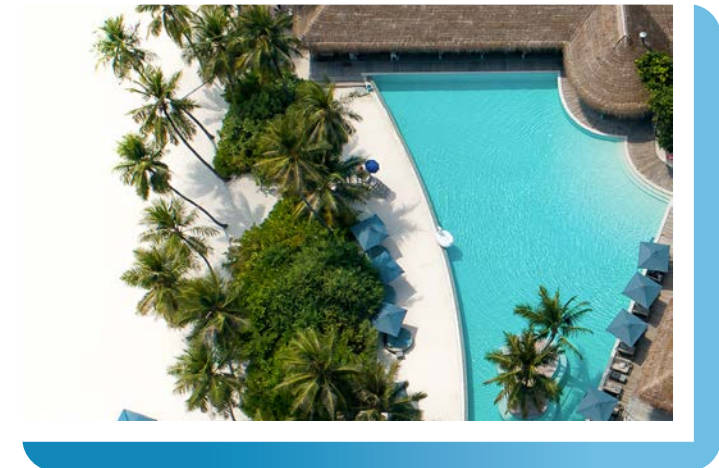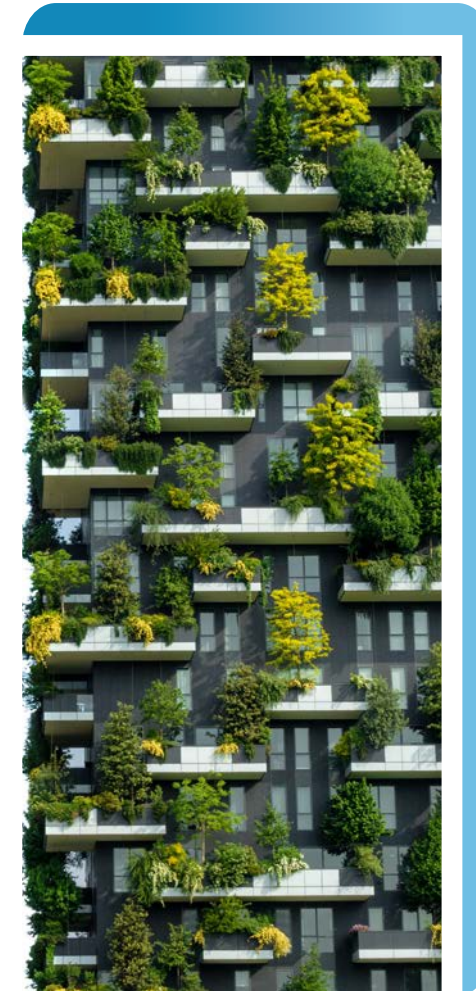# NET ZERO
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**2ND EDITION** • JUNE 2023

## APPENDIX E

### METHODOLOGY ALIGNMENT WITH OTHER INDUSTRY INITIATIVES AND SBTI VALIDATION PROCESS

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WORLD TRAVEL & TOURISM COUNCIL

PATA
Pacific Asia Travel Association

Sustainable Hospitality Alliance

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# APPENDIX E: METHODOLOGY ALIGNMENT WITH OTHER INDUSTRY INITIATIVES AND SBTI VALIDATION PROCESS

**The UN Race to Zero campaign and the Science Based Targets initiative (SBTi) are the two entities leading the global discussions on decarbonization.** The SME Climate Hub is the UN Race to Zero's partner for businesses with less than 500 employees, in which independent or small hotel owners or operators may fit. For travel and tourism, the Glasgow Declaration is the central commitment to decarbonization. Below we set out how this methodology aligns with these.

## E.1. UN RACE TO ZERO CAMPAIGN

▼ **Table E.1** UN Race to Zero Campaign Alignment

| ATTRIBUTE | QUESTION | NET ZERO METHODOLOGY FOR HOTELS |
|---|---|---|
| **Procedural Criteria** | | |
| **Pledge**<br><br>Pledge at the head-of-organization level to reach (net) zero GHGs as soon as possible, and by midcentury at the latest, in line with global efforts to limit warming to 1.5C. Set an interim target to achieve in the next decade, which reflects maximum effort toward or beyond a fair share of the 50% global reduction in CO2 by 2030 identified in the IPCC Special Report on Global Warming of 1.5C | Does the network / initiative clearly require actors to have a NZ target by 2050? Note any exceptions or deviations. Are targets required to be firmly embedded in organizations' strategies? Can you provide evidence that organizations actually have such targets? Are interim targets required? | Hotel companies aligning with the methodology are to aim for net zero in 2040 for building emissions, and 2050 for all others per the boundary as outlined in Section 2.<br><br>The commitment is to be approved at the highest levels of the company and the net-zero pathway is to be integrated into the company's structure and processes. See Section 6 for the detailed step-by-step guide for hotels to set their net-zero pathway. |
| **Plan**<br><br>Within 12 months of joining, explain what actions will be taken toward achieving both interim and longer-term pledges, especially in the short- to medium-term. | Are plans required? What level of ambition is required of short- or medium-term targets / plans, if any? Are they required within a certain timeframe? How does the network/initiative require/support actors to make plans? Can you find evidence of these plans existing? | The methodology's pathway approach set out in default milestone categories, performance and engagement targets in Section 3 can be utilized by hotels to formulate plans for actions to be taken in the interim and long term. |
| **Proceed**<br><br>Take immediate action toward achieving (net) zero, consistent with delivering interim targets specified. | Does the network / initiative clearly urge or require immediate action? What near-term measures does it require of actors, and in what timeframe does it require those measures? Do actors in the network/initiative show evidence of actually taking steps? | |
| **Publish**<br><br>Commit to report publicly both progress against interim and long-term targets, as well as the actions being taken, at least annually. To the extent possible, report via platforms that feed into the UNFCCC Global Climate Action Portal. | Does the network/initiative require at least annual reporting? What form does it require reports to take? Can you provide evidence that progress has been reported? | Hotel companies are to communicate their progress toward net zero routinely by embedding in their annual ESG reporting processes and in alignment with existing reporting frameworks. See Section 6 for the detailed step-by-step guide for hotels to communicate on the initiative. |

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Table E.1
UN Race to Zero
Campaign Alignment

| ATTRIBUTE | QUESTION | NET ZERO METHODOLOGY FOR HOTELS |
|---|---|---|
| **Leadership Practices** | | |
| **Scope** Targets must cover all greenhouse gas emissions: Including Scope 3 for businesses and investors where they are material to total emissions and where data availability allows them to be measured sufficiently. Including all territorial emissions for cities and regions Leading targets may also include: Cumulative emissions (for all actors) Consumption emissions (for cities, states, and regions) | To the extent some emissions are NOT included, what justifications, if any, are given (e.g. trivial amount, data are impossible to find, actors lack power to control, etc.)? | All Scope 1, 2, and 3 emissions across the hotel's defined boundary as suggested in this methodology in Section 2 are covered. This includes greenhouse gases of CO2, CH4, and N2O, and potentially HFCs if significant to a hotel. The methodology covers the hotel industry as a component of commercial real estate and the value chain of travel and tourism. For specifics on sectors covered, see Table 6 and Table 7. Targets should cover Scope 1 and 2 emissions for hotel owners and operators, as well as Scope 3 emissions in each default category. All are covered per the respective entity as a default, and unless determined based on circumstance of a hotel or company, those deemed insignificant, uncommon, or out of bounds as itemized in Appendix C are not covered. Territorial and imported emissions are mostly covered as well. Imported emissions potentially include imported product emissions from F&B and OS&E, embodied carbon emissions from building materials. Otherwise, the provision of a hotel stay is inherently a territorial activity. |
| **Sinks and credits** In the transition to (net) zero, prioritize reducing emissions, limiting any residual emissions to those that are not feasible to eliminate. Clearly specify what sinks or credits are used to make what, if any, neutralization claims, clarifying how sinks and credits are used both on the path to (net) zero, and after (net) zero is obtained. Any neutralization of residual emissions must transition to permanent removals by the time (net) zero status is achieved. Encourage immediate contributions to the preservation and restoration of natural sinks, not necessarily linked to neutralization claims. Ensure that any credits achieve robust outcomes for additionality, permanence, and accounting, and do not undermine social justice or harm biodiversity. | Are there any restrictions on offsetting (e.g. must be high environmental integrity, avoid social harm, avoid biodiversity harm, not include avoided emissions (e.g. via renewable energy projects), not include emissions reductions (e.g. via forest conservation), not include biological sequestration (e.g. via afforestation)? Are these similar to peer networks / initiatives? | Entities are allowed to purchase external offsets, with guidance on principles for types of offsets to purchase and specific limitations and thresholds for what can be accounted for in net-zero progress claims by each yardstick milestone. Offsets should meet a minimum threshold of quality and contribution to sustainable tourism, and approach is aligned with the Oxford Principles for Net Zero Aligned Carbon Offsetting as a base framework. The Methodology does not participate in any emissions trading schemes. Residual emissions are still to be further defined per best practice guidance in general, but currently determined as emissions accumulated each year in deviation from a pathway trajectory of emissions. See Section 3.4 and Appendix K for further specifics. |
| **Empowerment and equity** Seek to enable all actors to contribute to the global transition toward net zero through engagement, information sharing, access to finance, and capacity building. Develop pledges, plans, and actions in consideration of equity, drawing on, inter alia, the Sustainable Development Goals and Articles 2 and 4 of the Paris Agreement. | N/A | The Methodology embeds three related principles: **Regional Equity Principle** – mature markets that have established mechanisms for purchasing renewable energy should be held to more stringent Scope 2 decarbonization. **Business Model Equity Principle** – Hotel owners who obtain value on the appreciation of real estate over time and do not have a business model based on growth of floor area and subsequent job creation and local economic spend should be held to more stringent decarbonization targets **Sustainable Tourism Equity Principle** – Carbon offsets should meet a threshold of sustainable tourism that benefits local communities for tangible economic benefit and protection of natural and cultural heritage as well as align with company strategy and also seek to support industrywide decarbonization including aviation The guidance should be used when making choices about carbon offsets and when engaging among the value chain of entities have either a hotel asset or hotel stay in their Scope 3 boundary. |

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Table E.1
UN Race to Zero
Campaign Alignment

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| ATTRIBUTE | QUESTION | NET ZERO METHODOLOGY FOR HOTELS |
|---|---|---|
| **Questionnaire on Criteria for Net Zero Targets** | | |
| **End state and transition** | How do you define the end state you are seeking to achieve? For example, are you seeking net zero, absolute zero, or 'climate positive,' or some other goal? How is the pathway to that end state defined? Please refer to the Race to Zero Lexicon. | Net zero is defined to be zero carbon emissions across the hotel's defined boundary as suggested in this methodology in Section 2.

Net zero is targeted for 2040 for building emissions, and 2050 for all other per the boundary as outlined in Section 2.

Interim targets are set for 2025, 2030, 2035, 2040 with respective targets for each default category to decarbonize.

Refer to Section 3 for specific interim targets per default category of a net-zero plan.

The Net-Zero Pathway outlines milestone activities per yardstick year and disclosures of the Net-Zero Plan outlining action in each of the default categories for performance targets, and introduces the approach of engagement targets for each respective category that can be started immediately, in particular for areas of less control/influence or that have gaps in calculation methodology that need to be solved first. |
| **Future uncertainties** | Which solutions (including key technologies or behaviors) do you anticipate will be necessary to achieve the net-zero targets, but which do not yet exist, or which are not yet feasible to implement? How much uncertainty surrounds the future development of these solutions, and how do your plans address uncertainty in these factors and in other trends? | In the current methodology, the most immediate necessary solutions relate to accounting and quantification of Scope 3 emissions. Please refer to Appendix K for further details.

The pathway and further clarifications in Section 3 outline how energy efficiency will be the current prioritization, then the key behaviour/solution/technology to achieve net zero for the industry will be the driver of purchasing renewable electricity by 2030.

Low level of uncertainty as these are not unique to the hotel industry but generally faced by a much wider value chain of transport, real estate, construction, restaurants, manufacturing, agriculture, finance, and accounting, and will all be incentivized to solve by market, regulatory, and physical risks. |
| **Dependence on other actors** | To what extent do your plans depend on other actors doing something? E.g. for a company, are you assuming suppliers will decarbonize? Or for a city, are you assuming a national power provider will go 100% renewable? | The largest assumption is that additional investment or operational spend will be required to purchase renewable energy which is related to but supersedes grid decarbonization forecasts. For value chain emissions, the methodology largely assumes that embodied carbon of buildings will be acted upon by entities within the value chain of construction and materials. Finally, the methodology anticipates widespread voluntary action across the travel industry and its value chain for carbon neutral travel and business travel buyers seeking to decarbonize their value chain which commonly includes lodging along with transport. |
| **Governance arrangements** | How are targets embedded in long-term decision-making (e.g. for governments, are they in law, or simply political declarations?). Who is responsible for delivery? How does your network or initiative ensure that participants meet their commitments? What processes and procedures does your network use to make decisions? | The intent of the methodology is that its approach and guidance will be taken into consideration in the hotel business model for owners, operators, franchisors, and the value chain to budget and contract accordingly, and have a unified approach that can help synergize action. By disclosing the standard boundary, stakeholders should be able to embed these issues into long-term planning of hotel development and the relation to travel.

The entities owning, operating, or franchising hotels as well as the wider value chain, will be responsible for delivery.

Recommendations are provided for embedding in public annual disclosures of key metrics, with interim disclosures of progress of the plan according to each default category in the Net-Zero Pathway, in addition to requirements for signatories of the Glasgow Declaration

Routine public disclosures would enable transparency on progress toward the commitment. |

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## E.2  GLASGOW DECLARATION

For hotel signatories of the Glasgow Declaration, the methodology can be adapted and used to support commitments made. A high-level alignment is provided below for its use.

▼ **Table E.2**  **Glasgow Declaration Alignment**

| ATTRIBUTE | GLASGOW DECLARATION | NET ZERO METHODOLOGY FOR HOTELS |
|---|---|---|
| **General timeframe and target** | Net Zero by 2050 | Net Zero by 2040 for building emissions, 2050 for other value chain emissions. |
| **Interim timeframe and target** | 50% reduction in emissions by 2030 | Pathway is based interim milestones per yardstick year of 2025, 2030, 2035, and 2040. |
| **Audience** | All tourism stakeholders such as destinations, businesses which include the hotel industry, and supporting organizations. | Hotel industry only. |
| **Reporting mechanism** | Publish climate action plan(s), or update existing plans, within 12 months of signing.<br><br>Public annual reporting on emissions, progress against interim and long-term targets, as well as on actions being taken. | Pathway plan and reporting suggestions can be used to support structure and consistency in the plan and annual reporting. |
| **Pathway** | Climate action plans to consider all 5 of the following pathways; first 2 pathways are compulsory:<br><br>**Measure** – measure and disclose emissions in alignment with established guidelines<br>**Decarbonize** – set and deliver science-based targets to decarbonize tourism-related activities (transport, infrastructure, accommodation, activities, food & drink, and waste management)<br>**Regenerate** – restore and protect ecosystems, and support local communities in climate mitigation and adaptation<br>**Collaborate** – effectively coordinate with all stakeholders, including authorities, civil society, large companies and SMEs, vulnerable groups, local communities and visitors<br>**Finance** – Ensure organizational resources are budgeted to support commitment | Pathway of yardstick years and interim milestones can be used to support the first two pathways. |
| **Baseline Year** | Any year from 2015 onwards for which emissions data is available, or future years (e.g. 2022) if emissions data have not been collected previously, except for 2020 and 2021 due to COVID-19. | Categorizes the baseline year, based on which differing levels of decarbonization pathways should be achieved. |
| **Coverage of emissions** | Scope 1 and 2, and including Scope 3 if emissions constitute greater than 40% of the entire inventory. | Scope 1, 2, and 3 emissions as set forth in the Default Boundary in Section 2. |
| **Limitation on carbon offsets** | Absolute emissions reductions and carbon credits to be prioritized over carbon offsets. | Allows for offsets to count toward reductions in net-zero pathway claims, up to the threshold of emissions intensity in the Sectoral Decarbonization Approach for each year, with a Sustainable Tourism Equity Principle for approach and choice of offsets and a prioritization given to purchasing renewable energy first. |
| **Mechanism to ensure commitments are met** | Follow-up and support mechanisms in place. 90-day grace period for submission of climate action plans and annual reports. | Guidance provided at high level for disclosure of veering off track from the commitment and a plan for getting back on track. |

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### E.3  SME CLIMATE HUB COMMITMENT

For an SME, the SME Climate Hub is the preferred initiative of the UN Race to Zero for commitment to net zero. For those SMEs seeking to pursue the commitment via the SME Climate Hub, this methodology can be used in full alignment per the table below.

▼ **Table E.3**  SME Climate Hub Commitment Alignment

| ATTRIBUTE | SME CLIMATE HUB COMMITMENT | NET ZERO METHODOLOGY FOR HOTELS |
|---|---|---|
| **Definition of SME** | Business with up to 500 employees | Applicable for hotels and companies of any size. Also recognizes that headcount may not be a representative determinant of business size, as publicly traded REITs may have only a few dozen employees but company valuation of millions. Conversely, hotel operations may be very labor intensive and a small hotel may have hundreds of employees but the entity still be an SME. |
| **Definition of net zero** | A state in which the activities within the value-chain of your company result in no net impact on the climate from greenhouse gas emissions | As outlined in section 2. |
| **General timeframe and target** | Net zero by 2050 | 2040 for building emissions, 2050 for other value chain emissions. |
| **Interim timeframe and target** | Target 50% reduction in emissions by 2030 | Interim milestones at 2025, 2030, 2035, and 2040, generally aligned with a 50% reduction by 2030 with the KPI of 100% renewable electricity. Allows for a threshold of offsets and setting an earlier baseline for entities already pursuing decarbonization, which would in most cases exceed 50% for Scope 1 & 2. Provides additional milestones for other categories. |
| **Baseline and target amount** | Cut *absolute* emissions from a base year not more than 2 years back in time | Allows for intensity targets along pathway based on SDA as well as considerations for meeting performance thresholds. Outlines targets and set of milestones to reach net zero earlier than 2050 for the main emissions of the building. |
| **Immediacy of action** | Within 3-6 months of commitment (measure, set targets, develop plan, act) | Methodology can be used to support the actions needed to fit within the timeline. |
| **Coverage of emissions** | Both Scope 1 and 2, and Scope 3 emissions that are material to business and available data<br><br>Based on GHG Protocol | Scope 1, 2, and 3 emissions as set forth in the Default Boundary in Section 2. |
| **Limitation on carbon offsets** | Residual emissions should not exceed 10% of the base year emissions; can only off-set for up to a maximum of 10% of the total emissions in baseline year | Allows for offsets to count toward reductions in net-zero pathway claims, up to the threshold of Scope 1 intensity in the Sectoral Decarbonization Approach for each year, with a Sustainable Tourism Equity Principle for approach and choice of offsets. |
| **Position on RECs** | Encourage to achieve 100% renewable energy | 100% renewable electricity by 2030 for mature markets. Allows for both owner, operator, and franchisor to account for RECs purchased for the same facility for the same year by one of the entities to avoid over-purchases of RECs and streamline engagement. |
| **Equity** | Not addressed | Addressed in three equity principles, which may affect the SME directly. |
| **Reporting mechanism** | Annual reporting | Annual disclosure of metrics, and periodic disclosure of plan and progress toward it in each of the default categories. |
| **Mechanism to ensure commitments are met** | Not addressed | Guidance provided at high level for disclosure of veering off track from the commitment and a plan for getting back on track. Refer to Section 3.3. for further details. |
| **Alignment with existing standards** | Greenhouse Gas Protocol<br>UNF Race to Zero<br>SBTi<br>CDP<br>Mission Innovation's Net-Zero Compatible Innovations Initiative<br>Chambers Climate Coalition | Derived from:<br>GHG Protocol<br>UN Race to Zero<br>SBTi<br>HCMI<br>Glasgow Declaration |

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## E.4. SCIENCE BASED TARGETS INITIATIVE

Entities committing to net zero with the Science Based Targets initiative will seek to utilize the SBTi Corporate Net-Zero Standard. While the initial standard was released in November 2021, much of the details of how the standard is to be implemented, adapted to specific sectors, and interpreted in practice will still need to be further defined. As such, for those entities the methodology strives to:

**1** provide supplementary guidance that can support industry-specific context, modeling, planning, and an approach for hotel companies seeking to commit and receive SBTi approval;

**2** help contextualize and reduce the amount of individual Scope 3 screening by each company; and

**3** serve as a resource to support the validation process and reduce possibility of differing interpretations that may result when one of the corresponding SBTi entities is assigned to the company's application.

Two tables are provided below for companies using the SBTi Corporate Net-Zero Standard[1]. Table E.4.1 outlines the specific differences or relation of the Net Zero Methodology for Hotels with the SBTi Corporate Net-Zero Standard. Table E.4.2 provides tips on using the methodology and supporting approaches when seeking target validation.

▼ **Table E.4.1** SBTi Corporate Net-Zero Standard Alignment

| ATTRIBUTE | SBTI CORPORATE NET-ZERO STANDARD | NET ZERO METHODOLOGY FOR HOTELS |
|---|---|---|
| **Use** | Intended as a model of commitment, application, and approval with the SBTi (cannot make target claims unless this is done) with payment required to participate, and the need to revise targets upon updating of the criteria. | Intended to support net-zero claims, planning, and alignment with various initiatives and frameworks. |
| **Sector Specificity** | General criteria with some sector-specific requirements, of which the hotel industry falls under Service Buildings category which encompasses the range of commercial buildings. At present, specific pathways and guidance for Service Buildings is planned, but no timeline is available[2] | Methodology is intended specifically for hotels and the hotel industry, with supporting guidance for how hotel stays within the business travel value chain category of any company applying to SBTi. |
| **Boundary** | Scope 1 & 2 boundary is 95% of emissions (enabling a 5% exclusion).<br><br>Scope 3 boundary is based on an approach of applying a percentage of Scope 3 in relation to total emissions and setting thresholds. Requires a Scope 3 evaluation based on a standard set of categories and provide data to determine whether overall aggregate of Scope 3 is significant or not. Currently, if Scope 3 is over 40% of the company's total emissions, then at least 67% of the Scope 3 needs to be covered by short-term targets.<br><br>For long-term targets, 90% of Scope 3 must be included, but it is not currently stipulated for which components of the Scope 3 could be excluded as part of the remaining 10%. | Provides a default boundary for industry-specific categories of Scope 1, 2 & 3 based on research and industry best practice, which will constitute >95% of Scope 1 & 2, and >90% of Scope 3 emissions for the hotel industry, from which a company can then adjust as needed based on business model.<br><br>By using a default boundary, the methodology seeks to avoid the complications and challenges with a percentage-based boundary to Scope 3. |
| **Baseline** | Baseline cannot be prior to 2015. In addition, most recent year is required to be submitted as part of the application (note due to COVID, 2019 can still be used at time of publication).<br><br>Requires all Scope 1, 2 & 3 emissions to use the same baseline year. | Allows for any baseline year, adjusting accordingly for the convergence pathway to be achieved.<br><br>Allows for different baselines for different categories, and deferred baselines for some Scope 3 categories which are presently challenging to sub-categorize, prioritize, and quantify accurately and set quantitative decarbonization pathways for. |

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1    Tables are based on the Version 1.0 October 2021 of the standard. Note that the SBTi criteria have been known to change over time in terms of level of ambition, guidance, and sector pathways (i.e., uses of physical intensity convergence vs. absolute reductions), and when using this methodology, the latest version of the SBTi Corporate Net-Zero Standard should be used, which may diverge from the alignment above.

2    SBTi Corporate Net-Zero Standard Table 2

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| ATTRIBUTE | SBTI CORPORATE NET-ZERO STANDARD | NET ZERO METHODOLOGY FOR HOTELS |
|---|---|---|
| **Target Ambition and Method** | Service Buildings should use the Service Buildings Pathway of either a 98% absolute reduction or an intensity reduction below 0.179kgCO2e/M² by 2050 or earlier. <br><br> Short-term (interim) 2030 target Service Buildings default pathway is 72% intensity reduction from 2019 baseline. <br><br> Scope 2 targets can be set specifically for renewable energy, with 100% renewable electricity by 2030 and 80% by 2025. <br><br> Scope 3 targets can use absolute contraction, or physical intensity contraction and companies can define their own metrics, in alignment with the 1.5 degree scenario for an annual 7% intensity reduction for short-term period, and overall 97% reduction for the long-term period to 2050. | Target is zero emissions by 2040 for emissions relating to the building, and 2050 for others in the value chain. Pathway is based on baseline year and interim milestones per yardstick year of 2025, 2030, 2035, and 2040. <br><br> Pathway for Scope 1 & 2 calls for at least 1 of 3 targets to be met at each yardstick year. Ambition is based on the same absolute contraction and physical intensity convergence options used in the SBTi Corporate Net-Zero Standard's Service Buildings pathway. Additionally, the methodology allows for a specific intensity threshold to be used as a target, in the case of entities that are already below the intensity pathway for Service Buildings, instead of requiring % reductions. <br><br> Additionally, calls for a percentage of renewable electricity in place in each interim yardstick year depending on the availability in the corresponding location (**mature** or **developing market**). <br><br> Scope 3 for franchise property pathway follows the same approach as above, using the B2DS scenario for franchises through 2030, then aligning to the long-term absolute contraction or physical intensity convergence for buildings by 2050. <br><br> Other categories outlined for decarbonization pathways individually, with some deferred baselines and targets but all following toward zero emissions by 2050. |
| **Engagement Targets** | Allows for setting engagement targets for suppliers to set science-based targets through 2030, *instead* of a performance targets for Scope 3 decarbonization. <br><br> No other engagement targets are needed, or allowed for suppliers for long-term targets. | A plan should be submitted for engagement targets for each category of emissions regardless of scope, and outlining how the entity will pursue decarbonization. <br><br> Outlines a wider range of forms of engagement for the plan than supplier commitment. <br><br> Engagement targets cannot be used as a substitute for performance targets, except up until the corresponding yardstick years for Scope 3 categories with deferred baselines due to lack of availability of credible, consistent data and calculation methods. |
| **Carbon Offsets** | Offsets (carbon credits, neutralization of unabated emissions) are allowed only for long-term abatement of residual emissions and do not count as reductions. | Allows for offsets to count toward reductions in net-zero pathway **claims** after meeting at least one of the three target options for facility emissions for each year up to the allowable threshold of intensity in the SBTi's Service Buildings physical intensity convergence metrics for each corresponding year, with a Sustainable Tourism Equity Principle for approach and choice of offsets. <br><br> The approach is based on the acknowledgment that these emissions are allowed along a pathway, and emissions offsetting within the value chain of travel will occur. |

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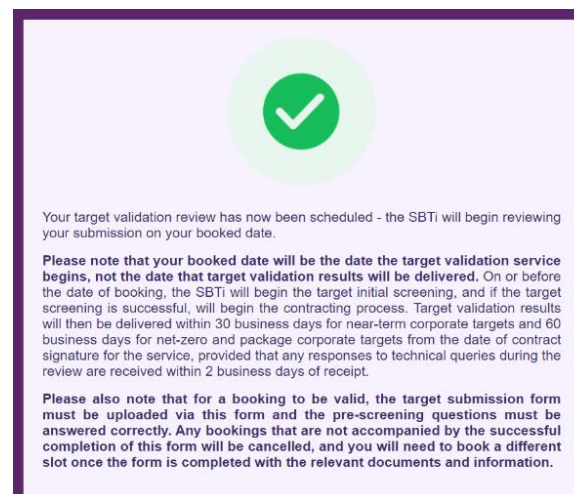SBTI VALIDATION
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## OVERVIEW OF SBTI TARGET SETTING AND VALIDATION PROCESS

### 1  SIGNING UP FOR TARGET

Once a company commits to set a target, they (or any company on their behalf) register on the **SBT website** and submit a letter to commit to setting a science-based target or to having existing targets independently verified. The company will then automatically be recognized as "Committed" on the SBT **website** and partner websites CDP and We Mean Business.

■  Once the company's data for the reporting year is setup and ready, the near term (or net zero) target submission form document should be downloaded from the SBTi website and filled ensuring there are no blanks and all questions are answered.

■  Once the form is ready and ready to be submitted, go to the link to '**book your validation through the SBTi booking system**'.  Note that no payments are required until SBT start official communication regarding validation.

■  Upload the target submission form together with the required data files. For hotels, some data files that should be attached are for example:

- SBT-Tool spreadsheet for managed

- SBT-Tool spreadsheet for franchised

- Images of each of the SBT pathways for the owned/managed/leased and franchised properties (with their ambitions i.e. absolute below 1.5 or absolute B2DS)

■  At the end of the form, book the validation through the SBTi Calendly system.  The validation appointment may be for many weeks or months in future, but this may be brought forward as SBTi brings on additional capacity. Assuming that the data are complete, choose a date as soon as available. **Note that this booking date starts the process for the SBT team to begin their validation, it does not require an actual meeting with the company even though it is confirmed via a calendar meeting invite.**

■  As soon as the date is booked, an automatic email will be generated confirming the date selected.  It may look like a finishing step, but it is not!  Once a slot has been booked on Calendly, take the final important step of submitting the documents.  Go back to the online booking form window and fill in the remaining questions that are related to contracts and payments such as to where and to whom to send the invoice.  At the end of this, there is a *submit* button which finally completes the process.  A green tick on the form will show it is complete as shown here:

■  At this stage, a JotForm response should also be received via email with responses to the questions.



Your target validation review has now been scheduled - the SBTi will begin reviewing your submission on your booked date.

Please note that your booked date will be the date the target validation service begins, not the date that target validation results will be delivered. On or before the date of booking, the SBTi will begin the target initial screening, and if the target screening is successful, will begin the contracting process. Target validation results will then be delivered within 30 business days for near-term corporate targets and 60 business days for net-zero and package corporate targets from the date of contract signature for the service, provided that any responses to technical queries during the review are received within 2 business days of receipt.

Please also note that for a booking to be valid, the target submission form must be uploaded via this form and the pre-screening questions must be answered correctly. Any bookings that are not accompanied by the successful completion of this form will be cancelled, and you will need to book a different slot once the form is completed with the relevant documents and information.

■  Note that it is only after passing the initial screening, that SBTi will send across a contract with their Terms and Conditions which need to be signed by the client and returned. Once the signed T&Cs have been received, SBTi will send an invoice to the email addresses added during the submission process.  This invoice needs to be paid by bank transfer, cheque or credit card payment (incurs a 3% surcharge).  **SBTi will not accept a company sourcing system for invoicing and payment.**

### 2  VALIDATION PROCESS

*The process time is 30 days for near term targets and 60 days for net zero targets*

■  Once initial screening is passed, A Lead Reviewer from either CDP, WRI or WWF will be assigned to the process. They may ask questions based on the target evaluation. To keep to the set time frame, any response to the lead reviewer's questions has to be provided within 2 business days (ideally, although the SBTi says it is flexible with the response time)

■  For each set of questions that come from SBTi:

- The reviewer sends an email with the questions in the email body.

- Depending on the nature of the questions, ideally the company should send the responses in a document attached with all answers corresponding to the questions within the 2-business day window. A back-and-forth with SBTi for the same questions may be expected depending on if the answers suffice SBTi or if the queries bring up larger or more significant issues.

- In addition to the email exchanges, the lead reviewer may be open to having a call to discuss the questions and the responses.  This can be arranged directly with the reviewer.

- The official position from SBTi is that they will provide up to 60 minutes feedback conversations after the assessment, but the lead reviewer may be amenable to having more discussions throughout the process.

■  Assuming all of the questions have been responded to satisfactorily and the information provided meets with the SBTi requirements, an Appointed Approver will be assigned as next step.  Again, this stage may involve questions to respond to within 2 business days in order to keep to the set timeline.  Responding to the questions follows the same process as above. In each instance, each new SBTi question are added to the document.  Where there is a back-and-forth between SBTi and company on a specific query, the thread is continued within that specific query item in the document.

■  It is at this point that the company can also request a call with the lead reviewer at SBTi to clarify their areas of questioning.

■  Once the review is complete, SBTi will send the clients a decision letter (if approved, a Target Approval Letter) alongside a Target Validation Report. *Note there is a possibility of a negative outcome of the decision letter. SBTi does not give clarity on the potential outcomes of the decision letter currently (i.e. whether there is a conditional approval, an outright rejection etc.) and what the steps are in the case of not receiving the approval letter.*

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## 3  COMMUNICATING TARGET

- Assuming the validation process is successful, SBTi will publish targets one month after approval, unless otherwise instructed.

- In the emailed documentation provided by SBTi at the same time the successful confirmation is sent, SBTi will give the company a specific date that they will publish the targets on the SBTi website.

- If the company does not want its targets to be announced on that day, it will need to make this very clear to the SBTi team at the email (**targets@ sciencebasedtargets.org**).  The company should be prepared to be persistent. Getting a confirmation response to a request to hold publication until a specific date (or not at all) may take some time and a number of chasing emails.

- The company's target must be made public within six months of approval, or it will require revalidation to ensure it is in line with the latest science-based criteria.

- In communicating the results, SBTi have produced guidance for companies to follow. Please see the **link**.

## 4  REVALIDATION AND RECALCULATION OF TARGETS

As per the latest from SBTi, the mandatory target recalculation process includes review, recalculation and revalidation of targets every 5 years. The latest year in which companies with already approved targets must revalidate is 2025.

The following changes should trigger a target recalculation:

- Scope 3 emissions become 40% or more of overall scope 1, 2 and 3 emissions.

- Exclusions in the inventory or target boundary change significantly and/or exceed allowable exclusion limits (more than 5% of scope 1 and 2 emissions and/or more than 32% of scope 3 emissions);

- Significant changes in company structure and activities (e.g., acquisitions, divestitures, mergers, insourcing or outsourcing, shifts in product or service offerings) that would affect the company's target boundary or ambition.

- Significant changes in data used to calculate the targets such as growth projections (e.g., discovery of significant errors or several cumulative errors that are collectively significant)

- Other changes to projections/assumptions used with science-based target setting methods

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## SBTI TARGET VALIDATION COMMON ISSUES AND RESPONSES

Table E.4.2 provides guidance for how to use the methodology and other suggestions and rationale for the business model of a hotel to support companies when undergoing their target validation process. A set of suggestions for approaches and rationale are provided for each issue that may arise.

▼ **Table E.4.2** **Suggestions for Seeking Target Validation**

| ITEM / ISSUE | SUGGESTED APPROACH AND RATIONALE |
|---|---|
| **When seeking a baseline earlier than 2015, demonstrate the pathway and how the year meets the same trajectory, with the following arguments:** | 1. As the Net-Zero standard for service buildings is based on physical intensity convergence arriving a the sector's 2050 intensity at 97%-99% reduction, then a prior year to 2015 should not be a problem as it can be modeled for convergence.<br>2. Not allowing baselines prior to 2015 diverges from the original SDA baseline year of 2010, and also runs the same risk of not enabling companies that took big strides to decarbonize prior to 2015 to include those results.<br>3. Enquire as to why 2015 was chosen for the earliest baseline year and if that is applicable to all sectors and types of companies. |
| **When setting absolute reduction targets** | It will be more advantageous in the SBTi application to use the latest representative year possible as a baseline year, as an absolute reduction of 4.2% per year will be needed, and the later the baseline year, the less years the Company will be accountable for in its target pathway. Note however that this would have to be adjusted in following the Net Zero Methodology for Hotels to increase the corresponding ambitions toward 2030 for intensity/absolute reductions. |
| **When selecting a Scope 3 baseline years by category of Scope 3 that are different from the Scope 1 & 2 baseline year** | 1. The Net-Zero standard indicates Scope 1, 2, and 3 emissions should be accurate and verifiable. However many of the Scope 3 categories lack consistent and accurate ways to quantify them.<br>2. Setting a target without accurate baseline data runs a risk of creating more work later to re-baseline.<br>3. Current tools promoted by the GHG protocol and SBTi are also not accurate, for example the Quantis Scope 3 Evaluator has not been updated since 2016, and the source data for purchased goods and services calculation methodology is from 2011.<br>4. Requiring all scopes to use the same baseline year may then cause the Company to need to choose a later baseline, which risks criticism from external stakeholders of not doing enough to decarbonize prior, and augments the reduction pathway for a shorter time period. **Note that this may conflict with the guidance given in Section 2.1.3 Table, however for SBTi reporting purposes baseline should be the same for all scopes regardless.**<br>5. Argue that the long-term target year is 2050 with a near total decarbonization and the Standard is intended for long-term targets after 2030, therefore the handful of years in this earlier stage for Scope 3 baselines is not as relevant as in the short-term targets.<br>6. If some value of a baseline is needed for the same year as the Scope 1 & 2 targets in order to qualify and set a decarbonization pathway, use the highest possible emission factors and assumptions in the baseline in order to mitigate potential challenges in the future where recalculation could increase baseline emissions and boundaries, and internally communicate that these are placeholder values not to be taken too seriously, and then plan on recalculating the baseline in the 5-year revalidation process. |
| **When seeking to exclude some Scope 1 & 2 Emissions Sources up to 5%** | Refer to citations within the methodology for rationale of default exclusions from smaller sources of onsite combustion, vehicle use, and fugitive emissions. |
| **Setting a boundary of Scope 3 emissions to meet the 67% and 90% thresholds (Franchisors)** | 1. Refer to the methodology regarding the **Scope 3 of a Scope 3** issue, to reduce the boundary of franchises to their Scope 1 & 2 emissions.<br>2. For the extrapolated portfolio in which actual data does not exist, use the most conservative assumptions to arrive at the highest possible emissions intensity of the franchised portfolio and push it above 67% of total emissions, and ideally 90%. Then the Company should be able to exclude all other Scope 3 sources and still receive target validation. Note that this can always be restated 5 years later in re-validation, when more sound calculations for other Scope 3 will be needed, and baselines can be adjusted.<br>3. Should franchises not reach the 90% threshold, see suggestions below for non-franchisors. |

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**SBTI TARGET VALIDATION COMMON ISSUES AND RESPONSES**

**Table E.4.2**
Suggestions for Seeking Target Validation

| ITEM / ISSUE | SUGGESTED APPROACH AND RATIONALE |
|---|---|
| **Setting a boundary of Scope 3 emissions to meet the 67% and 90% thresholds (non-Franchisors)** | 1. Find the references and calculation methods with the highest emissions coefficients for the default categories of employee commuting, waste, outsourced laundry wash, transport in business travel in the baseline year. This will help inflate the percentages of the known and controllable categories now and reduce the weighting of the less known/controllable categories within purchased goods & services. Note that you can always restate the baseline and recalculate later in the 5-year interim validation thereafter, when much better emission factors and calculations will be available.<br><br>2. Include a smaller boundary for purchased goods and services to include some food and beverage items if applicable.<br><br>3. Refer to the methodology and Appendix C and Appendix M to outline the complexity of purchased goods and services for a hotel building and operation. Request clarification on how each of these should be treated. Indicate that the Quantis Scope 3 evaluator has not been updated since 2016 and uses data from 2011 that does not account for inflation, currency fluctuations, or granularity for hotels. |
| **When addressing portfolio growth issues of adjusting market share parameters for reduction targets** | Should SBTi suggest that the % reduction in targets be increased due to portfolio growth outpacing the growth of service buildings overall, use the following arguments for justifying maintaining the same percentages despite increased portfolio growth outpacing service buildings:<br><br>**1. DISPORPORTIONATE INTENSITY TARGETS ACROSS ALL ASSET CLASSES.** The SDA calls for reductions based on a projected pathway in Scope 1 emissions, coupled then with the decarbonization pathway of the electric power grid for Scope 2. These are based on a specified intensity, from which reduction percentages are derived. However, the intensity metric is uniform across all buildings. In the case of hotels, it has been empirically shown that hotels have higher energy use intensity than other asset classes. The drivers are straightforward – hotels are 24/7 operations where people eat, sleep, and bathe, and the buildings need to partition conditioned space at much smaller ratios. The annual Greenprint Performance Report provides statistics to demonstrate this. Per this logic, if a hotel decarbonized at the same rate in percentage terms as other asset classes, it would achieve a higher proportion of actual carbon intensity reduction. (i.e., a 20% reduction from 250 = 50kgCO2e, whereas a 20% reduction from 100 = 20 kgCO2e). Therefore, the blanked approach of requiring percentage-based reductions to align with SDA skews the impact more on hotels.<br><br>**2. GROWTH FROM NEW DEVELOPMENT VS. CONVERSION OF EXISTING BUILDINGS.** A portion of a large hotel chain's growth in portfolio floor area may be from conversions of pre-existing buildings that were either part of a different hotel chain, an independent unaffiliated hotel, or a different type of building that was converted into a hotel. From the perspective of the SDA methodology and subsequent SBT target-setting tool of quantifying the total activity (floor area for service buildings) of a sector, a hotel chain that converts a pre-existing building into its own portfolio (either managed or franchised), is not adding additional building stock to the global total. Therefore, the portfolio growth from conversions should not carry additional weighting to a hotel chain's index against fixed market share of the SDA overall growth of service buildings. Furthermore, conversions may incorporate a large portion of local Small and Medium-sized Enterprises (SMEs) which have almost no direct awareness or participation in an SBT or affected by sustainability reporting, ESG ratings, responsible investment principles or shareholder activism. Effectively, they would not have the same motivations, access to capital, or sophistication to address the pressing need to decarbonize. By incorporating hotels into the portfolio as conversions to brands, hotel chains absorbing their footprint which otherwise would not have been addressed. As such it will take time to put these properties on the same decarbonization path, and definitely should not necessitate deeper levels of ambition.<br><br>**3. ADJUSTING FOR A DISPROPORTIONATE ALLOCATION TO HOTELS AS SERVICE BUILDINGS.** The SDA model for both 2 degrees and well-below 2 degrees is based on IEA research and publications estimating the future growth of service (commercial) buildings. This model uses the assumption that as a country develops, its economy changes and less commercial building space is needed compared to economic growth. While this was true traditionally, the model did not factor the advent and impact of developing country international travel on other countries' floor area. China is the best example of this with the Chinese traveler impact on places in North America and Europe. The overall building stock forecast of 66% growth through 2050 is a weighted average of all buildings including hotels. But the growth of tourism will result in hotels outpacing this growth by a factor of at least two. Thus other industries with service buildings are positively affected in their SBT modeling as they are likely to have less proportionate floor growth but an average sector-wide benchmark of 66%. As a result, the service buildings calculations have weighted growth among several countries and regions. Energy usage is forecasted to increase by 26% in OECD countries, and 77% in non-OECD countries. Floor area is forecasted to increase 46% in OECD countries, and 91% in non-OECD countries. For a global hotel chain, the new growth will be tilted toward non-OECD countries such as China and India which have relatively higher growth but are weighted in average worldwide. While it is a lengthy exercise to demonstrate the hotel company's growth proportionate to the growth in weighted average with each country's contribution as forecasted in SDA service buildings, the straightforward approach would be to allow for less ambitious targets to compensate for the higher concentration of growth in non-OECD countries which have higher electricity emission factors to start with. |

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**Table E.4.2**

Suggestions for Seeking
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| ITEM / ISSUE | SUGGESTED APPROACH AND RATIONALE |
|---|---|
| **When addressing inquiries that may arise for buildings in terms of capital goods and use of sold products (non-owner or significant owner)** | 1. Refer to the methodology for this being part of the boundary of the owner of the hotel.<br>2. Refer to the methodology in Appendix M for the complexities of calculating embodied carbon in buildings and FF&E.<br>3. Should requirements to account for this be required by the person assigned to the validation, see the suggested approach and arguments for a hotel owner below. |
| **When addressing inquiries that may arise for buildings in terms of capital goods (Owner)** | 1. Refer to the methodology in Appendix M for the complexities of calculating embodied carbon in buildings and FF&E and setting them at present, requesting a deferral on these to calculate the baseline, but agreeing to decarbonize them in line with the 1.5 pathway by 2050.<br>2. Indicate the challenges and discrepancies in the GHG Protocol Value Chain (Scope 3) Standard for accounting for buildings in their entirety in the year of completion and not amortized, questioning why Capital Goods should be accounted for in their entirety at the beginning when they are commonly amortized. Also question the challenge of concrete absorbing $CO_2$ over time which may further complicate the calculation and how to resolve that over time.<br>3. If forced to include estimated embodied carbon at the time of baseline year in order to receive target validation, choose the coefficients that will arrive at the highest possible emissions of the building and choose a baseline year with a significant portion of additions to the portfolio so as to inflate the baseline year, and make reductions from it much easier in subsequent years with no embodied carbon additions. |
| **When addressing inquiries that may arise for buildings in terms of use of sold products (Operator)** | If requested to account for the useful life of a sold building per the GHG Protocol Value Chain (Scope 3) Standard for accounting for a building's useful life in the future, argue that the building is not the product, but rather a physical structure to provide a service. Make enquiry on the following issues and scenarios for the SBTi to further clarify:<br>1. The example of a Company that spun off their owned hotels into separate real estate ownership companies and do not have a JV or subsidiary relationship with them thereafter – would they then need to account for the lifetime emissions of the buildings that were spun off to a separate company? In such cases, if that spun off company then buys more hotels would that also be part of the sold products?<br>2. If the hotel is sold, and then as commonly happens, that owner invests in the hotel to renovate, then sells it in 5 years, would the seller be responsible for the hotel's lifetime emissions in perpetuity or just until the owner who you sold the hotel to sells it to another owner? If the former, then would that owner also have to account for the lifetime emissions of the hotel that was bought and then sold, so that 2 entities are now accounting for the lifetime use since technically both of them sold the same hotel?<br>3. As sometimes happens, if a hotel is sold and then the new owner converts it into commercial office buildings or residential building, then is the seller responsible for the lifetime use of that building if it is no longer fitting the purpose of what it was used for when it was sold?<br>4. What is the lifetime of a hotel in terms of its useful life as it is not a product but a building that continuously gets remodeled? And how would that be accounted for in target-setting for a 2030 target and interim progress? Would it be accounted for annually in an amortized or adjusted format based on re-adjustments needed? What about the emissions beyond the target year of 2030 year if the building has a useful life of 20 years? Would the lifetime use emissions beyond 2030 needed to be reduced from a target baseline or included?<br>5. If you estimated the lifetime use of a hotel and then for example suddenly a pandemic arrived and that hotel was only at minimal use for 2 years, then would you be able to re-adjust the estimated useful life emission of that hotel retroactively? And how would that fit in give the previous question about amortizing and accounting for annual use emissions over a period of time?<br>6. As the hotel is a physical place to provide a service, would the additional Scope 3 emissions associated with provision of the service such as waste generation and purchased goods and services need to be accounted for in the useful life calculation?<br>7. When estimating lifetime use of a building, most of the emissions currently come from purchased electricity. So would the seller need to model the electric power grid forecast for across the useful life and then accounting accordingly as the emission factors will change over time?<br>8. Similarly to the above, when estimating the emissions of the sold hotel over a lifetime, should location-based or market-based accounting be used for estimating their Scope 2? Market based would seem to make sense as the owner would then be using the hotel and in that use, purchasing renewable energy, is that the case?<br><br>If forced to include useful life emission of sold hotels at the time of baseline year in order to obtain target validation, choose the coefficients that will arrive at the highest possible emissions of the building and choose a baseline year with a significant portion of dispositions to the portfolio so as to inflate the baseline year, and make reductions from it much easier in subsequent years with no sold hotel useful life additions. |

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| ITEM / ISSUE | SUGGESTED APPROACH AND RATIONALE |
|---|---|
| **Divestments – Confirming whether company will re-baseline its emissions due to mergers/ acquisitions/divestments** | Confirm that company will re-baseline its emission should there be a 5% or greater change in GHG inventory due to mergers, acquisitions or divestments. |
| **Data center emissions - SBTi will want to know whether emissions from data centers have been reported in the GHG inventory** | Explain whether external data centers are used or where data is typically stored (i.e. Scope 2 if on site). <br><br> If other cloud based applications with offsite hosting, note that these are/will be captured within the Purchased Goods & Services category via spend until able to match emissions reduction with specific suppliers of data centers. |
| **Development Activities - SBTi will want to see confirmation of how emissions from hotel renovations and maintenance have been captured in the GHG inventory** | If larger construction waste is included in the company's waste data, then Emissions from maintenance and renovation are captured as part of the energy consumed and waste generated during implementation of these activities. Further, other than ongoing maintenance and repairs which are under the purview of the property operations, [company] has the ability and undertakes efforts to influence for efficient specifications but ultimately does not have financial control of renovations undertaken by an asset |
| **Upstream transportation and distribution of purchased goods and services - SBTi will want to see scope 3 category 4 (upstream transportation and distribution) emissions separated out from scope 3 category 1 (purchased goods and services). This is despite the Quantis Scope 3 evaluator guidance on purchased goods and services** | In research cited in the hotel net-zero methodology, transportation accounted for 6% of food and beverage upstream emissions (LCA analysis published by the FAO). If food is the vast majority of the total purchased goods and services emissions for hotels, apply the 6% as a proxy to all purchased goods and services and allocate that percentage of the total original in Category 1, subtracting it from Category 1 and placing in category 4. <br><br> If F&B and OS&E purchase % are equally high we will still use 6% across the board regardless the types of purchases <br><br> For the other types of transport procured for the hotel and not related to employee transport or product delivery, we use the 1% of scope 1&2 as a proxy and also apply that to category 4 |
| **Upstream transportation and distribution Transport emissions – Well to Wheel - SBTi will want to see that the scope 3 category 4 emissions (upstream transportation and distribution) are calculated on a well to wheel (WTW) basis to account for the full fuel life cycle** | Calculate scope 3 category 4 emissions (upstream transportation and distribution) on a well to wheel basis. Per the Global Logistics Emissions Council Framework, Table 40, for North America, use the average WTT portion of WTW for vehicles of 17% of the total WTW. Gross up the amount in Category 4 to get WTW share of total scope 3 and add that in |
| **Wastewater emissions - SBTi will want the inventory to include emissions from waste and wastewater treatment as share of scope 3 emissions** | To derive municipal wastewater treatment emissions based by country and by metric of emissions based on population: <br><br> Use a proxy of guest count based on occupancy figures each year on an annualized basis to translate into an equivalent population and weighting by country (i.e. 1 guest in one room for 1 year = 1 population equivalent), <br> derive the average annual guest night-population-equivalent (GNPOPe) for owned/managed portfolio <br> Multiply the GNPOPe coefficient by the emission factor per capita using a weighted average of available country or region from the IPCC documents per the room count distribution of the company across those geographies. <br> Assumptions: no flaring of gas, 95% wastewater treatment and 5% discharge into other bodies. See Appendix G for more details. |

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## E.5  UN HIGH LEVEL EXPERT GROUP ON NET ZERO EMISSION COMMITMENTS OF NON-STATE ENTITIES

Launched recently at the COP27, this report serves as a how-to-guide to ensure credible, accountable net-zero pledges by industry, financial institutions, cities and regions.

▼ **Table E.5**  UN High Level Expert Group on Net Zero Emission Commitments of Non-State Entities

| ATTRIBUTE | QUESTION | NET ZERO METHODOLOGY FOR HOTELS |
|---|---|---|
| **Net Zero Target and Pledge**<br><br>A net zero pledge should be made publicly by the leadership of the non-state actor and represent a fair share of the needed global climate mitigation effort. The pledge should contain interim targets (including targets<br><br>for 2025, 2030 and 2035) and plans to reach net zero in line with IPCC or IEA net zero greenhouse gas emissions modelled pathways that limit warming to 1.5°C with no or limited overshoot, and with global emissions declining by 50% by 2030, reaching net zero $CO_2$ emissions by 2050 and net zero greenhouse gas emissions soon after. Net zero must be sustained thereafter. | Does the network / initiative clearly require actors to have a NZ target by 2050? Note any exceptions or deviations. Are targets required to be firmly embedded in organizations' strategies? Can you provide evidence that organizations actually have such targets? Are interim targets required? | Hotel companies aligning with the methodology are to aim for net zero in 2040 for building emissions, and 2050 for all others per the boundary as outlined in Section 2. The methodology also provides milestones and yardstick years to achieve interim targets and goals.<br><br>The commitment is to be approved at the highest levels of the company and the net-zero pathway is to be integrated into the company's structure and processes. See Section 6 for the detailed step-by-step guide for hotels to set their net-zero pathway. |
| **Publish**<br><br>Non-state actors must annually disclose their greenhouse gas data, net zero targets and the plans for, and progress towards, meeting those targets, and other relevant information against their baseline along with comparable data to enable effective tracking of progress toward their net zero targets.<br><br>Non-state actors must report in a standardised, open format and via public platforms that feed into the UNFCCC Global Climate Action Portal to address data gaps, inconsistencies and inaccessibility that slow climate action.<br><br>Non-state actors must have their reported emissions reductions verified by independent third parties. Special attention will be needed to build sufficient capacity in developing countries to verify emission reductions.<br><br>Disclosures ought to be accurate and reliable. Large financial and non-financial businesses should seek independent evaluation of their annual progress reporting and disclosures, including opinion on climate governance, as well as independent evaluation of metrics and targets, internal controls evaluation and verification on their greenhouse gas emissions reporting and reductions. | Does the network/ initiative require at least annual reporting? What form does it require reports to take? Can you provide evidence that progress has been reported? | Hotel companies are to communicate their progress toward net zero routinely by embedding in their annual ESG reporting processes and in alignment with existing reporting frameworks. See Section 6 for the detailed step-by-step guide for hotels to communicate on the initiative. |

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| ATTRIBUTE | QUESTION | NET ZERO METHODOLOGY FOR HOTELS |
|---|---|---|
| **Scope**<br><br>A non-state actor should be considered and recognized as net zero aligned (or have independent validators following and adhering to a set of commonly accepted assurance standards confirm that its "net zero pledge is on/off track") when:<br><br>its pledge, targets and pathway to net zero are generated using a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot verified by a third party (for example by the Science Based Targets Initiative (SBTi), the Partnership for Carbon Accounting Financials (PCAF), The Paris Agreement Capital Transition Assessment (PACTA), The Transition Pathway Initiative (TPI), the International Organization for Standardization (ISO), among others);<br><br>its pledge and progress reporting should cover all scope emissions and all operations along its value chain in all jurisdictions (any omission needs to be properly reported);<br><br>it is demonstrating progress by achieving or exceeding its interim targets with reports that are verified by a credible, independent third party based on publicly available data. | To the extent some emissions are NOT included, what justifications, if any, are given (e.g. trivial amount, data are impossible to find, actors lack power to control, etc.)? | All Scope 1, 2, and 3 emissions across the hotel's defined boundary as suggested in this methodology in Section 2 are covered. This includes greenhouse gases of $CO_2$, $CH_4$, and $N_2O$, and potentially HFCs if significant to a hotel. The methodology covers the hotel industry as a component of commercial real estate and the value chain of travel and tourism. For specifics on sectors covered, see Table 6 and Table 7.<br><br>Targets should cover Scope 1 and 2 emissions for hotel owners and operators, as well as Scope 3 emissions in each default category.<br><br>All are covered per the respective entity as a default, and unless determined based on circumstance of a hotel or company, those deemed insignificant, uncommon, or out of bounds as itemized in Appendix C are not covered.<br><br>Territorial and imported emissions are mostly covered as well. Imported emissions potentially include imported product emissions from F&B and OS&E, embodied carbon emissions from building materials. Otherwise, the provision of a hotel stay is inherently a territorial activity.<br><br>The methodology provides target setting recommendations which are scientifically backed and aligned with other standards such as SBTi, Glasgow Declaration and Race to Zero.<br><br>The methodology also provides guidance on what common metrics to report as an industry which would facilitate consistent and uniform verification and auditing. |
| **Use of Carbon Credits**<br><br>Non-state actors must prioritize urgent and deep reduction of emissions across their value chain. High integrity carbon credits in voluntary markets should be used for beyond value chain mitigation but cannot be counted toward a non-state actor's interim emissions reductions required by its net zero pathway.<br><br>High-integrity carbon credits are one mechanism to facilitate much-needed financial support towards decarbonizing developing country economies. As best-practice guidelines develop, non-state actors meeting their interim targets on their net zero pathway are strongly encouraged to balance out the rest of their annual unabated emissions by purchasing high-integrity carbon credits.<br><br>A high-quality carbon credit should, at a minimum, fit the criteria of additionality (i.e. the mitigation activity would not have happened without the incentive created by the carbon credit revenues) and permanence. | Are there any restrictions on offsetting (e.g. must be high environmental integrity, avoid social harm, avoid biodiversity harm, not include avoided emissions (e.g. via renewable energy projects), not include emissions reductions (e.g. via forest conservation), not include biological sequestration (e.g. via afforestation)? Are these similar to peer networks / initiatives? | Entities are allowed to purchase external offsets, with guidance on principles for types of offsets to purchase and specific limitations and thresholds for what can be accounted for in net-zero progress claims by each yardstick milestone. Offsets should meet a minimum threshold of quality and contribution to sustainable tourism, and approach is aligned with the Oxford Principles for Net Zero Aligned Carbon Offsetting as a base framework.<br><br>The Methodology does not participate in any emissions trading schemes.<br><br>Residual emissions are still to be further defined per best practice guidance in general, but currently determined as emissions accumulated each year in deviation from a pathway trajectory of emissions.<br><br>See Section 3.4 and Appendix K for further specifics. |
| **Empowerment and equity**<br><br>All non-state actors must reduce emissions as fast as possible, aligning or exceeding national targets, roadmaps and timelines. Those that have the capacity to move faster than a 50% reduction CO2 emissions by 2030 and net zero CO2 emissions by 2050 should do so, while some developing country non-state actors may require more support on their path to net zero | N/A | The Methodology embeds three related principles:<br><br>**Regional Equity Principle** – mature markets that have established mechanisms for purchasing renewable energy should be held to more stringent Scope 2 decarbonization<br><br>**Business Model Equity Principle** – Hotel owners who obtain value on the appreciation of real estate over time and do not have a business model based on growth of floor area and subsequent job creation and local economic spend should be held to more stringent decarbonization targets<br><br>**Sustainable Tourism Equity Principle** – Carbon offsets should meet a threshold of sustainable tourism that benefits local communities for tangible economic benefit and protection of natural and cultural heritage as well as align with company strategy and also seek to support industrywide decarbonization including aviation<br><br>The guidance should be used when making choices about carbon offsets and when engaging among the value chain of entities have either a hotel asset or hotel stay in their Scope 3 boundary. |