

2024

TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES



Pebblebrook Hotel Trust (NYSE:PEB) understands the importance of planning for and mitigating the impacts of a changing climate, both inside and outside our company. We fully embed climate related risk in our enterprise risk management and business strategy and our Board has oversight of climate related risks and opportunities.

To maintain a consistent presentation, our fourth report to the Task Force on Climate Related Financial Disclosure (TCFD), builds on our previous reports and shows how our approach has evolved over the past year. In alignment with the TCFD framework, we set out our actions against the four sections identified in the TCFD framework: governance, strategy, risk management, and metrics and targets.

## GOVERNANCE

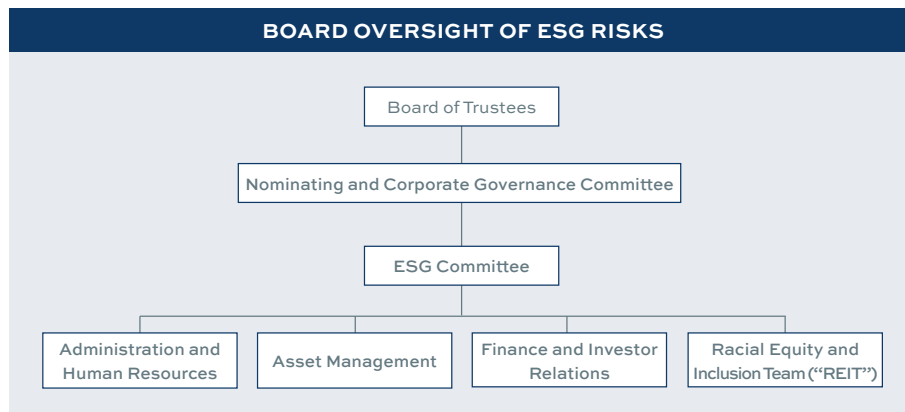
*Disclose the organization’s governance around climate related risks and opportunities*

### Board oversight of climate related risks and opportunities

The Pebblebrook ESG Committee was established in 2019 and oversees its ESG strategy and delivery, including climate risk. Three of our seven Board Members are on our ESG Committee, including our Lead Independent Trustee. The Board charges the ESG Committee with strategic priorities which are reviewed and transformed into companywide strategies by the ESG Committee. The ESG Committee reports to the entire Board of Trustees semi-annually.

### Management’s role in assessing and managing climate-related risks and opportunities

The ESG Committee oversees the assessment and management of climate related risks and opportunities. The Committee consists of senior executives from across the business, including the Chief Financial Officer and three board members. The committee’s purpose is to add a sustainability lens to decision-making at all levels of our company. Accordingly, the ESG committee acts as a cross-departmental link for all climate-related risks and opportunities. The committee acts as a liaison between upper management and asset managers during semi-annual planning sessions and monthly operations meetings to turn the company-wide strategies and resulting initiatives developed by the ESG Committee into property-level initiatives.



## STRATEGY

Disclose the actual and potential impacts of climate related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material

### Climate related risks and opportunities identified over the short, medium, and long term

#### Climate Risks

Climate related risks are identified similarly to other business risks as part of our annual enterprise risk management process, using a combination of probability and magnitude of each risk. **Short-term** is identified as 1-2 years; **medium-term** is identified as 3-6 years, and **long-term** is identified as 7-10

years. It should be noted that some risks may span all 10 years, others come into play after some time. As such, some short- and medium-term risks are treated as being present continually.

We undertake climate risk assessments at the portfolio and property level to inform the climate risk analysis with an ongoing process to review and update risks and actions. In 2020, a complete portfolio sustainability risk assessment was undertaken. The assessment highlighted the portfolio's exposure to climate, water, and biodiversity risk. Going forward, this assessment will guide our initiatives in water-stressed areas, such as California, and how we respond to predicted temperature and precipitation changes, which the majority of our properties across the US will experience.

Category	Timeframe	Risk	Level	Risk Management
Physical	Short, Medium, and Long-Term	Extreme weather events (hurricanes, fires, mudslides, droughts)	High	Investments in adequate property and business interruption insurance programs
Physical	Short and Medium-Term	Increased cost or lack of supply of raw materials	Medium	Efficiency investments
Physical	Long-Term	Rising sea levels	High	Property level sustainability risk assessments as part of the due diligence process for acquisitions
Physical	Long-Term	Increase in global temperatures	High	Environmental evaluation of potential acquisitions
Transition	Short and Medium-Term	Increased Stakeholder (investors, business partners) concerns and activism	Medium	Continued integration of a sound ESG program including: <ul style="list-style-type: none"> <li>Efficiency investments</li> <li>Portfolio wide communication of climate actions</li> <li>Elimination of single-use plastics from the majority of hotels</li> <li>Participation in ESG disclosure frameworks and benchmarking</li> <li>Responsible purchasing program</li> </ul>

Category	Timeframe	Risk	Level	Risk Management
Transition	Short and Medium-Term	Increased guest preferences for ESG-friendly hotel products (sustainability certified hotels, green programs, plastic-free hotels, etc.)	High	Continued integration of a sound ESG program including: <ul style="list-style-type: none"> <li>▪ Efficiency investments</li> <li>▪ Portfolio wide communication of climate actions</li> <li>▪ Elimination of single-use plastics from the majority of hotels</li> <li>▪ Participation in ESG disclosure frameworks and benchmarking</li> <li>▪ Responsible purchasing program</li> </ul>
Transition	Short and Medium-Term	Regulatory change (carbon taxes, construction limitations, net zero legislation, ESG disclosure requirements, etc.) leading to increased costs	High	Many of our on-site hotel operators, asset managers, or executive team members are actively involved in the local communities and work with local governments to ensure we remain up to speed on evolving regulations and legislation related to climate change
Transition	Short and Medium-Term	Increased insurance costs as a result of market changes or changes in portfolio investment strategy	Medium	Property level sustainability risk assessments as part of the due diligence process for acquisitions  Evaluations of probable maximum loss and communications with property insurance carriers
Transition	Short and Medium-Term	Supply chain disruption and increased costs of construction materials and furniture, fixtures and equipment	Medium	Expanding existing supply chain vendors
Transition	Short, Medium, and Long-Term	Uncertainty in market signals (uncertainty around travel)	Medium	Weekly calls with property-level revenue managers to determine market conditions  Review daily on-the-books data to track booking trends
Transition	Long-Term	Increased difficulty of maintaining an equitable and safe work environment (and resulting increased risk of hiring talented and qualified hotel-level and corporate employees)	Medium	Implementing an annual employee satisfaction survey

## **Climate Opportunities**

Several opportunities are likely to arise in the short to long-term:

- Increased consumer preference for ESG-friendly hotels can result in increased revenue since we have been implementing portfolio-wide ESG initiatives for many years and can highlight these programs in RFPs
- Integrating an ESG program as an integral part of our business model can result in higher employee satisfaction
- Investments in efficiency as well as efficiency related process changes will result in lower resource use and associated costs
- Increased availability and lower costs of goods and services with lower environmental impact will enable faster adoption of more sustainable alternatives; seeking alternate supply chain vendors can result in exposure to varying best practices and overall lower costs

## **Impact of climate-related risks and opportunities on businesses, strategy, and financial planning**

In addition to the portfolio risk assessment mentioned previously, we undertake property level sustainability risk assessments as part of the due diligence process for acquisitions. In 2021, we undertook property level risk analyses for properties prior to acquisition to understand potential climate-related risks such as extreme weather events, sea level rise, changes in precipitation, as well as biodiversity risks such as proximity to protected areas and endangered species. Identified issues are flagged, and actions are taken to remediate where possible.

### **Impact on business**

#### **Physical risks**

In the short term, extreme weather events such as hurricanes, fires, mudslides, and droughts pose the most severe risks to our business as they may result in significant damage to properties, business interruption and risks to the wellbeing of our guests and employees.

In the long term, the most severe risks include rising sea levels which risk causing physical erosion and lack of available freshwater supply for operation and consumption. Additionally, an increase in global temperatures may cause certain investment markets to be less desirable and thus lead to overall increased operating costs.

#### **Transitional risks**

In the short term the most important transitional risks are regulatory change such as carbon taxes, construction limitations, and increased ESG disclosure requirements, all of which would result in the requirement for increased resources, both financial and human, and may impact our ability to do business.

In addition, we are seeing an increased guest preference for ESG-friendly hotel products, such as sustainability certified hotels, green programs, and plastic-free hotels, as well as a preference for hotels that are low-carbon and powered by renewable electricity from the business travel community as part of their scope 3 business travel. A lack of response to this demand poses a direct risk to our profitability as consumers choose products that align with their values. We continue to address these preferences through capital investments, shifts in operation, and overall management of our assets.

### **Impact on strategy and planning**

Our understanding of climate risks has a direct impact on our strategy and planning. Below are some examples of how climate risk influences our strategy and some tangible examples of it in action:

- The majority of our capital investment projects are purchased through the lens of investing in resiliency and long-term sustainability.
- Over the past 8 years, we have invested over \$24 million to increase energy and water efficiency and reduce waste.

- To mitigate risks from extreme weather events, we invest heavily in adequate property and business interruption insurance programs and rebuild with resilience in mind after properties have been impacted by extreme weather events.
- Many of our on-site hotel operators, asset managers, and executive team members are actively involved in the local communities and work with local governments to ensure we remain up to speed on evolving regulations and legislation related to climate change. We continue to purchase hotels in drive-to locations, close to nearby metropolitan areas, to mitigate impacts due to climate-related hesitancy towards producing flight emissions.
- In 2023, we invested \$20,374 in water conservation projects at our W Los Angeles – West Beverly Hills and W Boston hotels.
- Recently, our 1 Hotel San Francisco achieved LEED Gold Certification for Operations and Maintenance.
- During annual budget meetings, our entire executive team meets with all property teams to review the upcoming annual plan. The CEO, CFO and CIO review all capital investments and sustainability/climate strategies in place and planned for the future.

### **Resilience of strategy, taking into account different scenarios, including a 2°C or lower scenario**

The 1.5 degree or lower scenario is the global community's accepted limitation on temperature increase to avoid potentially catastrophic changes to the planet. Under this scenario, Pebblebrook recognizes that we will see significant shifts in how business, governments, and society approach decarbonization of the way we live and work looking toward net zero by 2050. We recognize that global efforts will need to be met by immediate and sustained action of every individual and business, including Pebblebrook, to meet the 1.5-degree goal and prevent catastrophic consequences to the planet. This may include introducing new environmental and carbon reduction policies, the phasing out of fossil fuels and decarbonization of electricity grids, carbon being priced and embedded into assets, and adjusting to physical impacts such as sea-level rise, which may make some places uninhabitable. We will continue to review our risk assessments and plans to ensure the future resilience of our strategy and our business.

## RISK MANAGEMENT

*Disclose how the organization identifies, assesses and manages climate-related risks*

### Processes for identifying and assessing climate-related risks

Our ESG Approach ensures that climate-related risks are addressed throughout the different phases of the investment cycle as set out in our business strategy.

We ensure that our whole company is aware of climate-related risks through annual training which is compulsory for all staff.

At the individual property level, Pebblebrook’s experienced asset management team collaborates regularly with its management companies, on-site professionals, and environmental consultants to review energy costs and identify investment projects, operational changes, and other routes to better manage the efficiency of each asset.

Business strategy		Climate risk identification
Transact	Acquire an underperforming, underinvested or incorrectly positioned hotel	Undertake climate risk assessment as part of the due diligence process
Vision	Find the soul and the personality of the hotel and create the narrative	Assess how climate risks identified will impact the vision and narrative for the hotel
Assess	Examine all aspects of the hotel’s offering to create a unique, inviting guest experience while also improving the hotel’s profitability	Assess how climate risks might impact market forces, the guest experience and profitability
Reposition	Renovate and re-launch the hotel with a unique experiential proposition	Ensure that climate risks are addressed throughout the renovation and re-launch process with appropriate investments made to ensure mitigation and adaptation where necessary
Operate	Relentlessly pursue increased efficiency and opportunities to enhance the hotel’s profitability and utilization	Work with operators to ensure efficiency in operations, including energy and water efficiency, waste reduction and emissions reduction and review best practices implementation annually
Re-evaluate	Determine if hotel has optimized market position and if not, determine additional operating changes or capital reinvestment to further improve the hotel’s value	Track climate risks and identify where further action needs to be taken

## How processes for identifying, assessing and managing climate related risks are integrated into overall risk management

Managing climate-related risks is embedded within our enterprise risk management process, ultimately overseen by the Board. This includes assessing risks based on their potential likelihood of materializing combined with the magnitude of their impact on our business.

Our ESG Committee reviews the portfolio climate risk assessments and the individual property climate risk assessments and reports them to the Board, which reviews and opines on the annual capital investment budget and must approve all acquisitions and dispositions.

### PROCESSES FOR MANAGING CLIMATE-RELATED RISKS

Category	Risk	Processes
Physical	<ul style="list-style-type: none"> <li>Extreme weather events</li> <li>Increased cost or lack of supply of raw materials</li> <li>Rising sea levels</li> <li>Increase in global temperatures</li> </ul>	<ul style="list-style-type: none"> <li>Efficiency investments</li> <li>Investments in infrastructure</li> <li>Onsite energy generation (solar)</li> <li>Preventative maintenance</li> <li>Environmental evaluation of potential acquisitions</li> <li>Establishment of goals and targets</li> </ul>
Transitional	<ul style="list-style-type: none"> <li>Increased Stakeholder (investors, business partners) concerns and activism</li> <li>Increased guest preferences for ESG-friendly hotel products</li> <li>Regulatory change leading to increased costs</li> <li>Increased insurance costs</li> <li>Supply chain disruption</li> <li>Uncertainty in market signals</li> <li>Maintaining an equitable and safe work environment</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio wide communication of climate actions</li> <li>Elimination of single-use plastics from the majority of hotels</li> <li>Participation in local community and government initiatives</li> <li>Participation in ESG disclosure frameworks and benchmarking</li> <li>Responsible purchasing program</li> <li>Expanding existing supply chain vendors</li> <li>Skills development and training</li> </ul>



## METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

### Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process

The following metrics are used in relation to climate-related risks and opportunities:

#### Energy:

- Total Energy Consumption (kilowatt-hours)
- Total Direct Energy Consumption (kilowatt-hours)
- Total Indirect Energy Consumption (kilowatt-hours)
- Total Energy Consumption of Electric Power (kilowatt-hours)
- Energy Consumption per square foot (kilowatt hours)
- % Energy from Renewables

#### Greenhouse Gas Emissions

- Total Greenhouse Gas Emissions (kgCO<sub>2</sub>e)
- Total Scope 1 Emissions (kgCO<sub>2</sub>e)
- Total Scope 2 Emissions (kgCO<sub>2</sub>e)
- Greenhouse Gas Emissions per square foot (kgCO<sub>2</sub>e)

#### Water

- Total Water Consumption (kilo-gallons)
- Water Consumption per occupied room (gallons)

#### Waste

- Waste Generated per occupied room (pounds)
- Non-diverted waste per occupied room (pounds)
- Waste Diversion Rate (%)

In addition, we monitor the proportion of our properties located in 100-year flood zones, the percentage of the eligible portfolio that has an energy rating, and the percentage of the eligible portfolio that is certified to ENERGY STAR.

Greenhouse Gas Emissions	2013	2019	2020	2021	2022	2023
Total Greenhouse Gas Emissions (metric tons CO <sub>2</sub> e)	70,836.63	84,140.20	52,042.62	59,015.92	70,016.08	65,935.51
Total Scope 1 Emissions (metric tons CO <sub>2</sub> e)	19,960.84	29,725.68	17,678.52	23,548.45	22,437.89	22,327.39
Total Scope 2 Emissions (metric tons CO <sub>2</sub> e)	50,875.80	54,414.53	34,364.10	35,467.46	47,578.19	43,608.12
Greenhouse Gas Emissions per square foot (kgCO <sub>2</sub> e)	9.13	7.10	4.56	5.36	5.78	5.71

### Targets used by the organization to manage climate-related risks and opportunities and performance against targets

We are committed to reducing our carbon emissions intensity by 35% by 2030 against a 2013 baseline and to reviewing different pathways towards a net zero emissions goal for 2050. In the near term we will develop our net zero pathway in detail to determine our goal year and will raise our interim ambitions accordingly.