



# 2022 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

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The Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) has developed a voluntary, consistent climate-related financial risk disclosure for use by companies in providing information to investors, lenders, insurers and other stakeholders. For additional information on TCFD, please visit [fsb-tcfd.org](https://www.fsb-tcfd.org).

Host's TCFD report is organized around the framework's four main tenets, which are governance, strategy, risk management, and metrics and targets.

## GOVERNANCE

### Board's Oversight of Climate-Related Risks and Opportunities

Host's entire Board is responsible for risk oversight and has designated committees to provide oversight of certain key risks. In 2021, we renamed our Board's Nominating and Corporate Governance Committee to "Nominating, Governance and Corporate Responsibility Committee" to reflect the increasing role and commitment of the Committee in addressing sustainability topics. The Committee continues to receive updates on climate, energy and ESG matters at its committee meetings. The Committee chair reports on committee matters to the Board at the next regularly scheduled executive session following meetings of the Committee, including any recommendations to the Board.

In addition, the Board's Nominating, Governance and Corporate Responsibility Committee Charter has been updated to explicitly include oversight over environmental and social policies, programs and strategies as part of the Committee's duties and responsibilities.

The Audit Committee also provides oversight regarding Host's risk assessment and risk management processes, including climate change, which was recently elevated as a key risk, and cybersecurity. In addition, our president and CEO, who is also a member of our Board, provides direct oversight over our emissions reduction target and capital investments to support our climate change mitigation and adaptation strategies.

In 2021, our president and CEO continued to chair Host's Capital Expenditure Committee and Investment Committee, which met regularly to review and approve significant investments including those identified to support our emissions reduction target and/or increase the resiliency of properties against physical risk.

### Management's Role in Assessing and Managing Climate-Related Risks and Opportunities

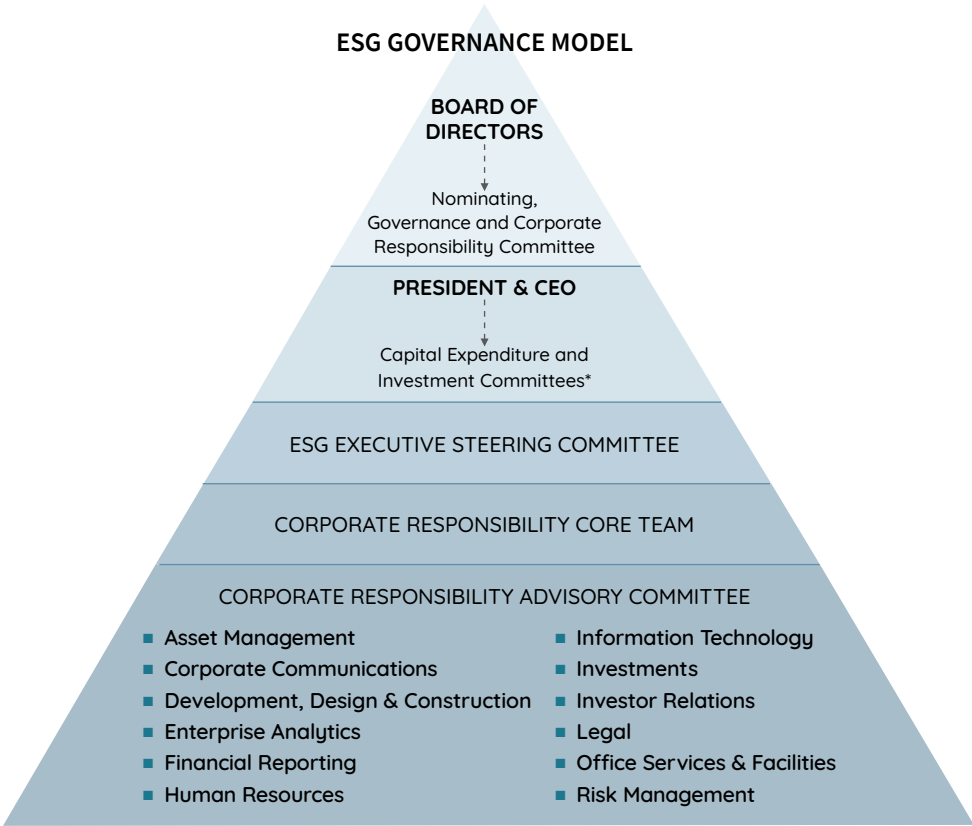
To support our Board and CEO, Host's Corporate Responsibility (CR) team formally engages and convenes Host's Corporate Responsibility Advisory Committee, which is a cross-functional committee representing our (1) Asset Management; (2) Corporate Communications; (3) Development, Design & Construction; (4) Enterprise Analytics; (5) Financial Reporting; (6) Human Resources; (7) Information Technology; (8) Investments; (9) Investor Relations; (10) Legal; (11) Office Services & Facilities; and (12) Risk Management functions at Host. Several of these individuals also serve on Host's Capital Expenditure Committee and Investment Committee. Host's CR team presents progress against ESG targets to our CEO and ESG Executive Steering Committee during our disclosure preparation.

Executive sponsorship of our energy, climate and broader corporate responsibility strategies is provided by our executive vice president of human resources and corporate responsibility and executive vice president of development, design & construction. Both individuals directly report to our president and CEO, who also serves on Host's Board of Directors, and provide updates to the Board's Nominating, Governance and Corporate Responsibility Committee, which typically meets 3 to 4 times per year.

Host has formed an ESG Executive Steering Committee to enhance formal oversight over Host's corporate responsibility strategy and engagement with the Board, company leadership and external shareholders. In addition to our executive sponsors, Host's executive vice president and general counsel, and senior vice president, investor relations served on the four-member Executive Steering Committee in 2021.



We have established distinct responsibilities across Host’s functional areas to execute on our climate and energy strategies. Cross-functional responsibilities have been defined in the following areas: asset-level sustainability assessments, 10-year capital plans, investment decisions, return on investment validation, project management, utility management and stakeholder engagement.



\*Includes members of the Corporate Responsibility Advisory Committee

**STRATEGY**

**Climate-Related Risks and Opportunities**

We use the following time horizons for identified climate risks and opportunities: Short-term (1-3 years), Medium-term (4-6 years), and Long-term (7-10 years). We detail these risks further in our annual response to CDP.

SHORT- AND MEDIUM-TERM	
Risks	Opportunities
<ul style="list-style-type: none"> <li>■ Changing customer behavior</li> <li>■ Extreme weather events</li> <li>■ Increased stakeholder concern</li> </ul>	<ul style="list-style-type: none"> <li>■ Decentralized energy generation</li> <li>■ More efficient buildings</li> <li>■ Renewable energy and energy efficacy programs</li> <li>■ Shift in consumer preferences</li> </ul>
LONG-TERM OR UNKNOWN	
Risks	Opportunities
<ul style="list-style-type: none"> <li>■ Uncertainty in market signals</li> <li>■ Rising sea levels</li> </ul>	<ul style="list-style-type: none"> <li>■ Low emission goods and services</li> </ul>

Quantitatively, we generally consider an impact to be substantive based on a potential scenario where at least 1% of prior year’s All Owned Hotel Pro Forma EBITDA (non-GAAP) could be impacted. For Host’s CDP 2022 Climate Change response, we used a threshold of approximately \$6 million, which is based on Host’s 2021 All Owned Hotel Pro Forma EBITDA (non-GAAP).

Qualitative assessments consider correlations to our business model, anticipated trends and stakeholder concerns holistically from an operational, financial and strategic perspective.

**Impact of Climate-Related Risks and Opportunities**

Host continues to align capital investment decisions that support the key findings from our scenario analyses. The quantitative scenario analysis has informed the development of Host’s third-generation environmental targets to reduce greenhouse gas emissions intensity by 55% from 2008-2025 and to achieve 30% renewable electricity consumption by 2025. Additionally, we consider qualitative scenarios to prioritize specific markets and types of investments to decarbonize our portfolio.

We evaluate all geographical locations where Host owns assets in addition to potential new locations under evaluation. Additionally, we assess environmental and socioeconomic trends, which may impact our asset values in addition to revenue and costs in our major markets.

### **Impact on Business**

In the short-to-medium term, we consider our greatest potential risk to be changing consumer behavior, which is managed through active engagement with the brands that manage our hotels, including Marriott, Hyatt, Hilton and Four Seasons and independent operators.

Over a longer-term horizon, we consider our greatest risk to be rise in sea levels, which informs our acquisition strategy. We view some of these risks, particularly those related to changing consumer behavior and climate change resilience, as opportunities to obtain competitive advantages in key markets. We manage these opportunities through engagement with the brands and independent operators and a proactive approach to preventive maintenance and risk management. We also have significantly increased the number of existing hotels pursuing LEED certification and other green building standards. For example, in 2021, Host decided not to pursue three attractive acquisition opportunities in the Florida Gulf region and New Orleans due to increased exposure to physical risks identified during due diligence.

### **Impact on Strategy and Financial Planning**

Host proactively invests in resiliency measures (including investing in business interruption insurance). Recent examples on how identified climate risks and opportunities have impacted Host's strategy and financial planning include:

- Expanding our pipeline to 14 LEED projects
- Completing over 525 projects with sustainability attributes over the past five years
- Completing approximately 88 emissions reduction projects (representing nearly \$20 million invested) in 2021
- Approving new renewable energy investments in Hawaii and Washington, D.C.

### **Resilience of Host's Strategy, Taking into Consideration Different Climate-Related Scenarios**

Host's new 2025 emissions reduction target has been re-approved by the Science Based Targets Initiative (SBTi) at the level of ambition required to limit rises in global temperatures by no more than 1.5° Celsius.

Host uses qualitative and quantitative climate-related scenario analyses to inform its strategy. We have evaluated macro-level impacts to our business based on a 2-degree scenario (where companies and governments quickly transition to a low carbon economy) and 4-degree scenario (where "business as usual" persists). We also have evaluated the potential micro-level impacts for Host based on whether we are perceived as a "low-carbon" or "high-carbon" company. Additionally, we have modeled Host's emission reduction to reach alignment with a more aggressive 1.5-degree scenario.

The primary inputs used in our qualitative scenarios were based on the TCFD physical and transition risks. Within the 2-degree scenario, we assumed that transition risks would be more pronounced. Within the 4-degree scenario, we assumed the physical risks related to extreme weather events would still exist in a 2-degree scenario but be less severe. A key parameter within our assessment of a 4-degree scenario was the adaptation capacity of government, businesses and society.

Host also considers qualitative scenarios based on the transition to a low carbon economy. For our qualitative scenario analysis, we used the absolute contraction approach at the 1.5-degree level of ambition. We also considered the Sectoral Decarbonization Approach trajectory of growth and the scenarios presented in the International Agency projecting energy rise in service buildings of 26% and 77% in Organization for Economic Co-operation and Development (OECD) countries and non-OECD countries, respectively.

Our emissions reduction target is based on a linear pathway, where we have focused on energy intensity and efficiency specifications through our 2025 target, and from 2021-2050, we plan to increase our use of renewable energy for generation of electricity both on-site and offsite, as outlined by the Sectoral Decarbonization Approach and its methodology for power generation. We maintain an intensity-based target as it is most closely aligned with our business objectives and understanding among our stakeholders, and can be re-evaluated should significant changes in boundary occur through 2050.

The boundary for both qualitative and quantitative scenario analyses include our entire consolidated portfolio and its value chain. The time horizon used in the analysis extended to the year 2050.

## RISK MANAGEMENT

### Process for Identifying and Assessing Climate-Related Risks

In 2021, our Governance, Risk and Compliance (GRC) Accounting team conducted a comprehensive update to our Enterprise Risk Management (ERM) assessment. Our ERM assessment includes consideration of climate change, catastrophic disaster and corporate responsibility risks. In the annual review of our 2022 risks, climate change was elevated to a “key risk” and combined with catastrophic disasters.

Host’s Corporate Responsibility team maintains ongoing strategic oversight to identify, assess and respond to climate-related risks that may impact our reputation, profitability and access to capital. Externally, we engage with our CR stakeholders including investors, industry associations, hotel managers and subject matter experts to gain their perspectives on industry risks, opportunities and associated best practices. Internally, our CR team engages with our Board and CR Advisory Committee members, who collectively represent virtually every department at Host, to support the ongoing identification of company-level CR risks and opportunities. Host also has a four-member ESG Executive Steering Committee to provide enhanced formal oversight over Host’s CR strategy and engagement with the Board, company leadership and external stakeholders. The results of our risk management findings as described herein are formally reported to our Board on both an annual and ongoing basis. Our CR team provides updates on emerging company-wide ESG risks and opportunities to our Board’s Nominating, Governance and Corporate Responsibility Committee at each meeting.

At the asset level, Host’s Asset Management; Enterprise Analytics; and Development, Design & Construction departments work collaboratively with hotel managers, energy consultants, architects and engineers to monitor regional business and regulatory conditions, review energy costs quarterly and identify mitigation and adaptation opportunities. Our asset managers also conduct full business reviews at our consolidated hotels to assess property and business risks. Full business reviews are supported by monthly review calls with each hotel’s general manager and other hotel leadership managers.

When evaluating potential acquisitions and dispositions, climate change-related risks and opportunities are identified within the due diligence process. We evaluate energy efficiency opportunities to improve margins, create higher investment returns, drive shareholder value and reduce our environmental footprint. When replacing architectural elements such as windows and facades, we evaluate designs that will withstand extreme weather when necessary.

Internal reviews of business impacts at the corporate and asset levels are used to apply our criteria to prioritize risks. To prioritize opportunities, we utilize our ISO 14001-certified environmental management system and internal price of carbon, which focus on continuous improvement to increase the energy efficiency of our portfolio. We also monitor emerging best practices and topics of interests, such as renewable energy and LEED certifications, among investors, guests and our peers in the real estate and travel and tourism industries. Additionally, Host’s materiality assessments and engagement with stockholders on ESG and climate issues has informed the prioritization of opportunities within our present corporate responsibility strategy, which is centered around the concept of “responsible investment.”

### Process for Managing Climate-Related Risks

Our CR team maintains ongoing strategic oversight to identify, assess and respond to climate-related risks that may impact our reputation, profitability and access to capital. Externally, we engage with our CR stakeholders including investors, industry associations, hotel managers and subject matter experts to gain their perspectives on industry risks, opportunities and associated best practices. Internally, our CR team engages with our Board and CR Advisory Committee members, who collectively represent virtually every department at Host, to support the ongoing identification of company-level CR risks and opportunities.

At the asset level, our risk and opportunity identification processes consider physical, regulatory and other business parameters; but are more targeted and consider regional differences in our portfolio. Our Asset Management; Enterprise Analytics; and Development, Design & Construction groups work collaboratively with hotel managers, energy consultants, architects and engineers to monitor regional business and regulatory conditions, review energy costs quarterly and identify mitigation and adaptation opportunities. Our asset managers also conduct full business reviews at our consolidated hotels to assess property and business risks. Full business reviews are supported by monthly review calls with each hotel’s general manager and other hotel leadership managers.

PHYSICAL RISKS	
Risks	Processes
<ul style="list-style-type: none"> <li>■ Extreme weather events (i.e., cyclones, hurricanes, typhoons, etc.)</li> <li>■ Rising sea levels</li> </ul>	<ul style="list-style-type: none"> <li>■ 1.5°C science-based target</li> <li>■ Context-based water sub-goal</li> <li>■ On-site energy generation (including solar)</li> <li>■ Building exterior resilience investments</li> <li>■ Preventive maintenance</li> <li>■ Emergency response plans</li> </ul>
TRANSITION RISKS	
Risks	Processes
<ul style="list-style-type: none"> <li>■ Changing customer behavior</li> <li>■ Increased stakeholder concern</li> <li>■ Uncertainty in market signals</li> <li>■ Emerging regulation</li> <li>■ Reputation</li> </ul>	<ul style="list-style-type: none"> <li>■ LEED certifications</li> <li>■ ISO 14001-certified environmental management systems</li> <li>■ Off-site energy generation (including renewable energy credits)</li> </ul>

### Integration Into Overall Risk Management

We conduct reviews of potential business impacts at the company-level and asset-level. Annually, our cross-functional CR Advisory Committee also participates in reviews of climate-related risks with Host's CR team.

The decision-making process with regards to mitigation, transfer, accept and/or control of potential climate change risks and opportunities considers the following materiality-based factors:

- Degree of business impacts
- Degree of influence (as an owner)
- Needs, concerns and key business drivers of our stakeholders

We consider all geographical locations where Host owns assets in addition to potential new locations under evaluation. Additionally, we consider environmental and socioeconomic trends, which may impact our asset values in addition to revenue and costs in our major markets. The significance of risks is evaluated based on numerous factors, most notably the potential likelihood and magnitude

of risks and specific potential impacts to the net operating profit of our hotels. We also consider broader risks and trends that may impact our key markets, which include the top 25 urban markets and premier resort destinations in the U.S.

In assessing market risks, we evaluate relationships between total RevPAR (total revenue per available room) and various economic indicators, such as real GDP and business investment, in order to evaluate the impact of changes in the broader economy. Total RevPAR is calculated by dividing sum of rooms, food and beverage and other revenues by the available room nights and is considered a key indicator of revenues for the hotel industry.

## METRICS AND TARGETS

### Metrics Used to Assess Climate-Related Risks and Opportunities

The primary metric used for Scope 1, Scope 2 and Scope 3 is emissions intensity per square foot. Other metrics used include Scope 1 and 2 emissions, Scope 3 emissions, number of LEED-certified properties, ENERGY STAR scores and cash-on-cash returns for Host's targeted energy ROI projects.

We also consider the number of properties located in high hazard flood zones, the number of properties in areas with "high" or "extremely high" water stress and our investments in resiliency and water efficiency measures at these properties.

### Scope 1, 2, and 3 Greenhouse Gas Emissions

Host's 2021 performance data\* is as follows:

Greenhouse Gas Emissions	2021 Performance (metric tons of CO <sub>2</sub> e)
Scope 1	73,024
Scope 2 (location-based)	183,881
Scope 2 (market-based)	181,471
Scope 3 (purchased goods)	74,359
Scope 3 (business air travel )	199
Scope 3 (employee commuting)	192
Scope 3 (upstream leased assets**)	11

\* All metrics have been third-party assured

\*\* Represents Host's corporate offices

## Targets Used and Performance Against Targets

2021 progress against Host's 2025 climate-related targets is as follows:

2025 Target	2021 Progress
55% reduction in Scope 1 and 2 intensity per square foot (from 2008 base year)	51% reduction from 2008-2021
25% reduction in energy intensity per square foot (from 2008 base year)	30% reduction from 2008-2021
30% consumption of renewable electricity	5.4% renewable energy consumption

Recognizing the nexus between climate and water, Host's 2025 water efficiency target includes a context-based sub-goal to prioritize water initiatives at 10 properties with the highest levels of water stress.