

ARCHER HOTEL CAPITAL

LONG-TERM INVESTORS IN HOTEL REAL ESTATE

ENVIRONMENTAL POLICY



INTRODUCTION AND PURPOSE

Archer Hotel Capital B.V. ("Archer") is a European hotel investment vehicle, currently comprising 11 assets across nine cities and eight countries. Our mission is to enhance and expand the existing asset base to build the highest quality, most environmentally and socially responsible hotel portfolio in Europe while creating long-term value to our Shareholders. Simultaneously, we aspire to minimise our environmental footprint and maximise our social contribution.

The way in which Archer and its portfolio assets perform on an environmental level is of great importance to the company and its shareholders. We aim to make continuous improvements in this area and adapt our approach to ensure our efforts are in line with the latest developments in the field of sustainability. Managing the impact Archer and its portfolio has on the environment is fundamental to our modus operandi.

The partners we choose to work with, the policies we implement and the example we set all have an impact that collectively determine the imprint we leave on our surroundings. Clearly, communicating our expectations in this area to our suppliers, contractors, hotel operators and other business partners we collaborate with is a vital part of that. We ask them to join and actively participate in our mission to reduce our impact on the environment and focus on increasing the sustainability of our assets. We believe it is important that partners and suppliers we work with share our vision and that our goals are aligned.

We set a high standard of performance that complies with local environmental legislation. Archer's employees and hotel operators are committed to monitoring our Environmental, Social and Governance (ESG) performance throughout their daily operations and are eager to learn from new insights we discover through the data that is collated, analysed and the actions undertaken. At Archer, we closely monitor our progress against ambitious targets and benchmark the performance between properties. We compare our ESG performance with our peers in the industry using the Global Real Estate Sustainability Benchmark and strive to be among the top performers in our field.

We have developed high-level ESG requirements that are designed to safeguard against potential eroded returns by creating resilience to ever increasing regulatory requirements, operational cost volatility and future guest expectations. In return, our strategy expects to generate improved returns, stronger hotel management and steady revenues. Progression and achievement are supported and accelerated through a structured management approach across all levels and activities of Archer.

ROLES AND RESPONSIBILITIES

Our ESG program makes a clear distinction between roles and responsibilities of Archer and our hotel operators. We have a direct impact on employees, our internal organization, policies and procedures and the assets. This is especially the case during the value creation process of acquisition, divestment and redevelopment. During redevelopment of building structures, as well as internal installations, Archer focuses on long-term sustainable investment that will improve efficiencies, introduce elements of circular economy via the introduction of recycled elements, create asset resilience to severe weather events and contribute to the long-term environmental impact of the hotels.

Our indirect impact is focused on collaboration with hotel operators. We work together on challenging local practices and endeavour to innovate and implement clever and sustainable best practices, tracking performance against set targets. Via our Memorandum of Understanding we stimulate active collaboration with our hotel operators and roll out initiatives that contribute to optimizing the environmental performance of our buildings.

Overview of roles and responsibilities regarding the environmental impact of hotels:

Archer Hotel Capital	Hotel brands
<ul style="list-style-type: none"> ▪ Ensures policies and procedures are in place. ▪ Has insight into actions undertaken by hotel operators. ▪ Facilitates reporting and the sharing of knowledge and information. ▪ Focusses on the areas where Archer can create long term value. ▪ Takes advantage of being a small and entrepreneurial team. ▪ Can create a different mindset amongst technical managers by activating them to search for innovative opportunities. 	<ul style="list-style-type: none"> ▪ Have their own environmental and social policies in place. ▪ Are responsible for managing the properties 24 hours a day / 7 days a week. ▪ Have targets and incentives in place to promote efficiencies. ▪ Have monitoring tools in place. ▪ Are responsible for improving daily management. ▪ Have experienced personnel who know the properties for many years.

CLIMATE CHANGE AND RESILIENCE

The changing climate we live in is a topic high on the global political agenda and extreme weather events driven by these changes are something we are facing on a more regular basis everywhere in the world, Europe being no exception. Archer's real estate is also impacted by climate change and extreme weather events can potentially damage hotels and even result in temporary closures.

Floods from extreme rainfall, the increasing frequency and intensity of storms and rising sea levels present a serious threat to real estate markets. Archer is aware of these threats and the need to not only take preventive measures but to look at the impact from a larger perspective. We proactively mitigate potential risks through insurances for the possible impact of the climate we live in and strive to be resilient as well as proactive in times of climate change.

We believe the way to do this is by prioritizing effective management of environmental impacts and risks in alignment with the Paris Agreement and design our policies accordingly. At asset level, management tools and guidelines are implemented to monitor greenhouse gas emissions and set up a guiding framework to create a durable decline of our environmental impact. A fundamental aspect of addressing climate change lies in the use of resources of our hotel real estate. As an organization, we want to take responsibility for reducing the carbon footprint of our operations and those of our hotels. That way we will be able to create long-term sustainable value.

Archer has set ambitious targets. Our hotel operators contribute by reducing their scope 1 and scope 2 carbon emissions with at least 30% in 2025 (baseline 2016). For two of our assets, science-based carbon targets have been set by the hotel operator, aligned with climate science and the Paris Climate Agreement. These targets are approved by the Science-Based Target initiative (SBTi).

ENERGY EFFICIENCY

New innovations and technologies allow for energy efficiency to be an important aspect of lowering our environmental impact and costs to improve the sustainability of the assets. Archer has been actively monitoring energy consumption and implementing new measures to become more adept in this area. We analyse the data we retrieve thoroughly and implement measures to improve energy efficiency and reduce both greenhouse gas emissions and our dependence on natural resources.

We recognise that our hotel guests can also have an impact on our environmental footprint, and so creating awareness in this area could have significant potential. We continually make investments to improve the energy efficiency of existing installations and closely monitor initiatives that can be implemented during renovations and / or system upgrades. This mindset also challenges us to adopt, where possible, alternative and sustainable energy sources. We want to take every opportunity to maximize the efficient use of resources and where possible make a shift to sustainable options. Local technical teams control and monitor ventilation, air-conditioning, heating and lighting via building management systems. Investments such as LED lights, daylight sensors, high performance glass, solar films and energy efficient appliances are small but significant steps in this process that also include more ambitious efforts such as alternative heating systems, insulation and renewable energy on-site.

Behavioural change amongst our hotel guests starts with creating awareness. Simple changes in the behaviour can quickly lead to significant energy, waste and water savings. We therefore aim to create a better understanding of the energy, water and waste consumption by informing guests about the impact they can have. We are learning from behavioural studies and experiences in- and outside our hotels. In collaboration with the hotel operators we explain to guests that simple changes in their habits, for example the usage of air-conditioning, can directly lead to a lower environmental footprint.

We also actively engage with our technical experts at the hotels, this not only maximizes opportunities to implement best practices and educate the teams, but it also allows us to share our findings and extend the reach of our impact across our portfolio.

WATER EFFICIENCY

Water scarcity is a recognized global threat, efficient water management is an essential part of the solution for bettering our global climate. Water resources are under pressure everywhere in the world therefore Archer has a continuing focus on optimizing its water policy throughout the portfolio.

We are committed to taking a stewardship approach and roll out a water conservation plan through all of our hotels. The use of water is an area with great potential for efficiencies as, currently, hotels on average use 300 litres of water for each guest. Two-thirds of this amount of water is used during operations, such as kitchen activities, cleaning rooms, laundry services and gardening. Approximately one hundred litres is used directly by the guests themselves.

We strive to implement ways to reduce water use during operations and, we endeavour to create awareness amongst our guests to reduce water consumption. Our hotel operators have implemented programs and set targets to reduce water consumption by at least 15% in 2025 (baseline 2016). Archer closely monitors and evaluates their performance to identify water saving measures that can be adopted to improve our performance.

WASTE MANAGEMENT

Recycling efforts are a priority solution for minimizing our carbon footprint and a critical aspect of climate solutions. Each year we dispose of 4,000 tonnes of used soaps, shampoo packages, single use plastics, packaging materials, paper and food. By conducting a waste analysis we have learned which type of materials we can further reduce, recycle and reuse. For this reason, Archer has determined waste reduction targets for the near future. By taking appropriate measures, our hotel operators could reduce waste to landfill by at least 45% in 2025 (baseline 2016) and food waste to 50% in 2030.

We will achieve these targets by offering waste recycling facilities on-site, providing waste separating facilities in the hotel rooms and collaborating with local waste haulage companies to optimize waste processing. We aim to create a better understanding and awareness of the origins of the waste and its impact on our environment to avoid unnecessary waste. Furthermore, we closely monitor our waste streams and aim to reduce the waste that is collected by stimulating increased recycling. Cutting back on the use of single-use plastics such as straws and water bottles is a focal point and we actively participate in food waste rescue programs together. We look to work closely with the local environments in which we operate, looking for synergies with our neighbours (and even competitors) to find solutions which can provide mutual benefits to us and the environment through better waste and supplies management.

BIODIVERSITY

Archer is conscious of being an important link in the local ecosystems of which it is a part. By knowing our impact and possibilities on biodiversity, we strive to offer our hotel guests the best possible experience. Clean water, air and surroundings are undeniably a great aspect of that. Not only do they directly affect the stay of our guests, but they also indirectly determine the quality of the products we use to prepare the food we serve them and the materials we use to make their accommodation pleasurable.

We use green building certificates (BREEAM) as a guide to better understanding our impact on biodiversity and to recognize the value of our local ecosystems. Biodiversity considerations are incorporated into major renovation projects and assessed via green building certification schemes. There are many examples of initiatives taken in the hotel industry to contribute to urban biodiversity. Hotel operators contribute by avoiding a negative impact on the ecosystems and are eliminating single use plastics. Operators have also introduced 'Clean Up' Programs in the local community to protect the environment and to provide a clean and pleasant environment for all.

BUILDING CERTIFICATIONS

We strive to obtain building certifications that are granted by independent, expert third parties in order to maintain the high standards we have set for sustainable construction in line with best practices. Obtaining green building certifications provides us with an externally established standard, the opportunity to benchmark our performance within our industry and continually identify new goals to pursue in line with current challenges and concerns.

We aim to undergo building certification processes and introduce improvements in the coming years to enhance both our assets and the management thereof. We are committed to certifying our assets and their building management using BREEAM In Use International. BREEAM In Use is an environmental assessment methodology for independent, third party assessment and certification of a buildings operational performance. This assessment enables us to drive sustainable improvements following industry best practices. The assessment includes a wide range of environmental categories: energy efficiency, water efficiency, transportation, waste recycling, pollution prevention, safety, health and well-being, land use and ecology and material use.

On an operational level, hotel operators have selected their own procedures for sustainability certifications. A number of hotels are certified to ISO 9001 (Quality Management), ISO 14001 (Environmental Management) and ISO 50001 (Energy Management). Other hotels use recognized industry sustainability standards such as Trip Advisor Green Leaders or Green Key Eco Rating.

SUSTAINABLE PROCUREMENT AND MATERIAL SOURCING

Our aim is to reduce the impact of our operations, those of our hotels and the activities of our suppliers on the environment. Commitment to this goal means making high demands on ourselves and the parties with which we choose to collaborate.

Archer expects its suppliers to obtain all required environmental permits and registrations, maintain these and keep them updated and follow the operational and reporting requirements of such permits. In addition, suppliers must adhere to all applicable laws and regulations regarding prohibition or restriction of specific substances, including labelling laws and regulations for recycling and disposal. Materials that can pose a hazard to the environment if handled incorrectly should be safely handled, transported, stored and disposed of and if possible recycled or reused.

We ask our suppliers to minimize waste and implement policies and procedures to properly dispose of all types of waste. This includes water, energy, raw materials and processed materials. Continuous efforts should be made to reduce their impact on the environment concerning all areas of their operations, products and services. Examples include minimizing consumption of natural resources and their carbon footprint, minimizing water usage, cutting down on greenhouse gas emissions, waste recycling, circularity, pollution prevention and the impact on biodiversity and ecosystems.

Our expectations reach beyond simply ‘reducing’ and ‘minimizing’. We want there to be a focus on making choices that trigger positive changes. We strive, when selecting materials, to make choices based on an awareness of our impact on the environment and willingness to minimize it as much as they can. Suppliers are encouraged to develop appropriate sustainable procurement policies and programs to promote environmental stewardship and improve the lifecycle environmental footprint of their products and services. Contractors should choose to use locally sourced materials with low carbon impact whenever possible, collaborate with local suppliers to source materials locally with low carbon impact, avoiding unnecessary carbon emissions from transportation and contributing positively to the local economy.

For all service providers, contractors and the supply chain Archer expects a high social and environmental working standard which is described in detail within our supplier code of conduct.



CLOSING REMARKS

We strive to incorporate the above ESG practices into our business strategy and activities and provide a clear report and insight to our stakeholders. Whilst pursuing our ambitions, respect and integrity are central to working with our partners and suppliers with the aim of building lasting relationships based on trust. Our current policy and commitments will be continuously reviewed and adjusted or revised as necessary to ensure we follow new and relevant developments as they arise to succeed in our mission. Our overarching goal is to continue to contribute to the success of our company while at the same time making a positive contribution to the society we are a part of and to contribute to solving sustainability matters.

We encourage contractors, suppliers, service providers, hotel employees and guests to communicate any concerns, questions, complaints or any irregularities witnessed at or around our assets via info@archerhotelcapital.com.

Archer Hotel Capital's ESG strategy, targets and policies can be found on our public website: www.archerhotelcapital.com/about-us/#esg



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