citizenM ESG report 2019

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introduction

Our Environmental Social Governance (ESG) strategy focuses on how our business, its development and our hotel operations can contribute to positive environmental, social and economical outputs – not only for our guests, investors and employees but the communities we operate in too.

Our internal departments are passionately working on ESG streams and projects to meet our objectives. We like to think of them as our ESG task force, actively driving and embedding our approach business-wide.

Our objective is clear – the ESG task force standardises best practices, while monitoring, reporting and progressing our most material issues. They also embed good governance with policies and actions.

This report intends to present information related to our environmental, social and governance (ESG) performance indicators, while being accessible for our stakeholders. We have aligned our report and activities to the Global Reporting Initiative (GRI) core and the United Nations Sustainable Development Goals (SDGs).

citizenM highlights

19
hotels in nine countries *

4058
rooms

1
million stays

20
properties in the pipeline

647
employees

445k
raised for citizenMovement foundation

*note data collection from the 3 hotels in asia is not included in this report

about citizenM

citizenM leads the hotel industry in the smart luxury lifestyle segment, driven by one desire: to create affordable luxury for the people. With a global portfolio of hotels in prime metropolitan locations, and at major international airports, citizenM is a fully integrated real estate developer; design and project management company; and a hotel operator. citizenM's core strategy is to own the hotels it operates.

Approximately half of all citizenM hotels are prefabricated (modular). This means we build in a shorter timeframe than traditional construction, leading to among others, scaling opportunities and high profitability. It also ensures consistency and quality of the hotel buildings and interiors. Our focus is on comfortable, efficient design. Reallocating living spaces from the rooms to the public area enables us to use just half the floor space of a traditional upscale hotel room, without compromising on luxury.

We have 19 operating hotels and 20 properties under development (10 of which were in construction) as per 31 December 2019. Changes in 2019, included the opening of citizenM Amsterdam Amstel, citizenM Zurich and citizenM Boston North Station. We also opened 2 hotel management agreements in Asia.

scope of report citizenM Holding B.V.

This report includes our operating hotels, leased property hotels and our development portfolio. Data in this report (unless stated) is from 1 January - 31 December 2019, excluded from this report are the 3 hotel management contracts in Asia as we do not own these hotels.

GRI | 102-1, 102-2, 102-6, 102-7,102-10

a message from our CEO

At citizenM we know business can be a force for good. That's why we are focused on managing the environmental and social impacts of our buildings and hotels as they operate.

Our vision is to influence positive change in a world where we are simply guests. To realize our vision, we understand environmental, social governance needs to be embedded in our business.

Our ESG strategy expresses our conviction that taking environmental and social impacts into account in our building and operation decisions, creates optimal value for our guests, our people and our investors. We have been developing and implementing strategies to ensure this approach is ingrained in every aspect of our organization, from design, building, operating, to how we look after our people and our role in society.

This is our first ESG report – we're sharing our ESG approach, our material issues and our performance. But this is only the beginning, we have more to do... we know the planet and our conscious travellers can't wait!

materiality

We focus on the most significant impacts of our business as they affect our stakeholders and communities. In 2016, we carried out a series of interviews from the business, identified our most material issues and made a list. In 2019, we updated this list looking at changes across the business, industry research, stakeholder requests and global trends. The shortlist of our material topics are:

- green building certifications
- responsible procurement
- energy consumption
- energy efficiency
- greenhouse gas emissions
- water and waste
- biodiversity
- employee engagement
- training and professional development
- health and safety
- diversity and inclusion
- our contribution to society
- guest engagement

GRI | 102-15, 102-44, 102-47, 102-48

our stakeholders

We know the importance of listening and acting – we have internal and external stakeholders that help shape our ESG strategy. They comprise of:

- guests & corporate clients
- employees
- shareholders
- governments
- regulators
- industry associations/bodies
- NGOS
- academic institutions
- local communities

GRI | 102-13, 102-21, 102-40, 102-42, 102-43

vision

we want to influence positive change in a world where we are simply guests.

ESG streams and objectives

intelligent & sustainable buildings

future-proofing our buildings for a healthier, greener more resilient future.

growing & operating sustainably

optimizing our operations to reduce our impact.

doing the right thing for our people

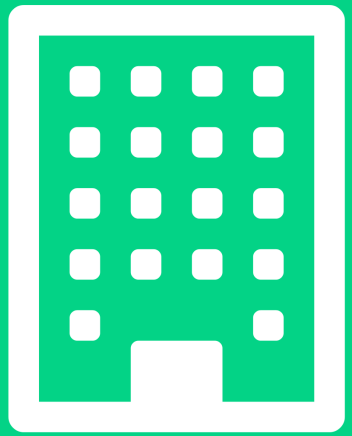
empowering our citizens to own their own growth and become the best version of themselves.

making positive movements in our society

shortening the distance between people and opportunities - locally and globally.

intelligent & sustainable buildings

future-proofing our buildings for a healthier, greener and more resilient future



green building certifications

why it's important?

Green buildings (in terms of design, construction and operation) can significantly reduce a business' environmental impact. They are not only better for the planet, they are healthier for our employees and guests too.

what we're doing?

We want to future-proof our buildings to create a healthier, greener and more resilient future. How? By applying sustainability requirements to the conception, design and construction of all our hotels. It starts with our building standards, making our ESG requirements known by outlining them during each part of the build.

Where possible, we require our hotels to achieve BREEAM-NC or LEED-BD+C. In 2019, citizenM Boston North Station achieved gold certification and 69% of our existing hotels are LEED or BREEAM certified, with a further 19% planned for certification in 2020. We also certify a year after our hotels are open using the BREEAM in-use certification.

GRI | 203-2, 308-1

biodiversity

We make efforts to protect and enhance biodiversity and ecosystems during the development of new buildings and the operation of our hotels. Our project managers and general contractors maintain compliance with environmental laws and regulations.

The majority of our new construction involves the development of sites, which conserves natural areas and habitats to the maximum possible. Often the redevelopment of sites involves the remediation of soil contamination caused by the activities by others.

We support biodiversity by maintaining trees and vegetated areas. citizenM has a number of green roofs for example our green roof at citizenM Paris La Defence.

We monitor environmental incidents from across all our projects and hotels. In 2019, citizenM had no environmental incidents or violations.

GRI | 102-9, 203-2, 308-1

responsible procurement

As we build and operate we know its important that the suppliers we work with are on the same page. So in 2019, we created a four-step process with suppliers to improve products and services, mitigate risk and identify new opportunities.

We created Responsible Procurement Principles to reinforce what we expect from our suppliers. Additionally, to check our suppliers adhere to our principles we use the EcoVadis rating assessment. This scores suppliers in the areas of labour and human rights, ethics and sustainable procurement, and environmental impact.

In 2019, we completed assessments on 22 strategic suppliers using the EcoVadis platform.

growing & operating sustainably

optimizing our operations to reduce our impact

energy and GHG

why it matters?

We want to play our part in addressing the global challenges of climate change. As a growing, global organization, we're constantly seeking ways to minimize our environmental and financial costs. Energy is costly in both senses: utilities account for 3% of our operational spend, and electricity, the biggest proportion of that outlay.

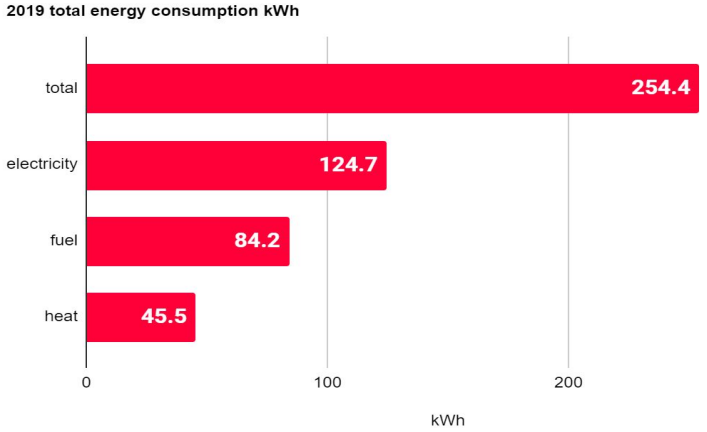
what we're doing ?

To help mitigate climate-related risk, we aim to minimise our environment footprint including our emissions.

Energy: Our main sources of energy are electricity, gas and district heating. To reduce our impacts, we prefer to purchase green tariff electricity or certified green electricity.

GHG: We monitor and benchmark our main sources of greenhouse gas emissions at the asset level in units of metric tons of carbon dioxide equivalent (MTCO2e) and greenhouse gas emissions intensity is MTCO2e per m^2 per reporting year.

energy consumption kWh/m^2



greenhouse gas emissions(GHG)

	MT CO2e/m^2
Total Scope 1 emissions	2091
Total Scope 2: Location based emissions	157
Total Scope 2: Market based emissions	2022
GHG total emissions	**4270**
MT CO2e/m^2	0.0348
KG CO2e/m^2	34.8

GRI | 302-1, 305-1, 305-2, 305-3, 305-5

energy efficiency

Here are some examples of our energy efficiency activities:

energy saving technologies
Our Building Management Systems, optimise the performance of our heating, ventilation, and air-conditioning (HVAC) systems.

efficiency – lighting
We use natural light and task-lighting to reduce the need for overhead lighting. We install occupancy sensors in our corridors, conference rooms, break rooms, restrooms, and other frequently unoccupied spaces. We only prescribe LED lighting and thus reduce the wattage of light bulbs to save lighting energy usage.

energy efficiency- heating and air conditioning
We have flexible thermostat ranges that can be set by our property management team. This means rooms can be a few degrees warmer in the summer and cooler in the winter, rather than strictly set temperatures. This approach saves energy and reduces our environmental impact.

temperature control
Our in-room mood pad encourages guests to take control. The mood pad allows travelers to control blinds,temperature, light color (in the shower and bathroom), multimedia and more.

central monitoring
We monitor room temperature in each room through a central dashboard which adjusts temperatures when there is no one there. Also, we use savvy technology to activate/deactivate lights on check-in and check-out.

water

why it matters?

Water is a limited and valuable resource. Better water management is not only good for the planet and people, but for business too!

what we're doing?

We actively monitor the water we use in each hotel through smart meters, which allows us to measure the changes we make through our conservation features.

We have actively implemented water conservation features in our restrooms, bathrooms and kitchens/pantries, we install low-flow aerators on faucets. Low-flow fixtures are installed in restrooms and where possible we look for the EPA WaterSense label when purchasing fixtures and appliances.

Our total water consumption across the reported portfolio in 2019 was 224,322m^3.

0.20
water consumption m^3 per occupied room

GRI | 303-1, 303-5

waste

why it matters?

Sending waste to landfill not only takes up valuable land space on the planet but causes air, water and soil pollution, discharging carbon dioxide (CO2) and methane into the atmosphere. Furthermore, waste often travels long distances to landfill sites, consuming fuel and contributing to greenhouse gas emissions. By reducing the amount of waste we produce, our waste disposal costs fall which is good for the planet and good for business.

what are we doing?

We want to reduce the amount of waste generated at all our hotels. In previous years, we have significantly reduced our waste from evening and lunch offerings by working with our partners on portioning and packaging. We have always refilled our bathroom containers (shower gel, etc) to eliminate the need for little plastic bottles but in other areas, we still have work to do. This year we stepped up waste data recording and management. The objective was to understand our waste so we take action in the right places. It turns out we only had a small amount of hazardous waste – the rest was non-hazardous – totalling to 2447 metric tonnes. Although it's a good start, we feel our waste data and management could be improved over the coming years.

Additionally, we set waste diversion rates during the construction of our hotels in-line with green-building certification requirements.

2447
metric tons total waste

567
metric tons of waste went to landfill

63%
of waste diverted from landfill

2.2
kg waste per occupied room

food waste

reducing and managing our food waste

why it matters?

As a hotel, we're aware of our environmental impacts. One of them is food waste.

According to the UN Food and Agricultural Organization, every year roughly one-third of the world's food produced for human consumption is wasted. That’s a staggering 1.3 billion tonnes of food wasted annually.

In the hotel industry, it is estimated that 9% of food is wasted. This food waste is typically sent to landfill which creates unwanted greenhouse gases. Landfill costs are expensive and this method takes away the opportunity to repurpose high quality produce to local communities.

what we’re doing?

At citizenM we have been rethinking the way we act in order to reduce our food waste. 11 of our 16 hotels have been working with the too good to go app to repurpose our breakfast waste Here are the topline results from the app:

5,652
meals saved

5,000
kg of waste diverted from landfill

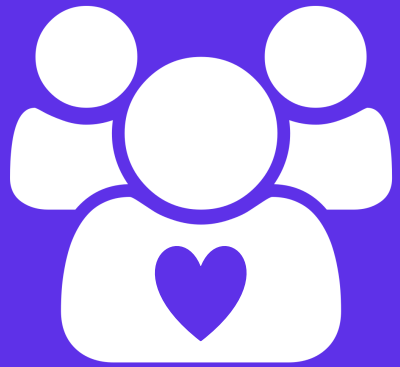
14,305
kg of CO2 avoided

4.4 **out of** **5**
satisfaction score on Too Good to Go app

Too Good To Go

doing the right thing for our people

whilst empowering them to become the best version of themselves



doing the right thing for our people

why it matters?

Our citizenM values and unique culture are worth protecting, it's the bright buzzing spark that makes us unique.

what we're doing?

We value passion, personality and a can-do attitude. We love diversity, and everyone has the opportunity to learn, develop and grow as professionals and individuals. In 2019, 97% of our employees took part in professional training.

We take the health,wellbeing and safety of our employees and guests seriously. Ensuring safe and healthy working conditions, in order to prevent harm. Health and safety rules and regulations apply at all our locations we monitor incidents and we also have clear expectations with regards to on site safety when we are building our hotels with general contractors.

Every few years we carry out an employee satisfaction survey, our next survey is in 2020. This new survey will check-in with our employees on a quarterly basis, so we can take action on the issues that matter to them most.

647
Full time employees

97%
of employees took part in professional training

100%
of employees received performance reviews

100%
completed our citizenM rules training

GRI | 102-8, 102-12, 102-16

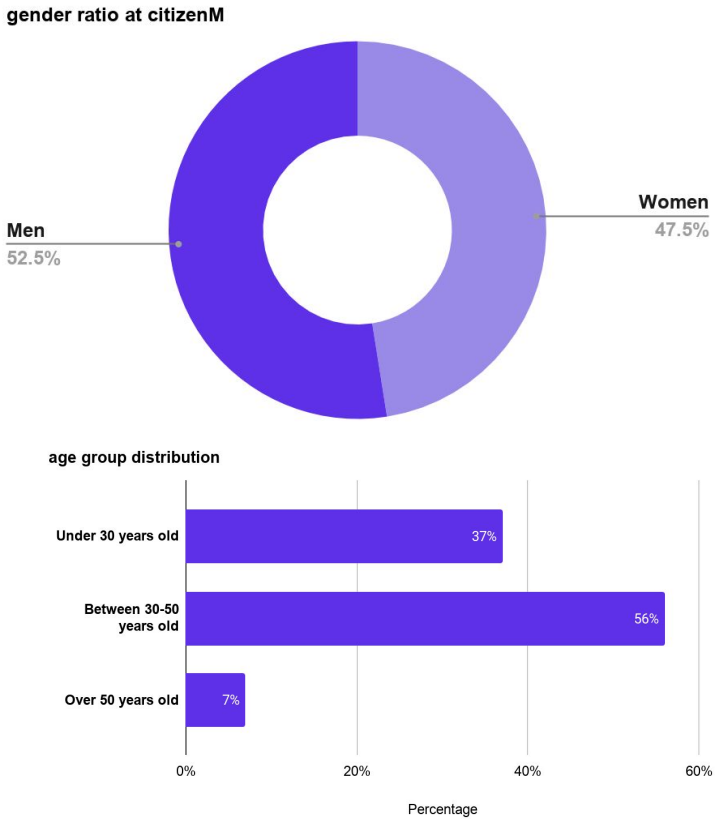
diversity & inclusion

Our recruitment, and employee journey are designed to attract, develop and retain diverse talent and to embrace individual needs at different career and life stages. We love diversity, everyone at citizenM has the opportunity to learn, develop and grow as professionals and individuals.

We use our HR platform to measure and monitor our key employee information and performance, in 2019 we measured following diversity metrics:

- gender ratio
- international background
- age group distribution
- gender pay gap

In 2020, our goal is to collect racial diversity data, so that we can review and take our action if required. Through our Speak up procedure employees and stakeholders are encouraged to raise concerns if they believe an issue is violation of the law or not in line with citizenM's values or the citizenM rules.



making positive movements in our society

shortening the distance between people and opportunities

local positive movements

why it matters?

At citizenM, one of our core values is real caring. We want to be a good neighbour wherever our new home, so we make positive movements in society from the moment we start construction, to opening and operating our hotels.

what we're doing?

In 2019, our hotel openings were centred on heroes of the local community through eye-catching campaigns and photographs.

For example, we used our windows to exhibit 36 strong, smart, creative, successful, inspiring and colourful women of Zurich. Women earn roughly one fifth less than men in Switzerland. We wanted to show the power and influence of these amazing local women.

While in New York, our hotel stairwell is a 20-story museum showcasing local artists' work in collaboration with NYC's art collective, 5 Pointz creates. By supporting the art world with a gallery, we create a unique guest experience that connects to the city and local communities.

GRI | 413-1

citizenMovement foundation

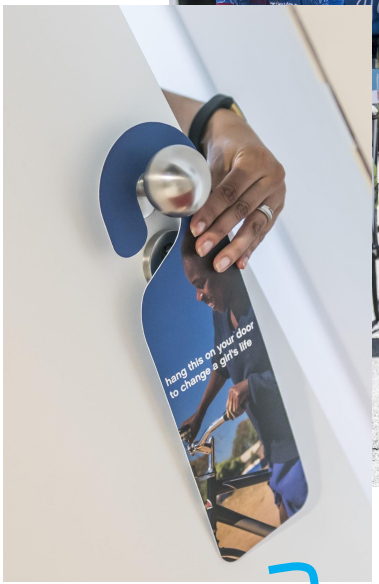
why it matters?

As a global company, we know we have the ability to be a force for good by using our platforms to give back to society. Real caring is a core value at citizenM, and it doesn't just stop at our doors.

what we're doing?

We thought about what really makes us who we are – and the thing that defines citizenM is motion. We never stop planning, dreaming and discovering. It's even in our name – citizenM stands for 'citizen mobile'. From here, it was only a short jump to calling our charity The citizenMovement Foundation. And the charity's goal? To use the goodwill of citizenM staff and guests to make movement possible, **shortening the distance between people and opportunities** by giving the gift of mobility.

For guests engagement, we have a special citizenMovement door hanger that gives guests the option to skip a room clean during their stay – housekeeping costs are donated to citizenMovement. In 2019, we raised funds through housekeeping savings and hosted our second fundraising cycling event from Paris to Rotterdam. Overall, we donated €445,395 funding 2,737 bikes in Malawi and Kenya to our charity partner World Bicycle Relief (WBR). A bicycle means better school attendance, improved academic performance and a higher chance of staying in school. What took hours on foot can now be completed in minutes, thanks to WBR.



click on the image to watch our video

our top 12 targets

Over the coming years, we face a number of ESG-related challenges. Our aim is to further integrate our ESG strategy into our business operations, while exploring longer term opportunities like embedding social, environmental and climate resilience attributes into our buildings. We will build on our materiality approach by focusing on the ESG issues most important to our stakeholders. We are committed to improving the accuracy of our data, and developing robust performance targets. Now, we have set ourselves **12** short term targets whilst we get to grips with our data and work on long term goals via tools such as CRREM.

intelligent & sustainable buildings targets	growing and operating sustainably targets	doing the right for our people targets	making positive movements in our society targets
• Increase our green building certified hotels by 15% by 2022 on 2019 baseline • Set our climate resilience plan by 2021	• Reduce our total like for like energy consumption by 5% by 2022 • Reduce our total like for like scope 2 emissions by 5% by 2022 • Reduce our total like for like water consumption by 4% by 2022 • Increase waste recycling by 5% by 2022	• 80% employee participation in our 2020 quarterly survey • 100% access to learning & development for all employees • Increase the scope of our diversity and inclusion data • Launch new health and wellness program	• Reach our fundraising goal of 200k in 2020 • Introduce local employee community engagement program by 2021

- **rankings target:** increase our GRESB score on a yearly basis

thanks for reading our report

This report provides an overview of the economic, environmental and social impacts of citizenM in 2019. Except where noted, the information covered in this report highlights our ESG initiatives in calendar year (January 1, 2019, through December 31, 2019).

This report has been prepared in accordance with the GRI Standards: Core option. Locations of GRI disclosures are included throughout the report using the notation GRI | at the bottom of each page and further information can be found in our GRI Index.

This report and future updates can be accessed at: www3.citizenm.com/company/esg

For questions regarding the report or its contents, please contact: esg@citizenm.com.

Postal address: citizenM Leidseweg 219, 2253 AE Voorschoten, The Netherlands

GRI | 102-50,102-53,102-54

appendix

sustainable development goals

The UN's Sustainable Development Goals (SDGs) are helping people and organizations of all kinds, ours included, to structure positive action in response to shared, long-term, global sustainability ambitions.

The 17 SDGs, also known as Global Goals, call for businesses, governments and wider society to act against poverty, injustice and environmental damage so that everyone in the world can enjoy peace and prosperity. They guide companies like ours in tackling the world's most pressing issues and foster a greater level of corporate transparency and accountability.

the goals we influence

We have carefully identified the goals which we feel we influence with our ESG streams,actions and as a business.

GRI | 102-12

performance tables

green building certifications - new construction

hotels - built and operated by citizenM **12 out of 16**	**number of hotels certified**
BREEAM-NC - pass	-
BREEAM-NC - good	-
BREEAM-NC - very good	2
BREEAM-NC - excellent	1
BREEAM-NC - outstanding	1
LEED BC+D - certified	-
LEED BC+D - silver	-
LEED BC+D - gold	1
total number of certifications 5 out of 12 hotels	**42%**

green building certifications - in-use

hotels - eligible* for certification **10 out of 13 hotels**	**number of hotels certified**
BREEAM-IN USE - pass	5
BREEAM-IN USE - good	5
BREEAM-IN USE - very good	-
BREEAM-IN USE - excellent	-
BREEAM-IN USE - outstanding	-
total number of certifications 10 out of 13	**77%**

*eligible = open for one year

growing and operating sustainably

energy consumption (GRI 302-1)	**measure**	**2019**	**2018**
natural gas	kWh/m^2	103.4	108.7
electricity, heating & cooling			
electricity	kWh/m^2	143.0	153.8
heating & cooling	kWh/m^2	53.6	52.8
total energy consumption	kWh/m^2	303	315.3
carbon emissions (GRI 305-1, 305-2, 305-3, 305-4)			
GHG Intensity	**MT CO2e/m^2**		
scope 1 emissions	metric tons CO2e	2091	2175
scope 2 location-based emissions	metric tons CO2e	157	
scope 2 market -based emissions	metric tons CO2e	2022	3253
total Scope 1 and 2 market and location-based emissions	**metric tons CO2e**	4270	**5429**

growing and operating sustainably

energy intensity (GRI 302-1)	**measure**	**2019**	**2018**
energy intensity	kWh of electricity/m^2		
electricity generated from onsite renewables	kWh	Data not collected	Data not collected
waste by type and disposal method (GRI 306-2)			
total waste generated - reuse	%	0	0
total waste generated – recycling	%	37	33
total waste generated – incineration	%	31	22
total waste generated – landfill	%	33	22
total waste generated – other	%	26	23
total waste generated	**metric tons**	**2447**	**1196**

doing the right thing for our people

total workforce and breakdown by employee category (GRI 405-1)	**measure**	**2019**		**2018**	
workforce (headcount, year end)					
Employees (fte)	number	647		487	
total	number	**647**		**487**	
employees by gender (headcount, year end)	%	**male**	**female**	**male**	**female**
		52.5	47.5	No data 2018 Data not collected in 2018	
employees by age group (headcount, year end)					
employees under 30 years old	%	37		Data not collected in 2018	
employees 30 - 50 years old	%	56		Data not collected in 2018	
employees over 50 years old	%	7		Data not collected in 2018	
woman in management					
percentage of executive management positions filled by women (strategic council)	%	24		18	
employee training (GRI 404-1)					
professional training received	%	97		20 (*limited data)	
ESG specific training	%	6		0	

doing the right thing for our people

	measure	2019	2018
occupational health & safety (GRI 403-2)			
absentee rate	number	1.9	1.2
work-related fatalities	number	0	0
employee performance reviews GRI 404-3			
employees reviewed	%	100	Data not available in 2018

making positive movements in our society

	measure	2019	2018
charitable fundraising (cash,in-kind,time and leverage)	number (€)	445,395	167,379
beneficiaries	bikes	2737	1000

policies and statements

governance area	policy / statement name	link
bribery and corruption	**citizenM rules**	https://www.citizenm.com/global/citizenm-rules
cyber security	**citizenM rules**	https://www.citizenm.com/global/citizenm-rules
data protection and privacy	**citizenM privacy policy**	https://www.citizenm.com/privacy
fraud	**citizenM rules**	https://www.citizenm.com/global/citizenm-rules
political contributions	**citizenM rules**	https://www.citizenm.com/global/citizenm-rules
shareholder rights	**citizenM rules**	https://www.citizenm.com/global/citizenm-rules
speak up procedure	**speak up procedure**	https://www3.citizenm.com/global/speak-up-procedure
environment	**environmental policy**	https://www.citizenm.com/legal/our-environmental-policy/our-environmental-policy
accessibility	**accessibility statement**	https://www3.citizenm.com/global/accessibility-statement
responsible procurement	**responsible procurement principles**	https://www3.citizenm.com/global/responsible-procurement-principles
modern slavery	**modern slavery statement 2019**	https://www.citizenm.com/legal/modern-slavery-statement/modern-slavery-act-statement

ESG governance structure

Board - level

Strategic Council

ESG stream drivers

ESG focus streams

GRI | 102-20