- Removing an Eligible Green Asset and/or Capital Expenditure from the Eligible Green Portfolio in case it has become the subject of a controversy or no longer meets the Eligibility Green Criteria outlined in section 2.1;
- Preparing and publishing annual allocation and impact reporting.

For avoidance of doubt, the value of the Eligible Green Portfolio is net of outstanding amount of green financings and of outstanding amount of dedicated financings.

## **Monitoring of Environmental & Social risks related to the Eligible Green Portfolio**

In addition to the Eligible Green Criteria defined in section 2.1, Eligible Green Assets and Capital Expenditures must comply with **applicable laws** and recognized environmental and social standards, as well as **Covivio Hotels' sustainability policies**.

Covivio Hotels implements a rigorous **ESG screening system** at each stage of the lifecycle of the assets in line with Covivio's policies and procedures as reminded in the consolidated Extra-Financial Statement and also in Covivio's Code of Ethics. This includes commitment through the Group policy to limit its impacts on biodiversity; primarily for new construction projects that should not be built on protected areas and take into account the impacts on biodiversity during the whole project.

For the avoidance of doubt, note that all Eligible Green Assets and Capital Expenditures will be assessed against the currently applicable ESG screening practices irrespective of their acquisition date by Covivio Hotels.

## **Specific considerations for Eligible Green Assets and Capital Expenditures qualifying under EU Taxonomy Alignment criteria**

Covivio Hotels assesses the alignment of its Capital Expenditures against the EU Taxonomy and reports it in its Universal Registration Document. Covivio' alignment assessment methodology and results are reviewed by a qualified independent third-party, i.e. EY in 2022.

Given Covivio Hotels' activity, 100% of its Capital Expenditures related to real estate activities are eligible.

Taxonomy alignment assessment includes demonstration of the alignment of Eligible Green Assets and Capital Expenditures with relevant Substantial Contribution for climate change mitigation, "Do No Significant Criteria" ("DNSH") and Minimum Social Safeguards ("MSS") criteria<sup>19</sup>.

Detailed on the main relevant Substantial Contribution criteria for climate change mitigation and interpretation made by Covivio Hotels are provided in Appendix 2.

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<sup>19</sup> As defined in Article 3 (c) of the Taxonomy regulation



With regards to **DNSH criteria**, Covivio Hotels' Eligible Green Assets and Capital Expenditures will be assessed to ensure they do not cause significant harm to all EU Taxonomy's remaining environmental objectives. Appendix 3 provides details on applicable DNSH criteria and the assessment methodology implemented by Covivio Hotels to demonstrate alignment.

Regarding alignment with **MSS criteria**, Covivio Group has worked with a third party to study the compliance of its procedures and policies in place in terms of minimum social safeguards. The analysis conducted, following which no flags were revealed, was based on procedures implemented by the Group to align with the OECD Guidelines for Multinational Enterprises and the United Nations Guidelines on business and human rights. These include the eight fundamental conventions of the International Labor Organization that Covivio is committed to observe as a signatory of the Diversity Charter and the Global Compact, where it reaches the GC Advanced Level.

### **2.3 Management of Proceeds**

Covivio Hotels will manage the proceeds of any Green Financing Instruments issued under this Framework **on a portfolio basis**, meaning that an amount equivalent to the net proceeds of Covivio Hotels' Green Financing Instruments will be earmarked for allocation to the Eligible Green Portfolio, as validated by the Green Financing Committee.

Covivio Hotels commits on a best effort basis to reach full allocation within 24 months following each issuance.

Should any Eligible Green Asset and/or Capital Expenditure be subject to major controversies, cease to comply with the eligibility criteria and/or be divested, Covivio Hotels will remove it from the Eligible Green Portfolio and use its best efforts to substitute it as soon as practicable and within 24 months.

Pending the allocation or reallocation, Covivio Hotels will temporarily invest the balance of the proceeds, at its own discretion, in cash and/or cash equivalents and/or other liquid marketable instruments, as per the Company's treasury policy and excluding any investments towards environmentally or socially harmful activities.

### **2.4 Reporting**

Covivio Hotels will report on its website [[Dette - Covivio Hotels \(covivio-hotels.fr\)](https://www.covivio-hotels.fr)] on the allocation of proceeds and associated environmental impact metrics within one year from the implementation of any Green Financing Instrument and annually thereafter as long as Green Investments are outstanding, and as necessary in the event of material developments. Such

reporting will be made on a portfolio level as well as on an asset-by-asset level on a best effort basis and subject to confidentiality constraints.

## Allocation Report

The Allocation Report will include:

- the size of Eligible Green Portfolio, including a split between Assets and Capital Expenditures
- the total outstanding of Green Instruments under the Framework
- the allocation by Eligible Project Category and Geographical distribution
- the portion of financing and refinancing
- the total amount of unallocated proceeds, if any
- the share of proceeds that are fully aligned with the EU Taxonomy
- The list of Eligible Green Assets and examples of Capital Expenditures financed or refinanced
- Environmental Objectives supported

## Impact Report

The Impact Report should include the following Impact Reporting Metrics:

Eligible Green Categories	Output Metrics	Impact Metrics
<b>GREEN HOTEL BUILDINGS</b>		
<b>Green Buildings</b>	Coverage of reporting scope in m2 of Gross Internal Area (GIA) and in number of hotel properties  Average performance <sup>20</sup> Eligible Green Portfolio in terms of : <ul style="list-style-type: none"> <li>- Carbon intensity (in kgCO<sub>2</sub>e/ m<sup>2</sup>/year)</li> <li>- Energy intensity (in kWh/ m<sup>2</sup>/year)</li> <li>- Water intensity (in m<sup>3</sup>/m<sup>2</sup>/year)</li> </ul> Energy efficiency improvement achieved by refurbishment of existing assets  Type and level of Green Buildings certification achieved and/or targeted	Annual GHG emissions <sup>2020</sup> reduced in tonnes of CO <sub>2</sub> equiv. vs relevant baseline
<b>INDIVIDUAL RENOVATION MEASURES</b>		

<sup>20</sup> Cf. Methodology of reporting process in line with the EPRA's Best Practice Recommendations (BPR) defined in Covivio's Report on Sustainable Performance – Edition 2022 – page 132/135 - [here](#)

<b>Energy Efficiency</b>	Annual Energy savings (MWh)	Estimated annual GHG emissions avoided (tCO <sub>2</sub> e)
<b>Renewable energy</b>	Renewable energy capacity installed (MW) Annual Energy savings (MW)	Estimated annual GHG emissions avoided (tCO <sub>2</sub> e)

## 2.5 External Review

### Second Party Opinion

A Second Party Opinion has been provided by **Moody's Investors Service** to ensure that this Framework follows all principles laid out in the 2021 Green Bond Principles and 2023 Green Loan Principles. It will be made available on Covivio Hotels' website.

### Post-issuance external review

An external auditor shall be appointed by Covivio Hotels to issue a **post-issuance verification report** of limited assurance on allocation of net proceeds to the Eligible Green Portfolio, the remaining balance of unallocated proceeds, and the impact report. This report will be provided annually until the proceeds are used in full and made available on Covivio Hotels' website. In 2023, this review will be done by EY.

## APPENDIX 1 – CRREM-SBTi GHG Intensity Pathway Thresholds

Covivio Hotels refers to the version of CRREM-SBTi’s pathways published early January 2023.<sup>21</sup>



This publication provides the real estate industry with transparent, science-based decarbonisation pathways aligned with the requirements of the Paris Agreement to limit global warming to a maximum of 1.5°C.

See below the specific pathways for hotel buildings in the main countries where Covivio Hotels operates in.

EU Hotel - GHG Intensity Pathways (kgCO <sub>2</sub> e/m <sup>2</sup> *yr)									
	2022	2023	2024	2025	2026	2027	2028	2029	2030
France	23	21	18	17	16	14	13	11	10
Belgium	54	50	45	42	38	34	31	28	25
Italy	62	57	51	47	42	38	34	30	27
Hungary	59	55	48	44	40	36	32	29	26
Czech Republic	100	92	83	77	70	62	56	51	45
Germany	53	49	45	41	37	34	30	27	24
Spain	28	26	23	22	20	18	16	14	13
Poland	153	141	127	116	105	93	84	75	65
Portugal	40	37	32	29	27	24	22	20	17
Irland	98	90	80	73	66	59	53	47	41
Netherlands	87	79	72	65	59	53	47	42	36
UK	52	48	44	40	37	33	30	27	24

Note that for any future Green Financing instruments issued under this Framework, Covivio Hotels will use the version of CRREM-SBTi’s pathways published in January 2023, unless otherwise indicated.

<sup>21</sup> [Global Decarbonisation Pathways - CRREM Project](#)

## APPENDIX 2 – Substantial Contribution Criteria for Climate Change Mitigation of the EU Taxonomy for Green Hotel Buildings

Activity	7.2 Renovation of existing buildings	7.7 Acquisition & ownership of buildings
<b>Description</b>	<b>Construction and civil engineering works</b> or preparation thereof	<b>Buying real estate &amp; exercising ownership</b> of that real estate  Developing buildings for Covivio Hotels' own activity, to lease at delivery
<b>Substantial Contribution Criteria for climate change mitigation</b>	<ul style="list-style-type: none"> <li>The building renovation complies with the <b>applicable requirements for major renovations</b></li> <li>The renovations lead to an <b>actual reduction of at least 30% in primary energy demand (PED)</b> – compared to a baseline before the renovation. This can be <b>achieved through a succession of measures within a maximum of 3 years</b></li> </ul>	<ul style="list-style-type: none"> <li>For buildings built before YE 2020, the building has at least an <b>Energy Performance Certificate (EPC) class A</b> or is <b>within the top 15% of the national or regional building stock</b> expressed as operational Primary Energy Demand (PED)</li> <li>For buildings built after YE2020, The <b>Primary Energy Demand (PED) is at least 10% lower</b> than the threshold set for nearly zero-energy building (<b>NZEB</b>). The energy performance must be <b>certified using an as built Energy Performance Certificate (EPC)</b>. <b>For buildings &gt;5000 m<sup>2</sup></b>, the building undergoes testing for air-tightness &amp; thermal integrity. <b>For buildings &gt;5000 m<sup>2</sup></b>, the life-cycle Global Warming Potential (GWP) of the building has been calculated for each stage in the life cycle and is disclosed to investors &amp; clients on demand</li> <li>Where the building is a large non-residential building, it is efficiently operated through energy performance monitoring &amp; assessment</li> </ul>
<b>Covivio Hotels Alignment Policies</b>	<i>No interpretation needed</i>	<ul style="list-style-type: none"> <li>Covivio relies to demonstrate the belonging to the regional top 15% in terms of primary demand on the studies available to date and carried out at the national or European level, namely the Observatoire de l'Immobilier Durable in France and the ESG Index Deepki for other countries.</li> <li>To demonstrate compliance with the NZEB-10%, Covivio relies on national regulatory thresholds (e.g. RT2012 -10% or RE2020 in France) or studies made at country level to define the energy thresholds.</li> </ul>

### APPENDIX 3 - Assessment Methodology of the DNSH

EU Taxonomy DNSH requirements	Applicable Activities	Main criteria	Covivio Hotels DNSH alignment policies
Climate Change Adaptation	7.2 / 7.3 / 7.5 / 7.6 / 7.7	<ul style="list-style-type: none"> <li>✓ Physical climate risks must be identified.</li> </ul>	<p>Performed using the:</p> <ul style="list-style-type: none"> <li>- MSCI Climate Value At-Risk study carried out since 2020 at the asset level</li> <li>- the RCP8.5 scenario to use a worst-case scenario</li> </ul>
		<ul style="list-style-type: none"> <li>✓ Where the activity is assessed to be at risk, a climate risk and vulnerability assessment must be carried out</li> </ul>	If an asset is deemed to be at risk, an additional adjustment study must be carried out
		<ul style="list-style-type: none"> <li>✓ Adaptation solutions must be identified for the most important physical risks (up to 5 year) and supported by an action plan</li> </ul>	For Covivio, only flood risks have been identified on assets that meet the substantial contribution criterion, and the adaptation plans implemented in particular within the framework of regulations meet this requirement.
Sustainable use and protection of water & marine resources	7.2	<ul style="list-style-type: none"> <li>✓ Where installed, specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, (such as the EU Ecolabel):                             <ul style="list-style-type: none"> <li>- Wash taps with a water flow &lt;6 L/min</li> <li>- Showers with water flow &lt; 8 L/min</li> <li>- WCs full flush &lt;6L and average volume &lt; 3.5L</li> <li>- Full flushing urinals volume &lt;1L</li> </ul> </li> </ul>	Conformity check at project level
Transition to Circular Economy	7.2	<ul style="list-style-type: none"> <li>✓ In accordance to the EU construction &amp; demolition waste management protocol:                             <ul style="list-style-type: none"> <li>- ≥70 % (by weight) of the non-hazardous waste generated is prepared for reuse, recycling and other material recovery</li> <li>- Operators limit waste generation in processes</li> </ul> </li> </ul>	Conformity check at project level, in line with the procedures already implemented, especially through the environmental certifications implemented on each development project
		<ul style="list-style-type: none"> <li>✓ Building designs and construction techniques support circularity and demonstrate how they are designed to be resource efficient and enable recycling</li> </ul>	In line with Group policy and environmental certification schemes
Pollution Prevention and Control	7.2 / 7.3	<ul style="list-style-type: none"> <li>✓ Building components and materials used in the construction comply relevant regulations</li> </ul>	Regulatory aspects, included in contract with construction/works companies + Low nuisance charter on development projects
	7.2	<ul style="list-style-type: none"> <li>✓ Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works</li> </ul>	Low nuisance charter on development projects
		<ul style="list-style-type: none"> <li>✓ Construction and renovation works do not use a list of defined substances (e.g., asbestos, plumb, mercury, refrigerant fluid)</li> </ul>	Regulatory and sanitary / environmental safety monitoring
	7.3	<ul style="list-style-type: none"> <li>✓ In case of addition of thermal insulation to an existing building envelope, a building survey is carried out in accordance with law by a competent specialist with training in asbestos surveying</li> </ul>	Regulatory and sanitary / environmental safety monitoring

## APPENDIX 4: Principal Adverse Impacts

PAIs that investors need to report on under SFDR	Accounting metric	Covivio Hotels reporting reference
<b>PAI 1</b> - GHG Emissions	Scope 1, 2 & 3 emissions	<a href="#">URD 2022 Covivio</a> – page 242
<b>PAI 2</b> - Carbon footprint	Carbon footprint (total GHG Emissions)	URD 2022 Covivio – page 242
<b>PAI 3</b> - GHG intensity	GHG intensity of investee companies (Carbon footprint / revenues)	URD 2022 Covivio – page 242 (carbon footprint) & page 21 (revenue)
<b>PAI 4</b> - Exposure to fossil fuels	Revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels	<i>Not applicable</i>
<b>PAI 5</b> - Share of non-renewable consumption and / or production	Proportion of consumption and production of non-renewable energy in comparison with renewable energy sources	URD 2022 Covivio – page 241
<b>PAI 6</b> - Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue	URD 2022 Covivio – page 242 (energy consumption) & page 21 (revenue)
<b>PAI 7</b> - Activities negatively affecting biodiversity sensitive areas	Sites/operation sites located in or near sensitive areas in terms of bio-diversity	URD 2022 Covivio – page 183
<b>PAI 8</b> - Emissions to water	Tonnes of emissions to water generated	URD 2022 Covivio – page 243 (water consumption in m <sup>3</sup> )
<b>PAI 9</b> - Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated	URD 2022 Covivio – page 243 (hazardous waste) Covivio Hotels does not publish data on radioactive waste generated as it is not applicable
<b>PAI 10</b> - Violations of UN Global Compact	Violations of principles of UNGC and the OECD Guidelines for Multinational enterprises	URD 2022 Covivio – page 170 Not specific to Covivio Hotels, but Covivio Group
<b>PAI 11</b> - Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or	URD 2022 Covivio – page 170 Not specific to Covivio Hotels, but Covivio Group

	OECD Guidelines for Multinational Enterprises	
<b>PAI 12</b> - Unadjusted pay gap	Average unadjusted gender pay gap	<a href="#">Covivio Group website page: We are Covivio</a> <i>Data for Covivio Group, not reported specifically for Covivio Hotels</i>
<b>PAI 13</b> - Board Gender diversity	Average ratio of female to male board members	URD 2022 Covivio – page 471 <i>Data for Covivio Group, not reported specifically for Covivio Hotels</i>
<b>PAI 14</b> - Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Involved in the manufacture or selling of controversial weapons	<i>Not applicable</i>
<b>Indicators applicable to investment in real estate assets</b>		
<b>PAI 17</b> – Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	<i>Null</i>
<b>PAI 18</b> – Exposure to energy – inefficient real estate assets	Share of investments in energy-inefficient real estate assets	<i>Null</i>



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