

DiamondRock Hospitality Company

Task Force on Climate-Related Financial Disclosures Report

Governance

Disclosure	Response	Reference
<p>Board’s oversight of climate related risks and opportunities</p>	<p>Climate risk is considered at the highest levels of the company. Direct oversight of climate related risks and opportunities is provided by the Board’s Nominating and Corporate Governance Committee (NCG) and our Chief Executive Officer (CEO) who serves on the Board of Directors. Our CEO oversees all environmental initiatives, which are then directly reported to the Board of Directors quarterly.</p> <p>The NCG is responsible for developing and recommending to the Board a set of corporate governance guidelines applicable to the Company, periodically reviewing such guidelines and recommending any changes thereto, overseeing the evaluation of the Board, and providing assistance to the Board in reviewing and approving the Company’s activities, goals, and policies concerning environmental stewardship and social responsibility matters. The NCG is also responsible for reviewing and monitoring the Company’s goals, policies, programs and strategies related to environmental stewardship, climate related risks and opportunities, responsible investment, corporate citizenship, human rights, human capital management and other social and public matters of significance to the Company. DiamondRock has an internal Environmental, Social, and Governance (ESG) committee which oversees climate change risks and opportunities and updates our Board of Directors quarterly via the NCG.</p> <p>Our corporate governance guidelines define our Board of Directors’ structure, objectives, procedures, qualification, and compensation. Our Board of Directors’ committees are reviewed annually by our Board and are modified as appropriate to ensure that they comply with current regulations in addition to aligning properly with the needs of our organization and stakeholders. For more information, we invite you to review our Corporate Governance page.</p>	<p>https://drhc.com/pdfs/Nominating-and-Corporate-Governance-Committee-Charter.pdf</p> <p>2021 Sustainability Report</p>
<p>Management’s role in assessing and managing climate related risks and opportunities</p>	<p>At the management level, the CEO/Director is responsible for assessing and managing climate risks and opportunities. The CEO oversees all environmental initiatives, which are then directly reported to the Board of Directors. The Executive Vice President/CFO and Executive Vice President/General Counsel also have climate related objectives within his responsibilities.</p> <p>To ensure climate related compliance and communication, DiamondRock has an internal ESG committee which oversees climate change risks and opportunities and updates our Board of Directors quarterly. Our committee has direct oversight of our procedures and policies and includes C-suite level staff, investment committee, asset managers, investment analysts,</p>	<p>2021 Disclosed via GRESB real estate assessment response Submission</p> <p>Environmental Policy (2nd to last paragraph)</p>

Disclosure	Response	Reference
	<p>dedicated staff on ESG issues, investor relations and general counsel. The CEO is on the committee and acts as the senior decision maker accountable for climate related issues.</p> <p>DiamondRock's executive officers actively engage asset management, investment and design, development, construction, and legal teams to assess climate related issues. These teams include this climate assessment as part of their review of operating performance at hotels and evaluation of capital expenditures opportunities. Prior to these meetings, our CEO is provided with reports on hotel performance and memoranda to support proposals for making capital investments. If appropriate, these reports also include assessments of climate risks and opportunities. Content reported through these means includes (1) overview of asset performance and utility spend, (2) performance against financial and sustainability objectives, and (3) updates regarding new risks and opportunities (including local regulations and factors) that may support proposed capital expenditures.</p> <p>Our CEO receives updates on the status of sustainability projects and returns on investment data upon completion of project implementation. Additionally, when follow-up actions are requested by our CEO during meetings to review asset performance and capital expenditures, our asset management, investment, and design, development and construction teams are tasked with oversight over and execution of the identified follow-up procedures and actions.</p>	<p>2021 Sustainability Report</p>

Strategy

At the asset level, the time-period for investment currently varies between 1-10 years based on the investment horizon and opportunities for each property. At the corporate level, sustainability objectives are established annually. For the purposes of assessing climate risk and opportunities we use the following time horizons: Short-term (<3 years), Medium-term (3-6 years), and Long-term (>6-10 years or longer).

Disclosure	Response			Reference
Climate-related risks and opportunities identified over the short, medium and long-term	Time Frame	Physical Climate Risk	Climate Opportunities	N/A
	Short and Medium Term:	<ul style="list-style-type: none"> • Increased disruptive weather events such as hurricanes, wildfires, floods, and droughts • More extremes in weather (temperature, precipitation, wind) • Structural damage to buildings • Poor or unhealthy indoor air quality due to smog, smoke or other pollution 	<ul style="list-style-type: none"> • Financial savings resulting from investments in efficiency • Viability of investment in renewable energy • Rebates and incentives resulting from regulatory changes • Asset value protection resulting from investment in resilience measures • Avoided future cost from early action on forthcoming regulation • Meeting changing customer and preferences to increase market share 	
		Transition Climate Risk <ul style="list-style-type: none"> • Increased insurance premiums • Supply chain challenges and increased costs of building materials and furnishings • Treaties, laws and regulations enacted to regulate or limit carbon emissions and affect structural, equipment, and operational aspects of lodging facilities • Increased requirements for climate-related disclosure and actions • Changing consumer and business traveler buyer demands for climate-friendly solutions, products, and services 		
	Time Frame	Physical Climate Risk		
Long Term or Unknown:	<ul style="list-style-type: none"> • Systemic change in average temperatures and precipitation, and in frequency in extremes • Sea level rise 			
		Transition Climate Risk <ul style="list-style-type: none"> • Asset valuation shifts 		

Disclosure	Response	Reference
<p>Impact on Business, Strategy and Financial Planning</p>	<p>DiamondRock’s vision is to be the premier allocator of capital in the lodging industry and our mission to deliver above-average, long-term stockholder returns. Sustainability and management of climate risk supports our Company’s management principles and strategic objectives, to (1) aggressively manage assets to maximize hotel profits, and (2) actively recycle capital to upgrade the portfolio.</p> <p>Climate risk is embedded throughout the life cycle stages of DRHC’s real estate investments from due diligence to ongoing asset management, renovation and ultimately disposition. The company performs asset level risk assessments as a standard part of its due diligence process for new acquisitions. The assessment includes climate and climate change adaptation, compliance with regulatory requirements, energy efficiency, flooding, GHG emissions, natural hazards and transportation.</p> <p>Our portfolio-wide Environmental Management System (“EMS”) outlines our processes and procedure to support continuous improvement and address our most significant environmental aspects. This includes setting performance goals and annual measurements, collecting data on a regular basis, reviewing data and information to monitor against progress, and externally reporting on environmental performance. DHRC has identified GHG emissions as a significant environmental aspect within its EMS.</p> <p>For ongoing risk assessment of our existing portfolio, we consider physical, regulatory and market risks in all locations where we operate. For most identified risks, the frequency of assessment is typically quarterly or more frequently. The estimated likelihood of impact is “more likely than not” and estimated magnitude of impact is considered to be “low-medium” at this time.</p> <p>Four of our hotels (Havana Cabana Key West, Margaretville Key West, Westin Fort Lauderdale Beach Resort, and Renaissance Charleston Historic District) are located in areas that have experienced, and will continue to experience, many hurricanes.</p> <p>In addition, to the extent that climate change causes an increase in storm intensity or rising sea levels, our hotels, which are concentrated in coastal areas and other areas that may be impacted by climate change, may be susceptible to an increase in weather-related damage. Additionally, even in the absence of direct physical damage to our hotels, the occurrence of any natural disasters, a changing climate in the area of any of our hotels will likely have a material adverse effect on business and commercial travelers and tourists, the economy generally and the hotel and tourism industries in particular. While we cannot predict the impact of the occurrence of any of these events, such events may result in decreases in consumer discretionary spending, including the frequency with which our customers choose to stay at hotels or the amount they spend on hotels, which could result in a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our stockholders.</p> <p>Numerous treaties, laws and regulations have been enacted to regulate or limit carbon emissions. Changes in the regulations and legislation relating to climate change, and complying with such laws and regulations, may require us to make significant investments in our hotels and could result in increased energy costs at</p>	<p>Disclosed via 2021 GRESB real estate assessment response</p> <p>2021 Sustainability Report – Sustainability Investments and Portfolio Management Strategy</p> <p>10-K, page 17, 2/28/20</p>

Disclosure	Response	Reference
	<p>our properties which could have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.</p> <p>We aim to increase profitability by ensuring efficient building operations through our environmental reduction targets. In 2022, we plan to continue working with management companies, brands, partners and stakeholders to create value and reduce risk through our ESG initiatives.</p>	Disclosed via 2021 GRESB real estate assessment response
Organizational Resilience and Impact of Different Scenarios, Including 2 degrees or lower	We recognize the fundamental shift that will occur as business and society strives toward decarbonization and net-zero by 2050. DiamondRock is currently evaluating the pathway and corresponding policy, procedure, engagement, and budgetary needs required to align with a net-zero pathway in its own emissions. In parallel, the risk management, due diligence, and strategy aspects of our governance and EMS incorporate the various transitional changes that will impact us as government policy and our value chain concurrently pursue net-zero alignment. This includes energy sources and pricing, regulation, customer preference, and building standards at a minimum.	
Investments in low carbon opportunities	<p>We consider carbon pricing when valuating new investment properties. An analysis is performed to understand the expense of making new commercial property investments carbon neutral.</p> <p>In 2020, we invested over \$5.9 million in energy, water, and waste efficiency projects and energy conservation programs. Many of our investments were in low carbon opportunities, including renewable energy and investments to reduce energy consumption from non-renewable sources. In 2020, we invested in a solar panel project at Cavallo Point, the Lodge at the Golden Gate Bridge. Additionally, we invested in LED lighting retrofits at Hilton Garden Inn Times Square. At Renaissance Charleston, improvements were made to roofing and insulation. The Boston Westin experienced decreased energy consumption due to boiler replacements. At the Westin Fort Lauderdale Beach Resort, investments were made in high efficiency HVAC equipment and window replacements designed to reduce energy consumption. DiamondRock is on track to meet or exceed our 2025 energy, carbon, and water efficiency targets.</p>	Disclosed via 2021 GRESB real estate assessment response

Risk Management

Disclosure	Response	References
Process for identifying and assessing climate related risks	DiamondRock's identification and assessment of climate related risks is guided by its EMS. The EMS guides our portfolio management strategy, as we aim for continuous improvement through an ISO 14001-aligned process of "plan", "do", "check", and "act". Across our portfolio, we continue to make strategic investments in energy, water, and waste reduction projects. We also engage in preventive maintenance and invest in enhancements to roofs, façades, and structural property elements to protect against climate change-related risks. Additionally, we monitor and report on energy and water	<p>2021 Sustainability Report</p> <p>Disclosed via 2021 GRESB real estate</p>

Disclosure	Response	References
	<p>consumption and waste generation performance and consider other environmental risks specific to the locations and regions where our hotels are located.</p> <p>In 2021, DRHC conducted its fourth portfolio-wide water risk assessment using the World Resources Institute’s Aqueduct tool and Ecolab Water Risk Monetizer. We plan to continue monitoring potential changes in the cost and availability of water in key markets, such as California, and leveraging the water risk assessments to inform future decision making on capital expenditures for water efficiency projects.</p> <p>In 2021, we continued to support the Cornell Hotel Sustainability Benchmarking study and encouraged the companies that manage our owned hotels to participate. We will be using the results to engage with our management companies on performance and to help support the industry initiative to develop common hotel benchmarks for energy, greenhouse gas emissions, and water consumption. We also collectively engaged with hotel brands to further align our ESG objectives and goals.</p> <p>DiamondRock performs asset level risk assessments as a standard part of its due diligence process for new acquisitions. The assessment includes climate and climate change adaptation, compliance with regulatory requirements, energy efficiency, flooding, GHG emissions, natural hazards and transportation. We consider physical, regulatory and market risks in all locations where we operate. For the majority of identified risks, the frequency of assessment is typically quarterly or more frequently. The estimated likelihood of impact is “more likely than not” and estimated magnitude of impact is considered to be “low-medium” at this time.</p>	<p>assessment response – Risk Management</p> <p>Disclosed via 2021 GRESB real estate assessment response</p>
<p>Processes for managing climate related risks</p>	<p>We manage risks through our investments in sustainability and emissions reduction projects. We also engage in preventive maintenance and invest in enhancements to roofs, façades and structural property elements to protect against weather-related risks. Additionally, we monitor electricity and water consumption and costs to avoid peak demand surcharges and address is specific to locations and regions where our hotels are located. We also consider natural disaster risks and risks related to climate change, including at seven of our properties located in seismically active zones and five located in areas that experience hurricanes.</p> <p>DiamondRock has an Environmental Policy. The goal of DiamondRock’s Environmental Policy is to understand and reduce environmental risks, comply with all laws and governmental regulations, identify opportunities to decrease environmental impact, and strive for improvement in the environmental performance of our portfolio.</p>	<p>Disclosed via 2021 GRESB real estate assessment response</p> <p>Environmental Policy</p>
<p>Integration into overall risk management</p>	<p>Our asset management, investment and design, development and construction teams work collaboratively to support the ongoing identification and monitoring of environmental risks and opportunities. We also engage with our hotel managers and consultants to support the ongoing identification of physical, regulatory and market risks and opportunities at the company and asset level through property-level capital expenditure plans and other mechanisms. Additionally, we conduct water risk assessments using the Ecolab Water Risk Monetizer, WRI Aqueduct tool, and FEMA flood zones tool.</p> <p>DRHC provides training and development on ESG specific topics to 100% of employees annually.</p>	<p>Disclosed via 2021 GRESB real estate assessment response</p>

Disclosure	Response	References
	Supply chain program integrates risk management. Supply chain program includes environmental process standards and environmental product standards.	

Metrics and Targets

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

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

Category	Metric	Disclosure Location
GHG Emissions	Scope 1 GHG Emissions	Annual ESG Performance Tables
GHG Emissions	Scope 2 GHG Emissions	Annual ESG Performance Tables
GHG Emissions	Combined Scope 1 & 2 GHG Emissions	Annual ESG Performance Tables
GHG Emissions	GHG Emissions Intensity	Annual ESG Performance Tables
Energy	Direct and Indirect Energy Consumption	Annual ESG Performance Tables
Energy	Total Energy	Annual ESG Performance Tables
Energy	Energy Intensity	Annual ESG Performance Tables
Water	Total Water	Annual ESG Performance Tables
Water	Water Intensity	Annual ESG Performance Tables

Scope 1, 2 and 3 Greenhouse Gas Emissions

2020 Greenhouse Gas Emissions	Total GHG Emissions (MT CO2e)	GHG emissions per square foot (kgCO2e)
Scope 1	14,046	-
Scope 2	33,041	-
Total Scope 1 + Scope 2	47,087	6.22
Scope 3	<i>Currently we do not track Scope 3 emissions</i>	-

Targets and Performance Against Targets

DiamondRock has set 2025 intensity reduction targets as compared against a 2011 baseline.

Metric	Target	2020 Progress	2025 Target
GHG emissions per square foot (kgCO2e)	40% by 2025 from 2011 baseline	-54%	-40%
Energy per square foot (kWh)	25% by 2025 from 2011 baseline	-41%	-25%
Water per occupied room (Gal)	25% by 2025 from 2011 baseline	31%	-25%