

Chatham Lodging Trust

Task Force on Climate-Related Financial Disclosures Report

Governance

Disclosure	Response	Reference
<p>Board’s oversight of climate related risks and opportunities</p>	<p>Board of Trustees Chatham’s Board of Trustees has overall responsibility for overseeing risk management with a focus on the more significant risks facing the Company. The Board of Trustees takes an active and informed role in the Company’s risk management policies and strategies. At least annually, the Company’s executive officers who are responsible for the Company’s day-to-day risk management practices present to the Board of Trustees a comprehensive report on the material risks to the Company, including credit risk, liquidity risk, information security risk, and environmental risks, including climate risk. At that time, the management team also reviews with the Board of Trustees the Company’s risk mitigation policies and strategies specific to each risk that is identified.</p> <p>Nominating and Corporate Governance Committee Chatham’s Climate risks and opportunities are directly overseen by the Nominating and Corporate Governance (NCG) Committee of the Board of Trustees. The NCG Committee also has primary responsibility for overseeing corporate governance and ESG Risk which includes reviewing and refining our ESG policies, which prescribes the implementation, management, and enhancement of environmental and social programs.</p> <p>Audit Committee The Audit Committee also actively monitors risks to the Company throughout the year, and with the aid of Management, identifies any additional risks that need to be elevated for the full Board’s consideration, including climate risk. The Audit Committee discusses with management the Company’s major financial risk exposures, including risks related to climate. The Audit Committee also discusses the steps management has taken to monitor and control such exposures, including the Company’s risk assessment and risk management policies.</p>	<p>2021 Proxy Statement</p> <p>2020 Corporate Responsibility Report</p> <p>Environmental Policy</p>
<p>Management’s role in assessing and managing climate</p>	<p>Chatham’s Executive Officers (management) are responsible for the day-to-day management of risks we face, including climate risk and opportunities. The Officers collect and formulate relevant data and information and share recommendations to the</p>	<p>2020 Corporate Responsibility Report</p>

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related risks and opportunities	Nominating and Corporate Governance (NCG) Committee that adopts measures and reports periodically to the Board of Trustees. If necessary, the Board of Trustees may delegate specific risk management tasks to the Officers or a committee. Throughout the year, management monitors the Company’s risk profile and updates the Board of Trustees as new material risks are identified or the aspects of a risk previously presented to the Board of Trustees materially change. Chatham is planning to form an ESG committee that will report directly to the Board of Trustees at scheduled intervals.	

Strategy

Chatham faces the following climate-related risks and opportunities identified over the short, medium and long-term. For the purposes of assessing climate risk and opportunities we use the following time horizons: Short-term (<3 years), Medium-term (3-6 years), and Long-term (>6-10 years or longer).

Disclosure	Response			Reference
Climate-related risks and opportunities identified over the short, medium and long-term	Time Frame	Physical Climate Risk	Climate Opportunities	N/A
	Short and Medium Term:	<ul style="list-style-type: none"> • Inadequate water supply • Extreme weather events • Building flooding from storm surges • Fire damage from wildfires • Poor indoor air quality • Rising mean temperatures 	<ul style="list-style-type: none"> • Increased consumer preference due to meeting customer preferences and needs • Improved emergency response practices resulting from implementation of best practices for extreme weather events, such as regularly check and improve our assets' adaptability to extreme events related to weather and climate (especially floods and rainfall) • Increased building and operating efficiencies resulting from implementation of energy and water efficiency upgrades • Increased revenue from adhering to customer preferences for 'green' hotels • Financial savings resulting from investments in renewable energy and efficiency (Long term) • Availability of low emissions goods and services 	
		Transition Climate Risk		
		<ul style="list-style-type: none"> • More stringent building codes for existing and new buildings • Higher customer expectations for decarbonized travel • Expectations of business travelers for carbon neutral stays and meetings • Reduced demand for group travel due to organizational initiatives to reduce environmental impacts of business travel • Increased insurance premiums for hotels located in areas with high exposure to physical climate risk factors • Requirements to change out equipment or structures such as 		

Disclosure	Response		Reference
		accommodation of electric vehicles for parking <ul style="list-style-type: none"> Increased requirements for ESG disclosure from investors and operators 	<ul style="list-style-type: none"> Increased long-term asset value from efficiency, resiliency, and low-carbon attributes
	Time Frame	Physical Climate Risk	
	Long Term or Unknown:	<ul style="list-style-type: none"> Sea level rise 	
		Transition Climate Risk <ul style="list-style-type: none"> Franchise brands in the portfolio are bound to commitments from Brand owner (i.e, Marriott committing to Net Zero) 	
Impact on Business, Strategy and Financial Planning	Our commitments to sustainability aim to integrate ESG factors into our Company’s value creation strategy to drive profitability, while positively impacting our stakeholders, the environment, and the communities where our hotel properties are located. In the short-to-medium term, we consider one of our greatest impacts on business to be the transition risk/opportunity of changing customer preferences for decarbonized travel and hotel stays. This preference is taken into consideration in overall business strategy and planning. Over the long-term, we consider one of our greatest risks to be sea level rise which affects the geographic location of our acquisitions and asset management. This risk must be considered throughout the life cycle of the real estate process from portfolio addition, ongoing asset management, renovation and disposition. The physical risk of extreme weather on our buildings as a result of floods, wildfires and hurricanes is driving increased insurance premiums that must be taken in consideration for financial planning. We are currently evaluating all geographical locations where Chatham owns assets to assess environmental and socioeconomic trends, which may impact our asset values in addition to revenue and costs in our major markets.		TCFD
Organizational Resilience and Impact of Different Scenarios, Including 2 degrees or lower	The 1.5 degree or lower scenario is the global community’s accepted limitation on temperature growth to avoid potentially catastrophic changes to the planet. Under this scenario, Chatham anticipates a transformational shift as business, government and society as a whole focus on decarbonizing the way we live and work with an eye toward net-zero by 2050. We recognize that global efforts alone will not be enough to meet the 1.5-degree goal and every individual and business will need to take immediate and sustained action to prevent catastrophic consequences to the planet.		TCFD
	Though our company is at the beginning stages of understanding and undertaking changes in the way we operate, Chatham is currently evaluating the pathway and corresponding budgetary		

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	<p>needs required to reduce its emissions toward net zero over the next 30 years. We are committed to shifting as necessary, in partnership with our customers, lawmakers and investors, to make whatever changes are necessary to meet this critical planetary goal. As such, we anticipate changes in building standards, pricing, regulation, customer preferences, low carbon products and services.</p>	

Risk Management

Disclosure	Response	References
<p>Process for identifying and assessing climate related risks</p>	<p>Climate related risks are identified at several instances during the life cycle of real estate acquisition and asset management. During the due diligence phase of property acquisition, Chatham identifies properties with high-risk exposure to extreme weather events and/or geographical exposure to areas already facing climate change adaptation measures. Once properties are purchased, we make investments in resilience and planning as part of the capital budgeting process and asset planning. In addition, Chatham seeks to identify climate related risks to properties in day-to-day asset management practices so that we can develop best practices for withstanding extreme weather events and impacts to our buildings. In 2021, the company conducted a Sustainability Risks & Opportunities Assessment, which is a portfolio-wide assessment of water risk, climate risk, biodiversity proximity, socio-economic indicators. This assessment not only identifies risk but allows us to further embed risk and opportunity management into company processes such as due diligence and other life cycle stages of hotel ownership.</p>	<p>2020 Corporate Responsibility Report</p>
<p>Processes for managing climate related risks</p>	<p>Chatham’s process for managing climate related risks involves planning, implementation, and monitoring activities around the following focus areas:</p> <ul style="list-style-type: none"> • Environmental compliance • Energy consumption • Greenhouse gas (“GHG”) emissions • Water consumption • Waste generation • Environmental stress • Responsible procurement 	<p>Environmental Policy 2020 Corporate Responsibility Report</p>

Disclosure	Response	References
	<p>The backbone of Chatham’s process for managing climate related risks is its active engagement with the brands and operators. Chatham has a close working relationship with its 3rd party operator, Island Hospitality. Island Hospitality is committed to reducing its climate impact by identifying energy efficiency and renewable energy opportunities. In addition, the majority of Chatham’s properties fall within brands with proactive sustainability initiatives to address climate change and climate risk. As discussed above, the NCG Committee makes decisions regarding the prioritization of environmental risks and the allocation of resources to the mitigation of such risks. Constraints in the execution of any environmental program include financial, technological, operational and/or regulatory constraints.</p>	
<p>Integration into overall risk management</p>	<p>Risk management is integrated into Chatham’s operational practices in a four key ways. The primary area of integration is through the insurance procurement process. The company’s insurance brokers address specific climate risks such as flood, blizzard, hurricanes, etc. when we renew our insurance annually and when we buy a hotel. Secondly, each hotel has an emergency manual that includes procedures for addressing every kind of emergency risk that could arise, including those caused by the physical risks of climate change. Risk management is also addressed through the hotel’s compliance with brand standards. The brand standards often include minimum guidelines for energy and water efficiency, which support the reduction of greenhouse gas emissions for the property and company overall. Finally, Chatham has an Employee Handbook that addresses a host of social risks including corruption, bribery, and harassment.</p>	<p>TCFD</p>

Metrics and Targets

Metrics used by the organization to assess climate related risks and opportunities.

Chatham collects and discloses annual performance data for the following key metrics:

Category	Metric	Disclosure Location
GHG Emissions	Scope 1 GHG Emissions	Annual ESG Performance Tables
GHG Emissions	Scope 2 GHG Emissions	Annual ESG Performance Tables
GHG Emissions	Combined Scope 1 & 2 GHG Emissions	Annual ESG Performance Tables
GHG Emissions	GHG Emissions Intensity per Square foot	Annual ESG Performance Tables
Energy	Direct and Indirect Energy Consumption	Annual ESG Performance Tables
Energy	Total Energy	Annual ESG Performance Tables
Energy	Energy Intensity per Square Foot	Annual ESG Performance Tables
Energy	% Renewables	Annual ESG Performance Tables
Water	Total Water	Annual ESG Performance Tables
Water	Water Intensity per Occupied Room	Annual ESG Performance Tables
Waste	Total Waste	Annual ESG Performance Tables
Waste	Waste Intensity per Occupied Room	Annual ESG Performance Tables
Waste	Diversion rate	Annual ESG Performance Tables

Additional metrics monitored in the Sustainability Risk and Opportunity Assessment

- Climate Risk Indicators
 - Drought risk
 - Flood risk
 - Cyclone risk
 - Precipitation change
 - Temperature change
 - Sea level rise
- Water Risk Indicators
 - Baseline water stress
 - Seasonal variability
 - Future water stress 2030

- Future water demand 2030
- Water risk premium
- Future water supply 2030
- Water intensity (Gallons/Sq. Ft.)
- Relative market water intensity

- Biodiversity Risk Indicators
 - Proximity to IUCN protected areas
 - Proximity to species recognized by the IUCN as critically endangered

- Socio-economic Risk Indicators
 - Obesity
 - Food insecurity
 - Air pollution
 - Unemployment
 - Crime
 - Healthcare

Scope 1, 2 and 3 Greenhouse Gas Emissions

Greenhouse Gas Emissions	2019 Performance
Scope 1	8012.29 kgCO2e
Scope 2	23,037.50 kgCO2e
Total Scope 1 + Scope 2	31,049.79 kgCO2e
Intensity per Square Foot	6.68 kgCO2e
Scope 3	<i>Currently, we do not track Scope 3 emissions</i>

Targets and Performance Against Targets

Chatham currently does not have environmental targets. We have, however, identified the opportunity to enhance our efforts around climate risk and opportunities by establishing an environmental baseline and exploring environmental targets in the near future.