
## Introduction

### Statement on Climate Change

At Choice, we are committed to contributing to a more sustainable world, and we recognize the profound impacts of climate change on the future of the travel, tourism, hospitality and lodging industry.

### Support of TCFD Recommendations

Choice strives for operational excellence and transparency with our stakeholders. Choice recognizes that the changing climate creates a wide array of risks and opportunities across industries, and our business is no exception. In this report, Choice demonstrates efforts towards implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to understand risks and opportunities that might impact Choice. Our approach to climate risk management takes into consideration a wide variety of stakeholders, including our franchisees, associates, guests, shareholders, suppliers, and community partners.

## Governance

### Board oversight of climate-related risks and opportunities

Choice's Board of Directors (Board) is currently comprised of 11 members who review and discuss environmental, social, and governance (ESG) strategy, initiatives, policies, and performance quarterly, either within Board committees or as a full Board. All four of the Board's standing committees provide ESG oversight and involvement, and two committees have oversight of specific issues related to climate change.

- The **Corporate Governance & Nominating Committee** oversees a variety of sustainability and ESG practices, including climate strategy and performance against sustainability and climate targets.
- The **Audit Committee** oversees enterprise risk management, including climate risk assessment and management.

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

Choice recently established two new management committees to facilitate stronger integration of our sustainability efforts, inclusive of climate, across the organization. These groups play an integral role in our sustainability efforts, including setting goals and targets, advancing initiatives, and identifying risks and opportunities.

The ESG Executive Committee meets every quarter to drive strategic direction and oversight of the company's ESG and climate efforts and includes our EVP, Operations & Chief Global Brand Officer; Chief Financial Officer (CFO); Chief Human Resources Officer (CHRO); General Counsel; and Vice President, Upscale Brands and Chief Sustainability Officer. The ESG Steering Committee is comprised of key leaders across the business who meet to drive cross-functional alignment and progress, ensure accountability and report on results. The Vice President, Upscale Brands and Chief Sustainability Officer provides semiannual updates to the Board on pertinent sustainability and ESG topics, including insights from these management committees.

## Strategy

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

***Time horizons***

Choice conducted peer research of time horizons typical for our industry and found a wide range used. Choice has chosen to align its climate-relevant time horizons with its financial planning time horizons, which are the following:

- **Short term:** 0-2 years
- **Medium term:** 3-6 years
- **Long term:** 7+ years

***Impact Level***

In assessing climate-related risks, Choice defines impact level as follows:

- **Low impact** is defined as potentially minor impact and may affect more than one market in which we do business.
- **Medium impact** is defined as a risk that causes a reduction in operating income or, if not mitigated, may affect multiple markets.
- **High impact** is defined as potentially material impact that could result in a loss in net revenue if not mitigated, potentially across many or all markets.

***Scenario Analysis***

Scenario analysis is a useful tool for strategic decision-making and risk management under uncertain conditions. Scenario-based planning circumvents the impossible task of trying to predict the future and instead focuses on the key uncertainties relevant to a company's strategic decisions. It does so by providing a structured method of developing new perspectives and unique insights, understanding the predictable and uncertain elements in different scenarios, and changing the mental models of decision-makers. Scenarios describe potential pathways from today to tomorrow, helping executives to look at a number of plausible possibilities and develop flexible options and timely responses to support resiliency to future risk.

In recent years, researchers have developed a basis for the construction of comparable climate scenarios — Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs). RCPs are "emissions scenarios" that include time series of emissions and concentrations of the full suite of greenhouse gases, aerosols, and chemically active gases, as well as land use and land cover. SSPs are scenarios that project global socioeconomic changes based on different climate policies. SSPs expand on RCPs to allow for a standardized comparison of society's choices and their resulting levels of climate change.

To assess Choice's exposure to physical and transition risks, we performed an analysis under two scenarios:

- ***Business as usual***, which corresponds to RCP8.5 and SSP5, and assumes continued use of fossil fuels, strong economic growth, and [weak][flexible] carbon policies. This scenario corresponds with expected global temperature increases at 3.5-4.5ºC above pre-industrial levels by 2100.
- ***Decarbonized future***, which corresponds to RCP2.6 and SSP1, and assumes a transition towards renewable energy, circular economy, and strict carbon policies. This scenario corresponds with expected global temperatures increases that stay below a 2ºC threshold by 2100.

***Climate risks and opportunities***

We are subject to the physical and transition risk associated with climate change and extreme weather events. These risks include, among others:

- **Physical risks,** such as changes in sea levels, water shortages, droughts, and natural disasters
- **Transition risks,** such as changing consumer preferences and demand for travel along with changes in laws and regulations related to climate change, greenhouse gas emissions, energy policies, and sustainability.

Choice continues to monitor climate-related risks and opportunities to the business on an ongoing basis. Based on our scenario assessment, we have prioritized Choice's top three risks and opportunities related to climate change as described below.

<u>Risks</u>

1. **Extreme weather events (short to medium term, medium impact)**. Increased frequency and severity of extreme weather events, such as hurricanes, droughts, wildfires, or heat waves, could impact hotel operations and profitability. For example, hurricane damage in locations in the southeastern U.S. may cause property damage and disrupt operations, resulting in costs to repair or lost revenue.

2. **Operational costs and complexity (short to medium term, medium impact).** Hotels may face increased operational costs and complexity to mitigate or adapt to the impacts of climate change. For example, new regulations or stricter building codes may require investments in more efficient systems such as HVAC and hot water heaters. Hotels have already experienced the rising costs of energy, a trend which may continue for the foreseeable future and negatively impact profitability. Insurance policies may be unavailable or costly in certain markets due to changing climate conditions.

3. **Changing stakeholder expectations (medium term, medium impact).** A variety of Choice's stakeholders are increasingly focused on our sustainability practices including our efforts around climate and greenhouse gas emissions. These stakeholders include corporate travel managers, meeting planners, government clients, current associates and potential future talent, and investors. We may face a loss of preference, loss of business, or reputational risk if we're unable to meet the evolving expectations of these constituencies.

Opportunities

1. **Cost savings (short to medium term, medium impact).** Hotels may have an opportunity to realize substantial cost savings by reducing their energy, water, and waste, particularly in an environment of rising energy costs. Low-cost investments in energy efficiency measures (e.g., smart sensors) may also reduce their operating expenses from utilities. As the cost of renewables continues to decline, hotels may be able to take advantage of renewable energy programs or investments.

2. **New markets or consumers (medium to long term, medium to high impact).** Changing consumer preferences as more guests prioritize sustainability may create opportunities for Choice to enter new markets or appeal to new consumer profiles. There may be an opportunity to establish leadership in a particular niche of the market that is complementary to Choice's overall business strategy.

3. **New products or services that support a low carbon economy (medium to long term, medium impact).** As more consumers and companies focus on addressing the impacts of climate change, there could be additional opportunities to build, buy, or partner in creating new products or services that support a low carbon economy. Choice's announcement that the Radisson Blu Mall of America was the first hotel in the world to install CleanO2's CarbinX technology for small-scale carbon capture is one example of the kind of innovation already happening related to climate change.

**Impact on the organization's business, strategy, and financial planning**
Choice incorporates insights related to climate-related risks and opportunities into our business planning and strategy. Commitment to Green is our franchisee-facing sustainability program and includes a number of components to help hotels measure and reduce their greenhouse gas emissions.

We have rolled out a property-level dashboard to all franchisees in the U.S. system to help them better manage, benchmark, and forecast their utilities costs so they can spot anomalies and identify opportunities to reduce their energy and water use. This dashboard also calculates hotels' carbon footprint, enabling franchisees to respond to those questions on corporate RFPs. Our Room to Be Green certification program provides guidance for franchisees on how to reduce their utilities usage and improve their energy efficiency. Level 1 of Room to Be Green is a requirement for all hotels. Additionally, Choice has made investments in assisting select properties with energy audits as part of their property improvement plans.

**Integration of climate-related issues into financial planning**
Climate-related issues are integrated into Choice's enterprise financial planning process and are evaluated across three aligned time horizons: short term (0–2 years), medium term (3–6 years), and long term (7+ years). Insights from these assessments inform capital allocation, operational planning, and franchise engagement.

Risks and opportunities are prioritized based on potential financial impact, strategic relevance, and stakeholder expectations. This approach helps Choice balance near-term operational efficiencies with long-term investments that strengthen climate resilience and enterprise value.

By embedding sustainability across our operations and value chain, Choice recognizes the interdependencies among environmental, social, and financial factors that influence our ability to create value over time. This integrated view enables the company to position itself ahead of future decarbonization targets while supporting franchisee profitability and sustained business growth.

### Resilience of our strategy for the impact of different climate-related scenarios including a 2ºC scenario

Choice's asset-light business model, which is more than 99% franchised, helps limit our direct exposure to the physical risks of climate change. Our managed hotel division represents a relatively small number of hotels (10-20 properties on average in a given year), which limits the scope of properties within our operational control. Additionally, our brand portfolio tends to skew towards highway and small town locations, and we have comparatively less coastal exposure than some others in the industry.

However, the impacts of the physical risks of climate change on our franchised hotels could disrupt their operations, adversely affecting our profits and growth. Further, large-scale systemic risks or a significant increase in stranded assets due to physical damage or regulatory non-compliance could impact the ability of the hotel industry overall to attract new investments.

In a decarbonized, 2ºC scenario, the physical risks of climate change are likely to be somewhat mitigated, though still present. Transition risks, including adapting to stricter regulations and changing consumer preferences, are likely to be even more important drivers in our business model. Our recent commitment to setting science-based targets puts us on a path to better understand, quantify, and plan our own pathways towards decarbonization.

## Risk Management

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

Choice's enterprise risk management process is the primary mechanism for surfacing key risks from across the business, including climate risks.

Every two years, the company conducts a detailed enterprise risk assessment with input from across the organization, including interviews with key business leaders and a survey of associates at the director level and above. From the survey results, other input from leaders and additional sources, including external benchmarking and guidance, a list of Top Risks is established for a deeper dive. The list has historically included topics such as information security, human capital, and disaster recovery. In 2022, we began including climate considerations into the process. In 2023, ESG was added as a standalone Top Risk topic for report-out to the Audit Committee and roll-up to the full Board.

### Consideration of regulatory requirements and other relevant factors

Choice monitors existing and emerging regulatory requirements related to climate change, including potential limits on greenhouse gas emissions, evolving energy efficiency standards, and disclosure expectations from organizations such as the EU Corporate Sustainability Reporting Directive (CSRD), and U.S. federal and state-level climate regulations. These considerations are incorporated into our enterprise risk management and financial planning processes to anticipate compliance needs and identify opportunities for early adoption.

In addition to regulatory factors, Choice considers stakeholder expectations, market trends, and voluntary frameworks – such as the Carbon Disclosure Project (CDP) and the Science Based Targets initiative (SBTi) – in shaping our climate strategy. This approach ensures that both regulatory and market-driven dynamics inform our decision-making and long-term planning.

**Processes for managing climate-related risks**

The Compliance and Enterprise Risk Committee, a cross-functional group of company leaders, meets on a quarterly basis to discuss various risks and compliance issues facing the business. After each meeting, a summary report is prepared for the Audit Committee and key issues are reviewed with company leadership.

The Board of Directors is engaged in understanding how management is addressing risks facing the business and how the company is managing and mitigating the impact of those risks.

Business risks are discussed at the quarterly Audit Committee meeting, including a detailed review of a rotating portion of the Top Risks list. A roll-up of the Top Risks list and a compliance and enterprise risk summary are provided to the entire Board on an annual basis. In addition, the Board and Audit Committee receive regular risk updates from company leaders, and the Audit Committee Chair receives briefings on current hot topics before each meeting.

**Process integration into overall risk management**

Although environmental risks and disaster risks have been part of our risk management program for a long time, starting in 2022 this process also included the business risks associated with climate change. Risk across the organization is managed by individual business units, and each group is responsible for identifying risk in their area.

To better understand our exposure to climate related risks, Choice has conducted flood and water stress assessments for all our U.S. owned, managed, and franchised locations. Additionally, Choice has undertaken a geospatial analysis of the U.S. portfolio to pinpoint the most substantial climate-related risks and opportunities at the property level.

**Process for prioritizing climate-related risks and determining materiality**

Choice prioritizes climate-related risks using a structured process aligned with our enterprise risk management (ERM) framework. Climate-related risks identified through internal assessments, franchise engagement, and scenario analysis are evaluated based on their likelihood, potential financial and operational impact, time horizon, and alignment with strategic objectives.

Risks are first assessed by functional leads and Choice's sustainability team and then reviewed by the ESG Executive Committee to ensure consistency and enterprise relevance. Materiality is determined by evaluating the magnitude and likelihood of potential impacts on our business model, reputation, and financial performance, as well as their significance to stakeholders.

This process helps Choice focus resources on the most material climate-related risks and opportunities and ensures these are incorporated into broader risk management and business planning activities.

## Metrics and Targets

### Metrics used to assess climate-related risks and opportunities

Choice monitors metrics to better understand our climate-related risks and opportunities. These metrics include energy and GHG emission performance, water consumption and water risk, and 3rd party certifications such as Green Key Global and are reflected in our annual Sustainability Report.

### Energy and water metrics

Choice tracks other quantitative and qualitative metrics to measure and manage climate-related risks and opportunities across our own operations and franchise network, including energy and water consumption.

| ***Energy consumption*[1]** (MWh) | **2024** | **2023** |
|---|---|---|
| **Managed** | 59,936 | 58,884 |
| **Franchised** | 5,422,734 | Not available |
| **Total** | **5,482,670** | **58,884** |

| ***Energy intensity*[2]** (MWh/SqFt) | **2024** | **2023** |
|---|---|---|
| **Managed** | 0.0236 | 0.0237 |
| **Franchised** | 0.0182 | Not available |
| **Total** | **0.0182** | **0.0237** |

| ***Water consumption*[3]** (cubic meters) | **2024** | **2023** |
|---|---|---|
| **Managed** | 358,792 | 374,425 |
| **Franchised** | 55,583,743 | Not available |
| **Total** | **55,942,535** | **374,425** |

[1] Energy consumption data includes managed hotels, corporate facilities, and fleet (vehicles and aviation).
[2] Energy intensity excludes aviation energy.
[3] Water consumption data is based on actual and extrapolated data coverage of approximately 99.5% of all properties by floor area. Water intensities per occupied room exclude office water data.

| ***Water intensity*** (cubic meters / occupied rooms) | **2024** | **2023** |
|---|---|---|
| **Managed** | 0.4298 | 0.4822 |
| **Franchised** | 0.4285 | Not available |
| **Total** | **0.4287** | **0.4822** |

**Scope 1, 2 and 3 GHG emissions**

In the 2024 Sustainability Report, Choice reported our Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions in addition to aligning with the Sustainability Accounting Standards Board (SASB) standards, which include a few metrics related to measuring climate-related risk exposure such as flood risk and baseline water stress.

99% of our Scope 3 emissions come from our franchised hotels, which constitute most of our total hotel portfolio. Access to franchised hotels' utilities data has historically been limited. In 2022, we began rolling out an automated property-level utilities tracking dashboard powered by Schneider Electric. This initiative has been a critical step towards helping franchisees identify opportunities for energy efficiency improvements and enabling Choice to understand our Scope 3 emissions inventory.

| ***Greenhouse Gas Emissions***[4] (MT $CO_2e$) | **2024** | **2023** |
|---|---|---|
| **Scope 1 Direct Emissions** | 6,400 | 5,289 |
| **Scope 2 Indirect Emissions (Location-based)** | 9,997 | 11,924 |
| **Scope 2 Indirect Emissions (Market-based)** | 10,006 | 11,933 |
| **Scope 3 Franchise Emissions (Location-based)** | 1,475,943 | Not available |
| **Scope 3 Franchise Emissions (Market-based)** | 1,562,568 | Not available |
| **Scope 3 Non-Franchise Emissions**[5] | 64,777 | Not available |

**Greenhouse Gas (GHG) emissions methodology**

Choice Hotels carbon footprint was calculated in accordance with the guidance of the GHG Protocol.

- **Scope 1 and 2 Emissions:** The accounting period corresponds to the calendar year 2024. Scope 1 and 2 emissions were analyzed using the operational control reporting boundary, where Choice Hotels has accounted for 100% of the Scope 1 and 2 emissions from assets over which it has operational control and has been in the portfolio for the entire year of 2024. For Choice Hotels, these assets include managed hotels, corporate facilities, aviation and associated vehicles. Scope 1 and 2 primary activity data was

[4] GHG emissions include managed hotels, corporate facilities, and fleet (vehicles and aviation).
[5] Scope 3 non-franchise includes Category 1, 2, 3, 4, 5 (wastewater), 6 and 7. Waste emissions are not included due to data limitations.

collected via surveys and the utilities tracking dashboard. Emissions sources covered include stationary combustion, mobile combustion and purchased electricity. Where activity data was not able to be collected, consumption values were estimated using the following extrapolation methodologies:

- Annualized average consumption estimation which divides total consumption (water, natural gas, electricity) by the number of months with available data multiplied by 12 months.
- Average consumption (water, natural gas, electricity) per-square-foot across all like properties (hotels, offices) that have consumption data multiplied by the average consumption per-square-foot for those properties.
- In a small number of instances, 2024 data (diesel and water) was used as a proxy to restate 2023 figures as indicated in the footnote of the performance table.
- In a small number of instances the average of 2022 and 2024 data (natural, gasoline, electricity) was used to restate 2023 as indicated in the footnote of the performance table.

- **Scope 3 Emissions:** The accounting period for Scope 3 emissions corresponds to the calendar year 2024. These emissions arise from upstream and downstream activities that are outside of Choice Hotels' direct operational control but are still linked to its business activities. Emissions from franchised hotel operations (Category 14) represent the largest share of Scope 3 emissions, accounting for approximately 95% of total Scope 3 emissions. This category includes emissions from franchisee energy consumption, which is not covered under Scope 1 or Scope 2 and is reported by franchisors. Data Collection & Calculation Approach:
  - Primary data source: Utilities Tracking Dashboard.
  - Extrapolation methodology: Annualized average consumption estimation is used
  - for partial-year data. When actual energy data is unavailable, an estimation-based (average-data) approach is applied using floor area, occupied rooms or other relevant metrics.
  - Emissions calculation: Direct and indirect energy consumption data from franchised properties is multiplied by corresponding emission factors.
  - Emission factors: Sourced from the same methodologies used for Scope 1 and Scope 2 quantification.

**Targets used and performance against targets**

Franchisee engagement with the property-level utilities tracking dashboard is paramount to helping owners identify opportunities to reduce their energy and water usage and enabling accurate and consistent data reporting of our Scope 3 emissions.

In 2025, Choice submitted near-term science-based targets to the Science Based Targets initiative (SBTi) for validation.