

LEONARDO HOTELS GROUP

E S G

Sustainability Strategy



“Corporate responsibility is our guiding principle and is reflected in our high level of social engagement and in our work with local communities and people with special needs. We always keep the environment in mind and comply with the standards of corporate governance for a public company. We are constantly looking for opportunities to reduce the impact of our activities on the environment both on the global and local scale through various programmes.”

David Fattal

Founder Fattal Hotel Group

Where we come from

In 2019, Fattal Hotel Group developed and published its first sustainability report at the group level, outlining current sustainability projects and initiatives and analysing the material impact of the Fattal Hotel Group on the world.

Subjects reviewed and addressed in the Fattal Hotel Group sustainability report include:

- Ethics and corporate governance
- Customer experience
- Diversity of guests and staff
- Health and well-being
- Learning and development
- Supporting our community
- Resource consumption

FATTAL HOTEL GROUP®



Sustainability Report
of the Fattal Hotel Group

Over the past few years, and especially during the COVID-19 crisis, demands for urgent action on climate change have amplified. Consumers, businesses, and governments recognise the need to accelerate global efforts to reduce greenhouse gas emissions and prevent the destruction of the natural world. The Fattal Hotel Group shares this sense of urgency.

With Europe as a homebase, with its individual target markets and unique characteristics, it was decided to develop a personalised sustainability strategy for the Leonardo Hotels Group. The Leonardo Hotels Group unites the European business units *Central Europe*, *United Kingdom* and *Benelux*. The sustainability strategy is aligned to the specific European conditions and at the same time is in line with the Fattal Hotel Group's sustainability targets.

The Fattal Hotel Group was founded in 1998 by David Fattal. Characterized by dynamic growth, 255+ hotels with 47,000+ rooms in 117 destinations and 20 countries are operated in Europe & Israel.

The brand portfolio includes Leonardo Hotels, Leonardo Royal Hotels, Leonardo Boutique Hotels, NYX Hotels by Leonardo Hotels, Leonardo Limited Edition, Herods, U Hotels, 7 Minds, Rooms by Fattal, Fattal Terminal, Master Collection and Switch up.

The Israeli hotel group is listed on the Tel Aviv Stock Exchange (TASE).

**Come join us
& build a better
tomorrow - today!**





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Legend & Definitions

E Environment (Protecting Our Planet) **S** Social (Investing in People) **G** Governance (Influencing Change)



The Strategy at a Glance



Making a Valuable Contribution

The World Tourism Organization acknowledges that the tourism industry creates 10% of the world's jobs each year, but also contributes 8% of global carbon emissions. To counter this in their role as international hotel chain, Leonardo Hotels Group, and its parent organisation, Fattal Hotel Group, aim to both improve the tourism industry and make a positive economic, social, and environmental contribution.

Improving People's Well-being, Protecting Nature and Preserving Cultural Heritage

Leonardo Hotels Group recognises its potential to improve people's well-being, protect nature and preserve cultural heritage by embracing the trends of responsible and sustainable tourism. Tourism allows people to interact with other cultures in a genuine and meaningful way, while helping to bolster and revitalise the economies and environments within those communities.

The Leonardo Hotels Group's guiding values are:



Host with love



Spur innovation and creativity



Achieve excellence



Encourage community involvement



Cultivate human capital



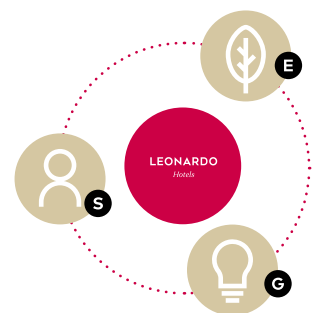
Exercise responsibility and set a personal example



Take personal initiative and pursue continuous improvement

Long-term Sustainability Strategy

To embrace and live these values to the fullest, the Leonardo Hotels Group has developed a comprehensive, long-term sustainability strategy. The strategy is built around three key pillars: Environment, Social, and Governance (ESG). For the Leonardo Hotels Group, these pillars are known as Protecting Our Planet **E**, Investing in People **S**, and Driving Change **G**. For each pillar, the Leonardo Hotels Group has set long-term ambitions.



The long-term ambitions for the Leonardo Hotels Group are summarised as:



Protecting Our Planet

Minimising the Leonardo Hotels Group's negative impacts on the environment, including a particular focus on:

- Resource management
- Solid waste management
- Pollution prevention
- Responsible procurement and supply chain management
- Biodiversity protection, restoration, and promotion



Investing in People

Focusing on a positive, inclusive culture for staff members, suppliers, and local communities, including a particular focus on:

- Fair and equitable treatment of all stakeholders (employees, guests, suppliers and local communities)
- Staff development and employability
- Staff and guest engagement (with a vision for a sustainable future)
- Fostering sustainable communities (while preserving and promoting local heritage and culture)



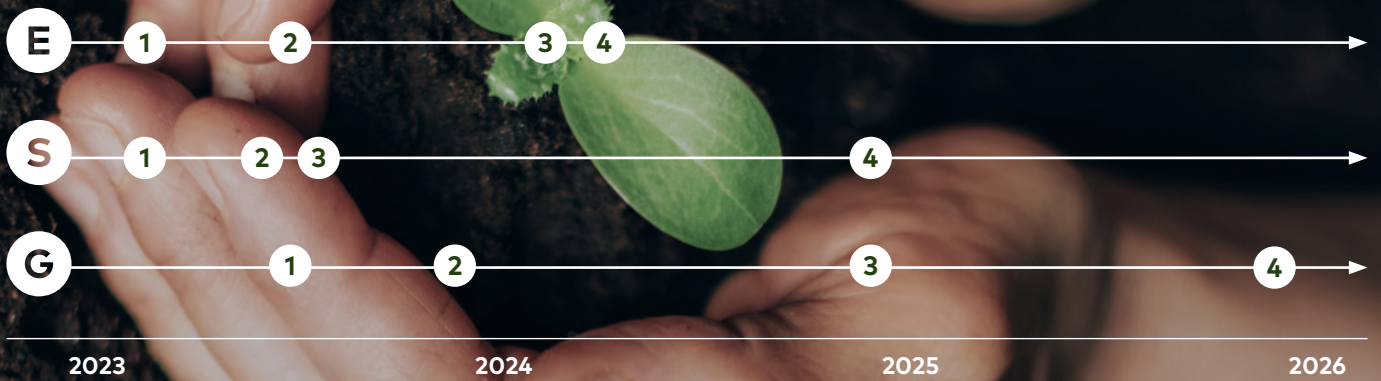
Driving Change

Becoming a sustainability leader within the hospitality industry. Including a particular focus on:

- Setting a strategic ESG approach
- Embedding sustainability within business operations
- Regularly reviewing and reporting on ESG performance and control
- Aligning the ESG strategy to globally recognised sustainability frameworks and certifications

Key Events

Progress towards each ambition is driven by a clear set of goals and targets, all of which are explained in more detail in the full strategy below. Setting goals is the first step on the path to sustainability, but dedicated effort is needed to achieve these ambitions. The key outcomes outlined below offer the path to actually achieving this ESG strategy.



Environment

- 1 Implementing a comprehensive resource monitoring system to measure and monitor energy, water and waste consumption by the beginning of 2023
- 2 Publishing targets for the reduction of energy consumption and the improvement of energy efficiency by mid-2023
- 3 Pursuing the procurement of green energy, wherever it is available, starting in the beginning of 2024
- 4 In line with the Greenhouse Gas Protocol, calculating at least 67% of full scope 3 carbon emissions associated with waste, travel and value chain activities at the beginning of 2024

Social

- 1 Providing dedicated sustainability inductions for new employees by the beginning of 2023
- 2 Ensuring anti-corruption policies and the corresponding processes to ensure implementation are in place by mid-2023
- 3 Ensuring a modern slavery policy and the corresponding process to ensure its adoption are in place by mid-2023
- 4 Ensuring guest services are as sustainable as possible by the end of 2025

Governance

- 1 Ensuring there is a process in place to set, monitor and track continuous improvement by mid-2023
- 2 Ensuring sustainability-related responsibilities are defined and understood across all Leonardo Hotels Group stakeholders, including owners, management, employees, suppliers and consultancy partners, by the end of 2023
- 3 Identifying and implementing a sustainability certification recognised by industry peers and guests by the end of 2024
- 4 Ensuring that the sustainability strategy is integrated into wider decision making, including financial planning, by the end of 2025



SUSTAINABLE
DEVELOPMENT
GOALS

Sustainable Development Goals



The Leonardo Hotels Group embraces the shared language, goals and targets set out in the globally recognised United Nations Sustainable Development Goals (SDGs). The SDGs are a collection of 17 interlinked goals designed to offer a universal approach we can all follow to contribute towards ending poverty, protecting the planet and ensuring that, by 2030, all people enjoy peace and prosperity.

The Leonardo Hotels Group has selected SDGs that resonate most with our current operations and has used these to inspire the sustainability targets outlined later in this strategy. What follows are the details on our commitment to the selected SDGs and additional highlights of our most relevant global ESG aspirations.



Image: SDGs of the United Nations | Source: United Nations, <https://sdgs.un.org/goals>



SDG 4: Quality Education

The Leonardo Hotels Group places great importance on the health and well-being of its employees. We also emphasise quality education and gender equality and see how these priority areas can be addressed through both SDG3 Good Health & Well-Being in combination with SDG5 Gender Equality. The Leonardo Hotels Group sees opportunities to make a difference within the following UN SDG3, 4 and 5 targets:



- Promote mental health and well-being
- Vocational education and equal opportunity for all as well as providing learning opportunities to all



SDG 8: Decent Work & Economic Growth

The Leonardo Hotels Group will continue to focus on decent work, particularly a continued commitment to employing people with special needs and from underprivileged backgrounds. The group has already shown great achievements and now wants to further improve in this area. In particular the Leonardo Hotels Group sees opportunities to make a difference within the following UN SDG8 targets:

- Sustaining per capita economic growth in accordance with national circumstances
- Achieving higher levels of economic productivity through diversification, technological upgrading and innovation
- Promoting development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation



SDG 12: Responsible Consumption and Production

Due to the impact the Leonardo Hotels Group can have on its supply chain, there are openings to focus on responsible consumption and production in all ESG initiatives. In particular the Leonardo Hotels Group sees opportunities to make a difference within the following UN SDG12 targets:

- Developing, adopting or implementing policy instruments aimed at supporting the shift to sustainable consumption and production
- Achieving the sustainable management and efficient use of natural resources
- Achieving the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reducing their release to air, water and soil to minimise their adverse impacts on human health and the environment



SDG 13: Climate Action

Under SDG 13, understanding climate action as a broader term that addresses many environmental issues, the Leonardo Hotels Group considers the impacts of transport, emphasises issues around innovation and embraces concepts of biodiversity within this goal. Albeit that emphasis lies on the procurement of clean energy, intersecting with SDG12 around energy and water usage and waste minimisation. In particular, the Leonardo Hotels Group sees opportunities to make a difference within the following UN SDG13 targets:

- Integrating climate change measures into policies, strategies and planning
- Improving education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

E S G

Ambitions of the Leonardo Hotels Group

Considering our progress made to date and in line with selected UN Sustainable Development Goals, Leonardo Hotels Group has agreed and wants to publicly commit to the following overarching ESG ambitions.

E Protecting Our Planet

Monitoring

Ambition

To set annual resource efficiency targets from a 2022/23 resource consumption baseline, by mid-2023

We are committing to:

- Implementing a comprehensive resource monitoring system to measure and monitor energy, water and waste consumption by the beginning of 2023
- Measuring and understanding carbon emissions as they relate to resource data for energy, gas, water, waste and staff travel by the end of 2022

Energy

Ambition

To set, publish and work towards annual percentage reduction targets for energy consumption by the beginning of 2023

We are committing to:

- Ensuring energy consumption is regularly measured and monitored from the beginning of 2022
- Publishing targets for the reduction of energy consumption and improvement of energy efficiency by mid-2023
- Developing an energy reduction plan 2023-27 that meets the targets it sets by outlining specific behavioural activities/initiatives to reduce energy consumption, improve energy efficiency and maintain/upgrade hardware and control systems from mid-2023
- Exercising a preference to procure green energy wherever it is available starting in the beginning of 2024
- Generating renewable energy on-site wherever possible by 2027

Water

Ambition

To set, publish, and work towards annual percentage reduction targets for water consumption by the end of 2023

We are committing to:

- Ensuring water consumption is regularly measured and monitored, including for laundry services, from mid-2023
- Publishing targets to reduce water consumption and improve water efficiency from the beginning of 2024
- Developing a water reduction plan that will meet its targets by outlining specific behavioural activities/initiatives to reduce water consumption, improve water efficiency and maintain/upgrade hardware and control systems from the end of 2024

E Protecting Our Planet

Waste

Ambition

To set, publish and work towards annual percentage reduction targets for waste production, by individual waste stream by the end of 2023

We are committing to:

- Ensuring waste production by individual waste stream – including food waste – is regularly measured and monitored starting at the beginning of 2023. Publishing targets to reduce waste production and improve water management processes, by mid-2023 to include:
 - Eradicating all remaining single-use plastics by the end of 2023
 - Reducing food waste by 50%, from a 2023 baseline, by 2027
- Developing a waste management plan 2023-27 that will meet its targets by outlining specific behavioural activities/initiatives to reduce waste production, improve waste management and maintain/upgrade hardware and control systems from mid-2023



E Protecting Our Planet

Climate Change

Ambition

Maximum effort toward achieving Net Zero Carbon by 2040

We are committing to:

- Calculating scope 1, scope 2 and essential scope 3 carbon emissions associated with energy, water, waste and business travel from 2022
- Publishing targets to reduce scope 1, scope 2 and essential scope 3 emissions associated with energy, water, waste and business travel by mid-2023
- Developing a carbon reduction pathway plan in 2023 in order to meet the targets set for scope 1, scope 2 and essential scope 3 emissions reduction
- In line with the Greenhouse Gas Protocol, calculating at least 67% of full scope 3 carbon emissions associated with waste, travel and value chain activities at the beginning of 2024
- Publishing targets to reduce scope 1, scope 2 and at least 67% of scope 3 emissions by mid-2025
- In order to meet the targets set for scope 1, scope 2 and at least 67% of scope 3 emissions reduction, revising in 2025 the carbon reduction pathway plan that was developed in 2023
- Identifying mechanisms to offset any carbon emissions that cannot be mitigated by the end of 2025



E Protecting Our Planet

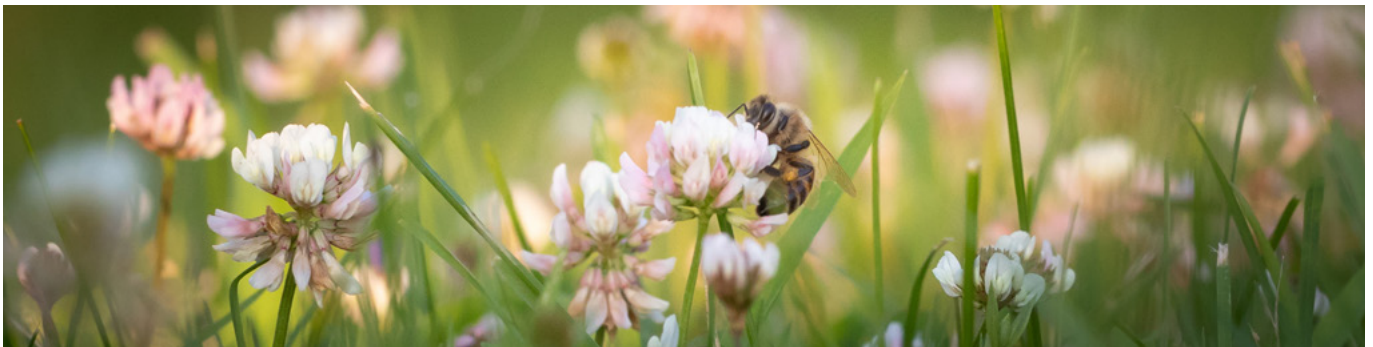
Biodiversity

Ambition

To develop a Net Positive Impact (NPI) Plan on biodiversity and habitats under our management by the end of 2027

We are committing to:

- Engaging ecologists to understand the current biodiversity and habitats within and adjacent to all Leonardo sites and localities in Europe
- Ensuring that activities do not negatively impact the natural habitat of endangered animals or local plants, including avoiding utilising invasive alien species in gardens, landscaping and other operating areas
- Developing, with support from ecologists, a biodiversity improvement plan for management setting out activities to improve the quality, quantity and connectivity of habitats and biodiversity
- Supporting local initiatives, charities or organisations that work to protect natural wildlife and its habitats starting at the beginning of 2023
- Identifying opportunities to improve green infrastructure by the beginning of 2027



S Investing in People

Human Rights, Diversity, Equity & Inclusion

Ambition

To ensure that diversity, equality and inclusion principles form part of business-as-usual practices across all the Leonardo Hotels Group's development and operational activities

We are committing to:

- Ensuring there is no social, gender or racial discrimination of any form whatsoever
- Embedding human rights criteria in recruitment and day-to-day operational policies and processes by the beginning of 2025
- Embedding human rights criteria in procurement policies and processes as soon as possible
- Working to address human rights risks within the development phases of new projects starting at the beginning of 2023
- Ensuring a modern slavery policy and the corresponding process to ensure its adoption are in place by mid-2023
- Ensuring anti-corruption policies and the corresponding processes to ensure implementation are in place by mid-2023
- Ensuring diversity and inclusion principles are understood and applied across HR and management functions
- Going above and beyond regulatory requirements to make spaces and facilities accessible to employees and guests with reduced mobility and/or physical disabilities
- Creating spaces to support employees and guests with additional needs, including providing quiet, contemplative areas for prayer, infant care and/or mental restoration
- Actively employing people with disabilities and additional needs



S Investing in People

Employee Health, Safety & Well-Being

Ambition

To invest in the continual health, safety and well-being of all the Leonardo Hotels Group employees

We are committing to:

- Providing employees with health and safety training at induction, in advance of new tasks being undertaken and at annual refresher sessions
- Ensuring all health and safety incidents are recorded and reviewed to identify any new safety measures
- Ensuring an emergency preparedness plan (to include natural disasters, political unrest and pandemic outbreaks) is shared with all employees, and appropriate training provided, as a part of induction and at annual refresher sessions
- Implementing an employee well-being programme based on employee input and insight from the beginning of 2024
- Paying salaries and providing social benefits that conform to or exceed national and local rules from mid-2023

Employee Development

Ambition

To invest in and encourage the development and employability of all Leonardo Hotels Group employees

We are committing to:

- Implementing annual performance review meetings for all employees
- Implementing yearly training plans for all employees
- Enabling internal mobility and in-house promotion
- Reviewing and acting on employee input and insight on business operations and their employment at least annually
- Implementing and expanding the Leonardo Academy across the portfolio

S Investing in People

Employee Awareness & Engagement

Ambition

To invest in the necessary frameworks and training to motivate employees to actively engage with the Leonardo Hotels Group's vision of a sustainable future

We are committing to:

- Integrating the Leonardo Hotels Group's sustainability ethos into HR processes, including recruitment, job descriptions, KPIs and annual staff feedback surveys
- Providing dedicated sustainability inductions for new employees by the beginning of 2023
- Providing annual sustainability workshops for all employees; providing progress updates and identifying opportunities and challenges for the coming year
- Implementing and empowering active green teams or sustainability champion networks for all properties
- Developing and running at least two sustainability events for employees per year
- Enabling employees to dedicate at least one paid day per year to support or volunteer for agreed local causes and initiatives



S Investing in People

Supply Chain

Ambition

To invest in the creation and development of a responsible supply chain to support all Leonardo Hotels Group's development and operational activities

We are committing to:

- Creating and embedding, across all development and operational activities, a sustainable procurement policy by the end of 2023. The policy will include preference for:
 - Suppliers whose own sustainability policies/ambitions align with that of the Leonardo Hotels Group
 - Local and seasonal produce
 - Local craftsmanship and arts
 - Eco-certified goods (incl. produce, drinks, amenities, laundry and cleaning supplies)
 - Suppliers that offer returnable, reusable or easily recyclable packaging
- Sourcing 90% (by spend) of all products and services responsibly, in accordance with the sustainable procurement policy, by the end of 2027, to include:
 - F&B purchasing of at least 30% of raw ingredients from producers with a 50km radius of hotel location
 - Refurbishment activities requiring a least 30% of all furniture, fixtures and equipment (FF&E) to have been made/crafted within a 50km radius of the hotel location
- Working with the most cherished suppliers to support their sustainability journey, alongside that of the Leonardo Hotels Group's
- Favouring eco-certified goods are favoured (food, cosmetics cleaning, laundry) by the end of 2025



S Investing in People

Guest Awareness & Engagement

Ambition

To ensure the Leonardo Hotels Group's vision for a sustainable future is subtly and seamlessly interwoven into the guest experience

We are committing to:

- Developing a sustainability communication strategy to seamlessly embed sustainability information within and throughout the guests' journey (website, social media, booking, pre-arrival, on-site and post-departure)
- Ensuring guest services are as sustainable as possible to include, by the end of 2025:
 - Conducting paperless check-in and check-out as standard
 - Matching room linens, towels, robes, amenities to room occupancy
 - Reusing bed linen and towels, by default, for stays longer than one night
 - Offering additional guest room amenities (e.g. shower caps, sewing kits, cotton buds, single use toiletries, paper, pens, etc) on a request only basis
 - Identifying and promoting walking, cycling, public transport and eco-taxi options available from hotel front doors
- Annually reviewing and updating, guest health and well-being standards as per the World Health Organisation's recommendations for the tourism and hospitality sector
- Offering guests an opportunity to provide feedback on our hotels' sustainability initiatives, for example through on-site feedback, post-departure surveys, or social media



S Investing in People

Community, Heritage & Culture

Ambition

To foster sustainable communities while preserving and promoting local heritage and culture

We are committing to:

- Developing a CSR/charity project policy by the beginning of 2024
- Ensuring refurbishment and development projects respect and enhance a sense of place for the benefit of staff, guests, and the local community
- Striving to create jobs, apprenticeships and training opportunities for those living within a 25 km/15 mi radius of the hotel location
- Rolling out and extending the LeoDo and Grow Online Program in all Leonardo Hotels – a project created to support employees participating in social initiatives based on the “three Ps”: people, planet and profit
- Creating partnerships with local (i.e. within 25 km/15 mi of the hotel location) tour guides, artisans, crafts people and charities by end of 2024 to:
 - Offer guests access to cultural experiences (e.g. markets, festivals, performances, live craftsmanship) and artisanal goods
 - Offer financial or in-kind donations in support of at least one community-focused charity or initiative
 - Offer financial or in-kind donations in support of at least one environmentally focused charity or initiative



Influencing Change

Strategic Approach

Ambition

To breathe life into the Leonardo Hotels Group's sustainability strategy, ensuring it becomes a living document used to guide day-to-day development and operational activities

We are committing to:

- Ensuring that the sustainability strategy is integrated into wider decision making, including financial planning, by the end of 2025
- Ensuring sustainability-related responsibilities are defined and understood across all Leonardo Hotels Group's stakeholders, including owners, management, employees, suppliers and consultancy partners, by the end of 2023
- Supporting strategic implementation through development of several dedicated policies, plans and programmes (as described above), including:
 - Energy, water and waste reduction plans
 - Carbon reduction pathway plan
 - Pollution prevention plan
 - Biodiversity improvement plan
 - Employee well-being programme
 - Sustainable procurement policy and process
 - Sustainable communications plan
 - 'Leonardo Do' roll-out/extension plan
- Creating overarching guidance plans for hotels to follow to ensure strategic policies, plans, and programmes are implemented and monitored

Performance Control

Ambition

To be honest and transparent with all stakeholders about the collective Leonardo Hotels Group's progress towards 2027 strategic goals and commitments

We are committing to:

- Ensuring there is a process in place to set, monitor and track continuous improvement from mid-2023
- Publishing (for all stakeholders) an annual, transparent sustainability report on progress made against strategic goals and commitments

Sustainability Certifications

Ambition

To have the Leonardo Hotels Groups's sustainability credentials verified by the internationally recognised sustainability certification *Green Key*

We are committing to:

- Aligning the ESG strategy, reporting and actions with globally recognised sustainability frameworks and certifications
- Identifying and implementing a sustainability certification, recognised by

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