

# Second-Party Opinion

## Minor Hotels Europe & Americas

### Sustainability-Linked Financing Framework

## Second-Party Opinion

Reviewed by:

MORNINGSTAR

SUSTAINALYTICS



## Evaluation Summary

Sustainalytics is of the opinion that the Minor Hotels Europe & Americas Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2024 and Sustainability-Linked Loan Principles 2023. This assessment is based on the following:

- Selection of Key Performance Indicators** The Minor Hotels Europe & Americas Sustainable Impact Financing Framework defines the following KPIs: i) Absolute scope 1 and 2 GHG emissions; and ii) Renewable electricity use. Sustainalytics considers the KPIs to be adequate based on their materiality, relevance, scope of applicability and comparability to external benchmarks.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPTs to be aligned with MHEA's sustainability strategy. Sustainalytics further considers the SPTs to be highly ambitious based on their past performance, peer performance and alignment with science-based trajectories as applicable.
- Financial Characteristics** MHEA will link the financial or structural characteristics, such as the margin, coupon and the redemption price, of its sustainability-linked debt instruments to the achievement of the SPTs.
- Reporting** MHEA commits to report on its progress on the KPIs on an annual basis. MHEA commits to disclose relevant information that may affect the KPI, such as recalculations, changes in methodology, and qualitative and quantitative information related to the progress on the KPIs and the progress related to the SPTs.
- Verification** MHEA commits to have external limited assurance conducted against the SPT for each KPI at least once a year.

<b>Evaluation Date</b>	January 20, 2025
<b>Issuer Location</b>	Barcelona, Spain

The SPTs contribute to the following SDGs:



## Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Absolute scope 1 and 2 GHG emissions	2019	Adequate	SPT 1: Reduce 46.2% of scope 1 and scope 2 GHG emissions by 2030, compared to a 2019 baseline	Highly Ambitious
KPI 2: Renewable electricity use	2023 <sup>1</sup>		SPT 2: Achieve 90% share of renewable electricity use by 2027	

<sup>1</sup> MHEA has confirmed to Sustainalytics that KPI 2 does not have a formal baseline year and the SPT is calculated as a percentage of electricity use during the given year. Sustainalytics has considered 2023, the most recent year, as the baseline for assessing the ambition against past performance.

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## Scope of Work and Limitations

MHEA has engaged Sustainalytics to review the Minor Hotels Europe & Americas Sustainability-Linked Financing Framework dated January 2025 (the “Framework”) and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2024 (SLBP)<sup>2</sup> and the Sustainability-Linked Loan Principles 2023 (SLLP).<sup>3</sup>

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the Framework with the SLBP, as administered by the International Capital Market Association (ICMA), and SLLP, as administered by the Loan Market Association (LMA) and the Loan Syndications and Trading Association (LSTA).

As part of this engagement, Sustainalytics exchanged information with representatives of MHEA to understand the sustainability impact of its business processes and the SPTs, as well as the reporting and verification aspects of the Framework. MHEA’s representatives have confirmed that:

- (1) They understand it is the sole responsibility of the issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information;
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and MHEA. Sustainalytics’ Second-Party Opinion assesses alignment of the Framework with current market standards but does not provide any guarantee of alignment nor warrants any alignment with future versions of such standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated SPTs but does not measure progress on the KPIs. This Second-Party Opinion is valid for issuances aligned with the Framework until one of the following occurs: i) a material change to the external benchmarks against which targets were set; ii) a material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs. Measuring and reporting on KPIs and SPTs is the responsibility of the Framework owner.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related circumstances that MHEA may have disclosed to Sustainalytics for the purpose of this Second-Party Opinion.

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<sup>2</sup> The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

<sup>3</sup> The Sustainability-Linked Loan Principles are administered by the Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. In addition, analyst compensation is not directly tied to specific commercial outcomes.

## Introduction

Minor Hotels Europe & Americas (“MHEA” or the “Company”) is a global hotel chain operator, with 300 hotels in 30 countries in Europe, the Americas and Africa. In FY2023, MHEA generated revenue of more than EUR 2 billion and employed a workforce of nearly 12,500 people.

MHEA intends to issue sustainability-linked debt instruments (bonds and loans) whose margin, coupon or the redemption price is tied to the achievement of the SPTs for the selected KPIs related to GHG emissions and renewable electricity use.

MHEA has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles 2024 and the Sustainability-Linked Loan Principles 2023. The Framework will be published in a separate document.<sup>5</sup>

MHEA has defined the following KPIs and SPTs:

**Table 1: KPI Definitions**

KPI	Definition
KPI 1: Absolute scope 1 and 2 emissions (tCO <sub>2</sub> e)	<p>This KPI represents scope 1 and 2 GHG emissions from hotels under MHEA’s operational control, with ownership and lease agreements in the Americas, northern Europe and southern Europe, measured in tCO<sub>2</sub>e and calculated using the GHG Protocol Standard.</p> <ul style="list-style-type: none"> <li>Scope 1: Direct GHG emissions come from sources owned by the Company or under its control, such as natural gas, LPG, propane, diesel and biomass.</li> <li>Scope 2: Indirect emissions from the generation of purchased (market-based) electricity, district heating and district cooling consumed by hotels.</li> </ul>
KPI 2: Renewable electricity use (kWh)	<p>This KPI measures the electricity sourced from renewable sources in hotels that are operated under MHEA’s ownership and lease agreements in a reporting year. MHEA has identified the sources of renewable electricity as solar, wind and geothermal energy. The KPI is measured in kWh.</p>

**Table 2: SPTs and Past Performance<sup>6</sup>**

KPI	2019 (baseline)	2020	2021	2022	2023	SPT 2030
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	101,241	63,684	88,545	88,816	83,953	SPT 1: Reduce 46.2% of scope 1 and scope 2 GHG emissions by 2030, compared to a 2019 baseline

KPI	2019	2020	2021	2022	2023	SPT 2027
KPI 2: Renewable electricity use (% of kWh)	51%	61%	62%	64%	66%	SPT 2: Achieve 90% share of renewable electricity consumption by 2027

<sup>5</sup> Minor Hotels, “Minor Hotels Europe & Americas Sustainable Impact Financing Framework”, at: <https://www.minorhotels.com/en/sustainability>

<sup>6</sup> MHEA has confirmed to Sustainalytics that it commits to setting annual targets in relevant documentation for transactions, as recommended under the SLLP.

## Sustainalytics' Opinion

### Section 1: Alignment with the Sustainability-Linked Bond Principles and the Sustainability-Linked Loan Principles

Sustainalytics is of the opinion that the Minor Hotels Europe & Americas Sustainability-Linked Financing Framework aligns with the five core components of the SLBP and SLLP.



#### Selection of Key Performance Indicators

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##### Relevance and Materiality of KPIs

In assessing the materiality and relevance of a KPI, Sustainalytics considers: i) whether the indicator speaks to a material impact of the issuer's activities on environmental or social issues; and ii) to what extent the KPI is applicable.

##### KPI 1: Absolute scope 1 and 2 emissions

##### KPI 2: Renewable Electricity Use

MHEA has confirmed that KPI 2 will always be used jointly with KPI 1 in all potential sustainability-linked issuances. Based on the above, Sustainalytics assessed KPIs 1 and 2 jointly, as they collectively address the Company's GHG emissions.

Sustainalytics' ESG Risk Rating identifies Carbon – Own Operations as a material ESG issue for MHEA and the Travel, Lodging and Amusement subindustry.<sup>7</sup> The Sustainability Accounting Standards Board (SASB) also identifies Energy Management as a material topic for the Hotels & Lodging industry, due to significant energy consumption, primarily for space heating, ventilating, air conditioning, water heating, lighting, and the use of equipment and appliances.<sup>8</sup>

In terms of applicability, Sustainalytics notes that KPIs 1 and 2 collectively address scope 1 and 2 GHG emissions (tCO<sub>2</sub>e) across all hotels under MHEA's operational control, where MHEA has ownership and lease agreements. As of 2023, scope 1 and 2 GHG emissions collectively account for 20% of the Company's total emissions with, electricity use accounting for 6.9% of MHEA's total GHG emissions.

Based on the above, Sustainalytics considers KPIs 1 and 2 to be material and to have a low scope of applicability.

<sup>7</sup> Sustainalytics' Carbon – Own Operations MEI refers to a company's management of risks related to its own operational energy and GHG emissions (scope 1 and 2). It also includes parts of scope 3 emissions, such as product use and fuel- and energy-related emissions.

<sup>8</sup> SASB, "Hotels & Lodging", (2018), at: [https://www.sasb.org/wp-content/uploads/2018/11/Hotels\\_Lodging\\_BFC\\_2018.pdf](https://www.sasb.org/wp-content/uploads/2018/11/Hotels_Lodging_BFC_2018.pdf)

## KPI Characteristics

In assessing a KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer's performance on a material environmental or social issue;<sup>9</sup> and iv) whether the methodology can be compared against an external contextual benchmark.<sup>10</sup>

### KPI 1: Absolute scope 1 and 2 emissions

Sustainalytics considers MHEA's definition and methodology to calculate KPI 1 to be clear and consistent given the ease of calculation and replicability, and its consistency with the Company's historical reporting on this KPI. The KPI follows the GHG Protocol's Corporate Reporting Standards<sup>11</sup> as the externally defined methodology. Sustainalytics further considers the KPI to be directly linked to the Company's sustainability performance on GHG emissions. Furthermore, Sustainalytics notes that the KPI supports comparison against external science-based decarbonization trajectories, such as the Science Based Targets initiative's (SBTi) cross-sectoral absolute reduction method.<sup>12</sup>

### KPI 2: Renewable electricity use

Sustainalytics considers MHEA's definition and methodology to calculate KPI 2 to be clear and consistent given the ease of calculation and replicability, and its consistency with the Company's historical reporting on this KPI. Additionally, Sustainalytics considers KPI 2 as an indirect measure of MHEA's environmental performance on scope 2 GHG emissions. This approach is considered an industry standard and supports comparison against external references, such as the SBTi and RE100 near-term renewable electricity targets.<sup>13</sup>

## Overall Assessment

Sustainalytics considers KPI 1 to be adequate given that it: i) directly measures MHEA's performance on a material environmental issue; ii) has a low scope of applicability when assessed in combination with KPI 2; iii) follows a clear and consistent methodology; and iv) supports comparison against the SBTi's cross-sectoral absolute reduction method.

Sustainalytics considers KPI 2 to be adequate given that it: i) is an indirect measure of a material environmental issue; ii) has low applicability when assessed in combination with KPI 1; iii) follows a clear and consistent methodology; and iv) supports comparison against external contextual benchmarks.

KPI	Strength of KPI			
KPI 1: Absolute scope 1 and 2 emissions	Not Aligned	Adequate	Strong	Very strong
KPI 2: Renewable electricity use	Not Aligned	Adequate	Strong	Very strong

<sup>9</sup> A direct measure refers to a metric selected for the KPI that shows a specific indicator of performance or an outcome on the material ESG issue.

<sup>10</sup> External contextual benchmarks are standards or points of reference established by recognized third-party organizations to facilitate comparability.

<sup>11</sup> The Greenhouse Gas Protocol, "A Corporate Accounting and Reporting Standard revised edition", at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

<sup>12</sup> SBTi, "SBTi Corporate Near-Term Criteria" (2024), at: <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>

<sup>13</sup> Climate Group, "RE100", at: <https://www.there100.org/>



## Calibration of Sustainability Performance Targets

### Alignment with MHEA's sustainability strategy

MHEA has set the following SPTs for its KPIs:

- SPT 1: Reduce 46.2% of scope 1 and scope 2 GHG emissions by 2030, compared to a 2019 baseline
- SPT 2: Achieve 90% share of renewable electricity consumption by 2027

Sustainalytics considers the SPTs to be aligned with MHEA's sustainability strategy. MHEA has identified GHG emissions and adaptation to climate change as two material ESG issues. The Company aims to reduce absolute scope 1, 2 and 3 GHG emissions by 90% by 2050 compared to a 2019 baseline, and achieve net zero by 2050. Additionally, the Company has set up the SBT 2030 taskforce to carry out the measures to achieve these targets.<sup>14</sup>

Please refer to Section 2 for an analysis of the credibility of MHEA's sustainability strategy.

### Strategy to Achieve the SPTs

MHEA intends to achieve the SPT through the following strategy:

#### SPT 1: Reduce 46.2% of scope 1 and scope 2 GHG emissions by 2030, compared to a 2019 baseline

- Investment in the installation, maintenance and repair of energy efficiency equipment, instruments and devices for measuring, regulating and controlling the energy performance of buildings, and renewable energy technologies aligning with the EU Taxonomy.<sup>15</sup>
- Capital expenditure allocations for technological investments aimed at reducing emissions and improving energy consumption.
- Investments in energy efficiency include upgrading building façades and installing advanced insulation systems to reduce energy consumption for heating and cooling.

#### SPT 2: Achieve 90% share of renewable electricity consumption by 2027

- Installation of photovoltaic solar panels on properties and planned expansion of renewable energy installations to reduce dependency on non-renewable sources.
- Installation of electric boilers and other energy-efficient technologies to replace existing fossil fuel-based systems.
- Purchase of renewable electricity through market-based energy attribute certificates.

### Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of an SPT, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science-based references.<sup>16</sup>

MHEA has set the baseline for SPT 1 at 2019 in line with the baseline set by the SBTi. SPT 2 does not have a defined baseline, as it is calculated relative to the total electricity use during a given year rather than past electricity use. Sustainalytics has considered 2023, the most recent year, as the baseline for assessing the ambition against past performance.

<sup>14</sup> Minor Hotels, "NH Hotel Group Consolidated Statement of Non-Financial Information", (2023), at: <https://memorianh.com/2023/pdfs/einf/en/nh-einf-2023.pdf>

<sup>15</sup> European Union, "Commission Delegated Regulation (EU) 2021/2139, Annex I, 7.3 ("Installation, maintenance and repair of energy efficiency equipment", 7.5 ("Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings" and 7.6 ("Installation, maintenance and repair of renewable energy technologies", at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R2139#anx\\_I](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R2139#anx_I)

<sup>16</sup> We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

SPT 1: Reduce 46.2% of scope 1 and scope 2 GHG emissions by 2030, compared to a 2019 baseline

Sustainalytics assessed ambitiousness based on: past performance, peer performance, and external science-based decarbonization pathways.

Sustainalytics notes that MHEA recorded an annual average reduction in its GHG emissions of 4.57% between 2019 and 2023. To achieve SPT 1, the Company must reduce its scope 1 and 2 GHG emissions by 46.20% between 2019 and 2030, implying an average annual linear reduction of 5.48%, an increase over the historical reduction in MHEA's scope 1 and 2 emissions. Therefore, Sustainalytics considers the targeted performance required to achieve SPT 1 to be above the Company's historical performance on scope 1 and 2 emissions.

Sustainalytics assessed the performance of five peers in the hospitality industry with operations in Europe and the Americas. Four out of the five selected peer companies have also set targets in line with the SBTi's 1.5°C trajectory. Hence, Sustainalytics considers MHEA's SPT 1 to be in line with MHEA's peers' targets.

Regarding comparison with science-based references, Sustainalytics notes that MHEA's scope 1 and 2 GHG emissions reduction target has been validated by the SBTi to be aligned with the cross-sectoral absolute reduction method in line with the 1.5°C scenario.<sup>17</sup>

SPT 2: Achieve 90% share of renewable electricity consumption by 2027

Sustainalytics was able to use the following criteria to assess ambitiousness: past performance, peer performance and science-based trajectories.

To achieve SPT 2, MHEA will need to increase the share of renewables in its total electricity consumption to 90% by 2027, corresponding to an annual linear increase of 3.47% in the share of renewables in MHEA's total electricity use from 2023 to 2027, which is greater than the annual increase of 1.72% between 2021 and 2023. Therefore, Sustainalytics considers SPT 2 to be above MHEA's historical performance.

Sustainalytics assessed the performance of five peers in the hospitality industry with operations in Europe and the Americas. While none of the peers have set targets for increasing their renewable energy consumption, Sustainalytics notes that the Company's peers have measures in place to systematically increase the use of renewable electricity across their operations. Sustainalytics further notes that SPT 2 is also included under scope 2 emissions targets set by peers. Therefore, Sustainalytics considers SPT 2 to be aligned with peer performance.

For comparison with science-based trajectories, Sustainalytics considers the near-term renewable electricity reduction targets, set by the SBTi and RE100, which highlight that companies should have a share of 80% for renewable electricity procurement by 2025 and 100% by 2030 to stay on track to meet the 1.5°C climate scenario.<sup>18,19</sup> Sustainalytics notes that SPT 2 exhibits a more ambitious trajectory compared to the science-based target, as achieving a 90% share by 2027 surpasses the linear interpolation between an 80% share by 2025 and a 100% share by 2030.

**Overall Assessment**

Sustainalytics considers the SPTs to align with MHEA's sustainability strategy and SPT 1 to be highly ambitious given that it: i) presents a material improvement compared to past performance, ii) is average among peers, and iii) aligns with the SBTi's 1.5°C climate scenario.

Sustainalytics considers MHEA's SPT 2 to be highly ambitious given that it: i) presents a material improvement compared to past performance, ii) is in line with its sectoral peers, and iii) aligns with science-based references.

SPT	Ambitiousness of SPT			
SP1: Reduce 46.2% of scope 1 and scope 2 GHG emissions by 2030, compared to a 2019 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SP2: Achieve 90% share of renewable electricity consumption by 2027	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

<sup>17</sup> SBTi, "Companies taking action", at: <https://sciencebasedtargets.org/companies-taking-action>

<sup>18</sup> SBTi, "SBTi Corporate Net-Zero Standards", (2024), at: <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>

<sup>19</sup> RE100 Climate Group, "Frequently asked questions", at: <https://www.there100.org/technical-guidance>





## Financial Characteristics

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The financial characteristics of the sustainability-linked instruments issued under the Framework will be linked to the achievement of the SPTs in the form of a coupon step-up, step-down margin and a premium payment on the redemption price, which will be outlined in the relevant transaction documentation, such as the final terms for the sustainability-linked bond or the facility agreement for the sustainability-linked loan. The KPIs and SPTs applicable to each transaction will be detailed in the specific documentation. The transaction documents may include conditions under which SPTs might be recalculated, such as changes in the calculation methodology or significant events impacting the Company structure.

Sustainalytics notes that MHEA can execute multiple sustainability-linked instruments under the Framework. MHEA has further confirmed to Sustainalytics that KPI 1 will be used either on a standalone basis or along with KPI 2, and that KPI 2 will be used only in combination with KPI 1 for the instruments issued under the Framework.

Sustainalytics considers the financial characteristics of the sustainability-linked financial instruments to be aligned with the SLBP and SLLP but does not opine on the adequacy of the magnitude and structure of the financial penalty.



## Reporting

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MHEA commits to report on its progress on the KPIs on an annual basis and expects to include the relevant figures in its Sustainability Report, until the SPT target date of all outstanding instruments. MHEA further commits to disclose relevant information, including: i) progress towards the KPIs and any other relevant information related with its calculation (recalculations, change in methodology, etc.); and ii) qualitative and quantitative information related to the progress towards the KPIs and progress related to the SPTs to enable investors to monitor the level of ambition of the SPTs. The reporting commitments are aligned with the SLBP and SLLP.



## Verification

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MHEA commits to have an external verifier provide limited assurance against each SPT for each KPI at least once a year. The verification report will be published on MHEA's website. The verification commitments are aligned with the SLBP and SLLP.

## Section 2: Assessment of MHEA's Sustainability Strategy

### Credibility of MHEA's sustainability strategy

MHEA's sustainability strategy is underpinned by two pillars and six broad areas of action that aim to ensure sustainability throughout the Company's value chain: i) UP for Planet – a) Sustainable Products and Assets, b) Processes and Operational Standards, and c) Sustainable Procurement; and ii) UP for People – a) Team Members, b) Customers, c) Communities.<sup>20</sup>

To ensure that MHEA focuses on the most relevant impacts and financial matters, the Company conducts an annual double materiality analysis, which is led by its Executive Sustainability Committee. In 2023, the Company identified GHG emissions and adaptation to climate change as two of its material ESG issues. To address these issues, MHEA has revised its emissions reduction target, aiming to reduce scope 1 and 2 GHG emissions by 46.2% and scope 3 by 27.5% by 2030 compared to 2019. Regarding long-term goals, MHEA commits to reducing its absolute scope 1, 2 and 3 GHG emissions by 90% compared with 2019 and achieving net zero emissions along its entire value chain by 2050. The Company has set up a taskforce, SBT plan 2030, which will outline the actions required to achieve these targets as part of its "SBT Plan 2030".<sup>21</sup>

Additionally, the Company has linked its sustainability targets to the variable compensation of senior management and key positions. These targets aim to support the Company's commitment to sustainability and the SBT Plan 2030. Specifically, the Management Committee's variable pay is tied to the annual net emissions targets outlined in the SBT Plan 2030.<sup>22</sup>

Sustainalytics considers MHEA to have a strong sustainability strategy and that instruments issued under the Framework will further support its sustainability strategy.

### MHEA's Environmental and Social Risk Management

Sustainalytics recognizes that MHEA's defined targets are impactful but notes that achieving the SPTs may bear environmental and social risks related to data privacy and security,<sup>23</sup> occupational health and safety,<sup>24</sup> business ethics<sup>25</sup> human capital,<sup>26</sup> and emissions, effluents and waste.

Sustainalytics comments below on MHEA's ability to mitigate such potential risks.

- To mitigate data privacy and security risks, MHEA has in place an Information Security Policy (the "Policy"),<sup>27</sup> which extends to the employees and management of the Company, as well as all associates and third-party providers who lend their services to MHEA. The Policy outlines concise guidelines for the management, protection and proper use of the Company's information assets, which include information and communication assets, as well as IT services and technologies.
- MHEA has in place a corporate-level occupational health and safety (OHS) policy,<sup>28</sup> which outlines the general guidelines for the Company's approach to OHS and extends to the Company's employees, executives and suppliers, ensuring enhanced management of OHS and the well-being of all team members in their daily activities. The senior management is responsible for carrying out the necessary actions to provide a safe and healthy work environment, which also involves conducting training and providing communication channels to ensure involvement of all members of the Company. In Spain, the Company has an Occupational Risk Prevention Plan,<sup>29</sup> which acts as the key document directing the OHS measures to be implemented at the Company's workplaces in the country.

<sup>20</sup> Minor Hotels, "Consolidated Statement of Non-Financial Information: Sustainability Report", (2023), at: <https://memorianh.com/2023/pdfs/einf/en/nh-einf-2023.pdf>

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Sustainalytics' MEI Data Privacy and Security focuses on data governance practices, including how companies collect, use, manage and protect data.

<sup>24</sup> Sustainalytics' MEI Occupational Health and Safety focuses on the management of workplace hazards affecting a company's own employees and on-site contractors.

<sup>25</sup> Sustainalytics' MEI Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

<sup>26</sup> Sustainalytics' MEI Human Capital focuses on the management of risks related to scarcity of skilled labour, as well as labour relations, such as non-discrimination, working hours and minimum wages.

<sup>27</sup> Minor Hotels, "Information Security Policy", at: [https://www.nh-hotels.com/corporate/assets/uploads/2023/11/16195816/Information\\_Security\\_Policy\\_v1.4.pdf](https://www.nh-hotels.com/corporate/assets/uploads/2023/11/16195816/Information_Security_Policy_v1.4.pdf)

<sup>28</sup> Minor Hotels, "NH Hotel Group, S.A. Occupational Health and Safety Policy", at: <https://www.nh-hotels.com/corporate/assets/uploads/2023/07/25124540/Occupational-Health-and-Safety-policy.pdf>

<sup>29</sup> Ibid.

- To address risks related to business ethics, MHEA has implemented a Code of Conduct<sup>30</sup> at the group level, which applies to all transactions and addresses business ethics, mandates compliance with laws and regulations, and outlines overall corporate responsibility. To mitigate risks related to bribery and corruption, the Company has an Anti-Fraud and Corruption Policy.<sup>31</sup> MHEA has developed a sustainable procurement commitment programme for the screening, assessment and development of suppliers. Moreover, MHEA has a whistleblower platform enabling its employees to report on any wrongdoing, including breaches of the Company's Code of Conduct.<sup>32</sup>
- To avoid violations of human rights, MHEA has established a Human Rights Policy<sup>33</sup> in accordance with international labour standards and principles, such as the United Nations Guiding Principles on Business and Human Rights,<sup>34</sup> the United Nations Global Compact and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.<sup>35</sup> The Human Rights Policy prohibits child labour and forced labour, discrimination and harassment in MHEA's business operations. In addition to the above, the policy requires MHEA to promote employees' rights to equality, inclusion, freedom of association and collective bargaining.
- With respect to emissions, effluents and waste generation risks, the Company has communicated to Sustainalytics that it has established processes to mitigate risks and manage resources efficiently in line with its Environment and Climate Change Policy.<sup>36</sup> It also provides staff with mandatory environmental awareness training and provides data on energy and water consumption, as well as waste generation, which are monitored and automated to support decision making.

Overall, Sustainalytics considers that MHEA has management programmes and policies to mitigate the above environmental and social risks.

## Section 3: Impact of the SPTs

Hotels are among the most energy-intensive buildings globally, primarily due to their 24-hour operations model.<sup>37</sup> The UN World Tourism Organization reports that hotels and various forms of accommodation contribute 40% of the 5% GHG emissions from the global tourism industry.<sup>38</sup> Additionally, the travel and tourism sector is expected to reach a market volume of USD 1.1 trillion by 2029, where hotels are expected to have a 45.6% share.<sup>39</sup> Therefore, it is crucial for the hotel industry to recognize the environmental consequences of its operations and take steps towards reducing its carbon footprint.

As part of the European Green Deal, EU Member States have pledged to cut carbon emissions by at least 55% by 2030 relative to 1990 levels and achieve climate neutrality by 2050.<sup>40</sup> To meet these goals, the hospitality sector along with commercial real estate must create strategies to reduce CO<sub>2</sub> emissions by 94% between 2022 and 2050 to ensure compliance with the Paris Agreement, which seeks to limit the rise in global average temperatures to 1.5°C.<sup>41</sup> In North America, there is a surge in the deployment of

<sup>30</sup> NH Hotel Group, "Code of Conduct", at: [https://www.nh-hotels.com/corporate/assets/uploads/sustainability/CODE-OF-CONDUCT\\_ENG.pdf](https://www.nh-hotels.com/corporate/assets/uploads/sustainability/CODE-OF-CONDUCT_ENG.pdf)

<sup>31</sup> NH Hotel Group, "Corporate Anti-Fraud & Corruption Policy", at: [https://www.nh-hotels.com/corporate/assets/uploads/2023/10/06115345/corporate\\_anti-fraud\\_corruption\\_policy\\_2023\\_sept.pdf](https://www.nh-hotels.com/corporate/assets/uploads/2023/10/06115345/corporate_anti-fraud_corruption_policy_2023_sept.pdf)

<sup>32</sup> Minor Hotels, "Consolidated Statement of Non-Financial Information: Sustainability Report", (2023), at: <https://memorianh.com/2023/pdfs/einf/en/nh-einf-2023.pdf>

<sup>33</sup> NH Hotel Group, "Human Rights Policy", at: [https://www.nh-hotels.com/corporate/assets/uploads/2022/12/01190038/engl\\_human\\_right\\_policy.pdf](https://www.nh-hotels.com/corporate/assets/uploads/2022/12/01190038/engl_human_right_policy.pdf)

<sup>34</sup> United Nations Development Programme, "UN Guiding Principles on Business and Human Rights", at: <https://www.undp.org/sites/g/files/zskgke326/files/migration/in/UNGP-Brochure.pdf>

<sup>35</sup> International Labour Organization, "ILO Declaration on Fundamental Principles and Rights at Work", at: <https://www.ilo.org/ilo-declaration-fundamental-principles-and-rights-work>

<sup>36</sup> NH Hotel Group, "Environment and Climate Change Policy", at: <https://www.nh-hotels.com/corporate/assets/uploads/2023/07/25124734/Environment-and-Climate-Change-Policy.pdf>

<sup>37</sup> US Department of Energy, "Better Buildings", at: <https://betterbuildingsolutioncenter.energy.gov/sectors/hospitality#:~:text=With%2024%2Dhour%20365%2Dday,square%20feet%20of%20national%20floorspace>

<sup>38</sup> UN Tourism, "Hotel Energy Solutions", at: <https://www.unwto.org/hotel-energy-solution#:~:text=The%20hotel%20sector%20is%20one,emitted%20by%20the%20tourism%20sector>

<sup>39</sup> Statista, "Travel & Tourism – Worldwide", at: [https://www.statista.com/outlook/mmo/travel-tourism/worldwide#:~:text=The%20Travel%2026%20Tourism%20market%20is,US\\$241%2C114.00bn%20by%202029](https://www.statista.com/outlook/mmo/travel-tourism/worldwide#:~:text=The%20Travel%2026%20Tourism%20market%20is,US$241%2C114.00bn%20by%202029)

<sup>40</sup> European Union, "European Climate Law", at: [https://climate.ec.europa.eu/eu-action/european-climate-law\\_en#:~:text=The%20European%20Climate%20Law%20writes,2030%2C%20compared%20to%201990%20levels](https://climate.ec.europa.eu/eu-action/european-climate-law_en#:~:text=The%20European%20Climate%20Law%20writes,2030%2C%20compared%20to%201990%20levels)

<sup>41</sup> CBRE, "Sustainability and ESG Adoption in the Hotel Industry: A Global Status Update", at: <https://www.cbre.com/insights/reports/sustainability-and-esg-adoption-in-the-hotel-industry>

state and local government building performance standards, which are expected to ensure that buildings progressively become more energy efficient and therefore less carbon-emitting over time.<sup>42</sup>

Given the above context, Sustainalytics is of the opinion that MHEA's investments in energy efficiency improvements and increasing the use of renewable energy have the potential to support national decarbonization objectives and targets where these hotels operate.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The SLB and SLL are expected to help advance the following SDG and targets:

KPI	SDG	SDG Target
KPI 1: Absolute scope 1 and 2 emissions	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
KPI 2: renewable Electricity Use	7. Affordable and Clean Energy	7.2. By 2030, increase substantially the share of renewable energy in the global energy mix

### Conclusion

MHEA intends to issue sustainability-linked bonds and loans, tying the financial characteristics to the achievement or non-achievement of the following SPTs

- (1) SPT 1: Reduce scope 1 and scope 2 GHG emissions by 46.2% by 2030, compared to a 2019 baseline
- (2) SPT 2: Achieve 90% share of renewable electricity consumption by 2027

Sustainalytics considers KPI 1 to be adequate given that it: i) directly measures MHEA's performance relating to a material environmental issue; ii) has a low scope of applicability; iii) follows a clear and consistent methodology; and iv) supports benchmarking against external science-based emissions reduction trajectories. Sustainalytics considers KPI 2 to be adequate given that it: i) is an indirect measure of a material environmental issue; ii) has a low scope of applicability when assessed in combination with KPI 1; iii) follows a clear and consistent methodology; and iv) supports benchmarking against external contextual benchmarks.

Sustainalytics considers the SPTs to align with MHEA's sustainability strategy and SPT 1 to be highly ambitious given that it: i) presents a material improvement compared to past performance, ii) is in line targets set by peers, and iii) is aligned with the SBTi's 1.5°C scenario. Sustainalytics considers MHEA's SPT 2 to be highly ambitious given that it i) presents a material improvement compared to past performance, ii) is in line with its sectoral peers, and iii) aligns with science-based references.

Additionally, Sustainalytics considers the reporting and verification commitments to be aligned with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles.

Based on the above, Sustainalytics considers the Minor Hotels Europe & Americas Sustainability-Linked Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023 and the prospective achievement of the SPTs to be impactful.

<sup>42</sup> Ibid.

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