

# 2019 Hersha EarthView Sustainability Report

**HERSHA**  
HOTELS AND RESORTS





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## 2019 HERSHA EARTHVIEW SUSTAINABILITY REPORT

Hersha's proprietary sustainability platform, EarthView®, was created in 2010 and exemplifies our belief that we can simultaneously deliver financial value while supporting the well-being of our guests, our associates, our communities, and our planet. Our approach considers the impact of our business on all stakeholders in order to achieve long-term growth and success. We are delighted to share our 2019 impact and the strides we have made in our environmental, social, and governance (ESG) efforts towards a more sustainable, connected, and inclusive world.

This report is prepared in accordance with relevant international standards and best practices, in particular the Sustainable Accounting Standards Board (SASB) for the Real Estate Sector and the Task Force for Climate-related Financial Disclosures (TCFD).

Sanctuary Beach Resort, Monterey, CA

## ABOUT HERSHA HOTELS & RESORTS

### OUR PROPERTIES



### OUR VALUES



## OUR SUSTAINABILITY PROGRAM: EARTHVIEW

Started in **2010**

Centered on a  
**triple-bottom-line**

Leading program in  
**sustainable hospitality**

# 2019 AT A GLANCE (Hersha's Material ESG Topics)

## FINANCIAL IMPACT

**\$100M** in  
portfolio value attributed  
to EarthView as of 2019

**1.7 YEAR**  
average payback period for  
our efficiency investments


**\$14M** in EarthView  
savings since inception


**+60 BPS**  
impact to EBITDA margin


## ENVIRONMENTAL IMPACT


### 2019 RESULTS

We are proud to announce targets for reducing our environmental impact by 2030 (using a 2010 baseline) and have joined the Science-Based Targets initiative to align our emissions reduction target with “science-based target” requirements. See our “Environmental Impact” section, for more information on our targets.

**EMISSIONS  
REDUCTION**  
 **44%**  
reduction per SF vs 2010  
60% reduction by 2030

**ENERGY  
REDUCTION**  
 **15%**  
reduction per SF vs 2010  
35% reduction by 2030

**WATER  
REDUCTION**  
 **5%**  
reduction per SF vs 2010  
30% reduction by 2030

**WASTE  
DIVERSION**  
 **30%**  
diversion rate in 2019  
50% diversion by 2030

## SOCIAL IMPACT

**19,779** hours volunteered in our  
local communities since 2015

**\$596,000**  
raised for autism awareness  
since 2015

**25,000+** people provided  
w/ access to clean water for 21 years  
through funding of EarthView Water since 2014

**561,000** new bars of  
sanitized and repackaged soap sent to  
developing nations since 2011

**300**  
unique non-profits  
assisted since 2017

**39%**  
of our workforce is  
made up of women

## GOVERNANCE

### BOARD OF TRUSTEES AND GOVERNANCE INFORMATION

8

Size of Board  
at Hersha

5

Board Meetings  
Held in 2019

6

Number of  
Independent Directors

50%

Women and Minority  
Board Members

Yes

Separate Chair  
and CEO

Yes

Independent  
Chair

Yes

Proxy  
Access

Yes

Code of Conduct for Directors  
and Executive Officers

Our comprehensive, updated Code of Ethics and Code of Conduct – including policies on human rights, labor rights, diversity, anti-harassment, formal grievance process, whistleblowers, non-retaliation, health & safety, and supplier code of conduct– are available in the [Governance section](#) of our Hersha website.

## RESILIENCY & RISK

Our resiliency strategy includes the ongoing evaluation of potential climate risks, the identification of mitigation strategies, and the ongoing monitoring and assessment of our progress.

*\*Hersha NOAA Hazard Score collated from data by the National Oceanic Atmospheric Administration (NOAA), and peer risk score calculated from the Morgan Stanley report “Rising Flood Risk: How Much and at What Cost?” (3/2019). The NOAA Hazard Score takes into account flood risk as defined by FEMA, the Federal Emergency Management Agency.*

### NOAA FLOOD RISK SCORE

**1.4** average portfolio risk,  
vs. 2.8 average risk for US Lodging REITs\*  
(1-10, 1=low risk)

**2.1%** of properties by count at high risk  
(as defined by NOAA), vs. on average 3% of US Lodging REITs’  
properties are at high risk

## AWARDS & RECOGNITION

Hersha has been recognized for our approach to driving positive environmental and community impact, both at a local and global scale. Highlighted are a few of our recent awards:



Global Real Estate Sustainability Benchmark  
Ranking – Ranking within the Top 15% of 964  
GRESB participants



NAREIT's Leader in the Light (Lodging &  
Resorts sector) – Recognized four times for  
superior sustainability practices



Hersha – America's Most Responsible  
Businesses 2020 by Newsweek



Hersha – United Way of the Capital Region's  
"Best Of" Award for a Medium-Sized  
Company in 2019

PHILADELPHIA BUSINESS JOURNAL



2018 BEST PLACES TO WORK

Hersha – Best Place to Work by the  
Philadelphia Business Journal from 2017-2019



Hersha – Top Work Places 2020 by  
The Philadelphia Inquirer

## COMMUNICATION HIGHLIGHTS

In 2019, our sustainability platform, EarthView, was featured in numerous publications, including Hotel Business Review, Hospitality Trendz, NAREIT, the Urban Land Institute, and Asian Hospitality. We were also featured in a report with the International Tourism Partnership, in collaboration with the International Finance Corporation – a part of the World Bank Group. These publications have an estimated total audience of 165,000.



# SUSTAINABLE DEVELOPMENT GOALS: PRIORITIES

We recognize that all of the Sustainable Development Goals (SDGs) are closely integrated and play vital roles in our communities and planet. However, similar to other leading companies, we realize that a focus on specific goals is the most effective avenue towards progress. Therefore, to further support both Hersha's and the UN's missions, we have prioritized eight SDGs that are closely aligned with our business:



## ABOUT THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs), developed by the United Nations, are a framework for achieving sustainability at a global level by addressing the pressing challenges we face as a global society. Though initially framed for world leaders, the United Nations has since called for a broader coalition of support for the SDGs from other stakeholders – including the world's business community.

## QUICK FACTS ON THE SDGS

- Adopted by the United Nations General Assembly in September 2015
- Part of the 2030 Agenda for Sustainable Development
- 17 Sustainable Development Goals in total
- Goal is to end poverty, fight inequality, and curb climate change by 2030





## A LETTER FROM THE CEO

### Dear Fellow Stakeholders,

As we release our 2019 EarthView® Sustainability Report, we reflect on the current global crises in the form of the coronavirus pandemic, social injustice, and the economic instability associated with these challenges. The impact of these challenges affects our associates, businesses, and communities around the world and have put a spotlight on the social element of environmental, social, and governance (ESG) management. In particular, health & wellness, diversity & inclusion, and training & development have risen to the forefront. It is with this in mind that we launched our Rest Assured™ program earlier this month, which serves and prioritizes the health, safety, and wellness of our guests, associates, and communities.

It is amidst these trying times that I am encouraged by the collective action being taking around the world towards universal goals such as the United Nations Sustainable Development Goals. At Hersha, environmental, social, and governance management remains ever important and at the forefront of our business strategy. We believe that our relentless focus on social and environmental impact not only benefits our community and planet, but also drives financial value. We've seen these results in the form of higher margins, stronger NOI, and increased long-term valuations.

With this in mind, we have developed 2030 environmental targets. These targets are coupled with more comprehensive disclosure of our risk oversight processes and resiliency strategy, in accordance with internationally-recognized frameworks by the Sustainable Accounting Standards Board (SASB) for the Real Estate Sector and the Task-force for Climate-related Financial Disclosures (TCFD).

As in prior years, in 2019 we received broad recognition for our ESG leadership. We earned the Global Real Estate Sustainability Benchmark (GRESB) assessment's "Green Star" recognition and ranked in the top 15% of all GRESB participants for the fifth year in a row. We are also named one of America's Most Responsible Companies by Newsweek magazine, ranking 279 on Newsweek's 2020 list of America's 300 Most Responsible Companies based on ESG practices.

As we look ahead to the new decade with resolve and foresight, we remain dedicated to our ESG strategy and committed to utilizing our platform as leaders in the industry to influence and foster a more sustainable, just, connected, and resilient world.

**Jay H. Shah**, Chief Executive Officer, Hersha Hospitality Trust







The Rittenhouse,  
Philadelphia, PA

## OUR FINANCIAL IMPACT

We believe incorporating sustainability into our business strategy is key to capturing value. Our EarthView platform not only drives lower operating expenses and higher real estate value, but is also a framework for identifying efficiencies in current practices, areas for hospitality innovation, and future market trends.



## TO DATE, EARTHVIEW'S INITIATIVES HAVE CREATED

**\$100M** in  
portfolio value attributed  
to EarthView as of 2019

**1.7 YEAR**  
average payback period for  
our efficiency investments

**\$14M** in EarthView  
savings since inception

**+60 BPS**  
impact to EBITDA margin



## EARTHVIEW'S STRATEGY

EarthView has informed the way we approach business and is now wholly integrated into Hersha's business strategy. Having a strategy informed by sustainability – in particular through operating efficient, green buildings that are centered on community – leads to hotels with higher margins, stronger net operating income (NOI), and increased long-term valuations. Every \$1 of savings from reduced energy and water usage, and lower waste production flows directly to the bottom line.

## EARTHVIEW INTEGRATION & PROCESS

Our full-time, in-house EarthView sustainability team reports directly to Hersha's CEO, and works closely with executives and senior leadership across departments, including asset management, capital planning, operations, risk management, and sales. Through this process, sustainability is incorporated into department-specific strategies and goals.

All sustainability strategies and initiatives undergo a rigorous analytical process to ensure they:

- Demonstrate a positive short-term return on investment
- Reduce annual tangible and intangible costs
- Improve levels of engagement and wellness for our communities and associates

## HOW EARTHVIEW DRIVES VALUE

EarthView initiatives alleviate the pressure of increasing labor costs, taxes, and insurance by contributing directly to margins. Long-term value is driven by EarthView measures through:

- Increased energy and water efficiency, which reduces operating expenses, and is particularly significant as utilities and waste represent one of our portfolio's largest controllable operating expenses
- Additional revenue from group and corporate travel managers increasingly focused on sustainable travel
- Greater retention of guests and associates as they increasingly prefer companies with values that resonate with theirs
- More robust preparation for and mitigation of risks, including physical and transition risks

## EXTERNAL STAKEHOLDER ENGAGEMENT

EarthView's continued influence and leadership at Hersha is supported by our advancement of sustainability awareness and education for the overall real estate and hospitality industry through regular engagement with peers, investors, community partners, and the cities in which we operate. We share knowledge, discuss trends, and learn from our peers and partners to help drive the future of sustainable buildings and hospitality for the entire industry.

## HERSHA IS AN ACTIVE PARTICIPANT OF THE FOLLOWING



### TO LEARN MORE

about how EarthView is structured and managed, please refer to our [“Environmental Management System” document](#) on our Hersha website.

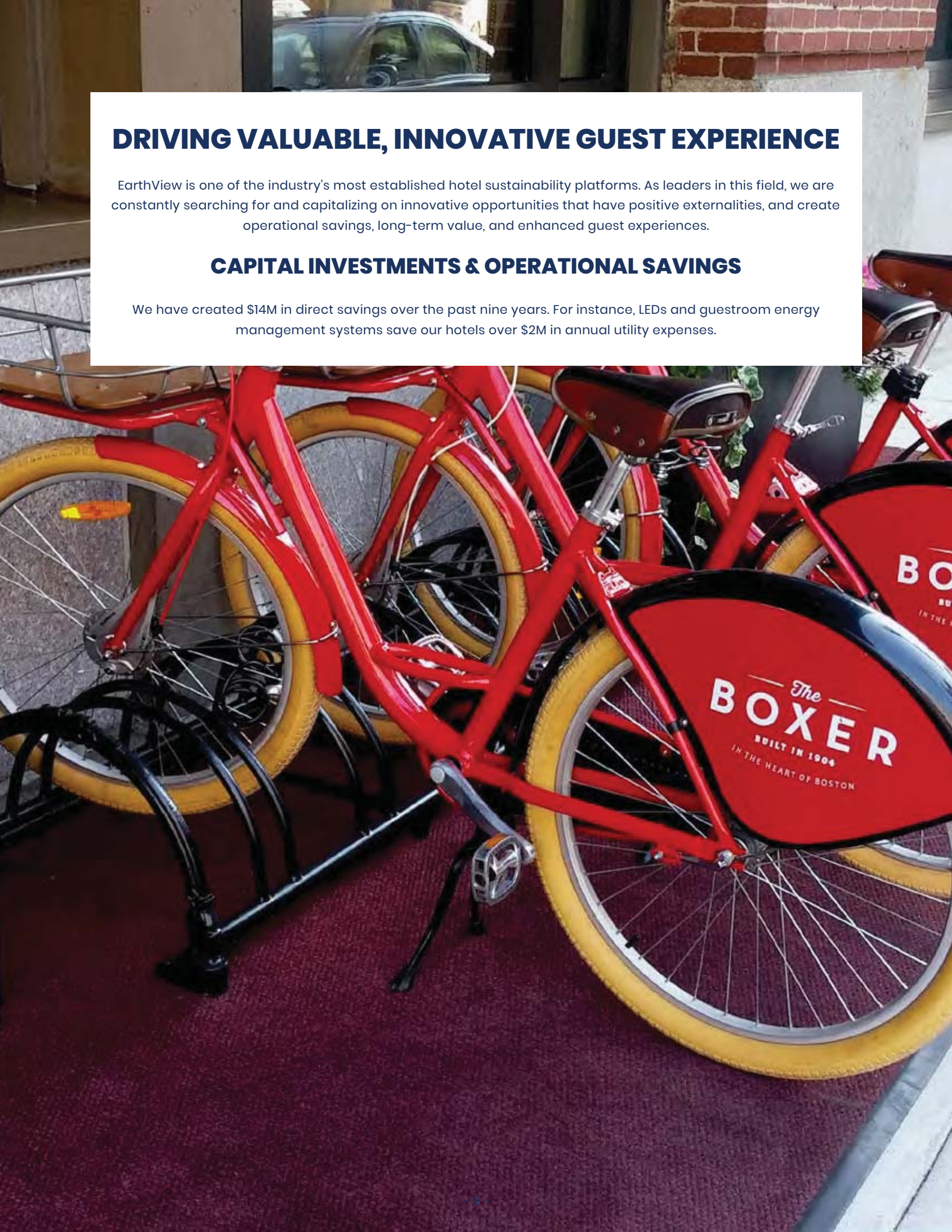


## DRIVING VALUABLE, INNOVATIVE GUEST EXPERIENCE

EarthView is one of the industry's most established hotel sustainability platforms. As leaders in this field, we are constantly searching for and capitalizing on innovative opportunities that have positive externalities, and create operational savings, long-term value, and enhanced guest experiences.

## CAPITAL INVESTMENTS & OPERATIONAL SAVINGS

We have created \$14M in direct savings over the past nine years. For instance, LEDs and guestroom energy management systems save our hotels over \$2M in annual utility expenses.







## ENHANCING GUEST EXPERIENCE

Guests are increasingly seeking more from their travel experiences – and we are well poised to capture this growing interest through our approach to sustainable hospitality. Hotels that minimize their environmental footprints, provide responsibly sourced products, engage with local communities, and empower their associates are ones that demonstrate a holistic approach to hospitality.

This holistic approach extends to guests as well, providing memorable amenities and unique offerings to elevate the quality of their stays. In 2019, our portfolio-wide composite of guest satisfaction scores was 8.4 out of 10 points.

## SUSTAINABILITY-ORIENTED AMENITIES THAT ENHANCE GUEST EXPERIENCES INCLUDE:

- Energy-efficient lighting and thermostat technology increases guest comfort, while reducing energy usage
- In-room recycling programs allow guests to continue the environmental habits they practice at home
- Locally sourced food and beverages support the local economy, while providing guests with unique offerings
- Electric vehicle charging stations offer drivers the convenience of charging their vehicles while they are on-site
- High-quality bathroom amenities, such as soap and shampoo from larger dispensers, provide a luxurious bathroom experience for guests, while reducing waste and plastic usage

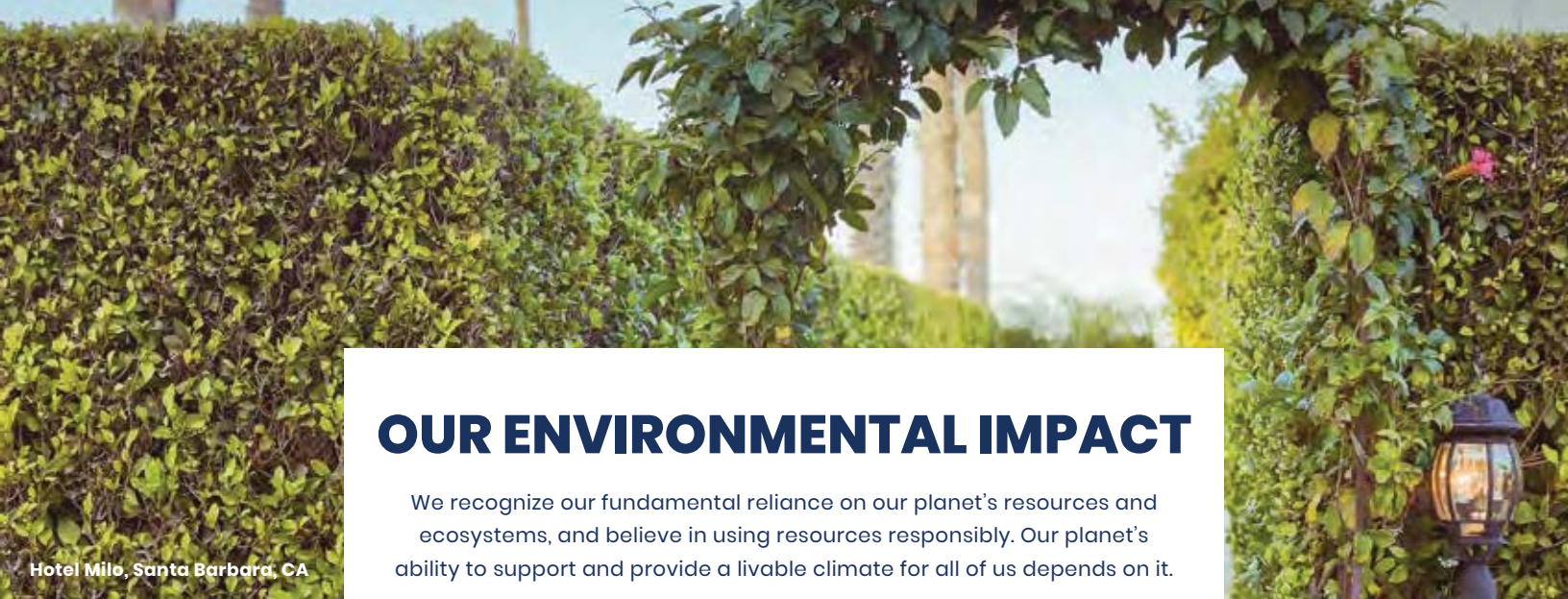
## GREEN MEETINGS

Individual guests are not the only ones seeking more sustainable travel options – corporate and group businesses are as well. Through EarthView, we are able to satisfy this need, and eventually expectation, by providing green meeting options.



## EXAMPLES OF GREEN MEETING OPTIONS INCLUDE:

- Tap water provided in carafes and reusable glasses
- Elimination of single-use plastic
- Recycling containers located in all meeting rooms
- Providing linenless tables
- Provision of vegetarian and vegan food and beverage options
- Reports on the impact of a stay or a meeting at our hotel



Hotel Milo, Santa Barbara, CA

# OUR ENVIRONMENTAL IMPACT

We recognize our fundamental reliance on our planet’s resources and ecosystems, and believe in using resources responsibly. Our planet’s ability to support and provide a livable climate for all of us depends on it.



## OUR TARGETS & RESULTS

We are proud to announce targets for reducing our environmental impact by 2030 (using a 2010 baseline) that are also aligned with our Sustainable Development Goal priorities. We share our progress against these targets below.

### ABOUT SCIENCE-BASED TARGETS

We are in the process of verifying our science-based greenhouse gas emissions target by the Science-Based Targets Initiative to ensure it is aligned with reductions needed to limit global temperatures to 2C (vs. 1C currently) above pre-industrial levels.



## OUR 2030 REDUCTION TARGETS

### GREENHOUSE GAS EMISSIONS TARGET



60%

reduction per SF by 2030\*

### ENERGY CONSUMPTION TARGET



35%

reduction per SF by 2030

### WATER WITHDRAWAL TARGET



30%

reduction per SF by 2030

### WASTE DIVERSION TARGET



50%

diversion rate in 2030

\*Pending verification from the Science-Based Targets Initiative





## SDG 13 – CLIMATE ACTION:

- Reduce our greenhouse gas emissions to alleviate climate change and its impacts
- Pursue and invest in expanding our renewable energy strategy



## SDG 7 – AFFORDABLE AND CLEAN ENERGY:

Increase energy efficiency in our buildings and reduce overall energy consumption



## SDG 6 – CLEAN WATER AND SANITATION:

Increase water efficiency in our buildings and reduce overall water usage



## SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION:

Reduce waste generation

# OUR 2019 RESULTS & PROGRESS



## MEASURING OUR FOOTPRINT

In order to reduce our environmental footprint, we measure where we have been and where we are now. To this end, we have tracked our greenhouse gas emissions, energy and water usage, and waste production since we launched EarthView in 2010.

Since EarthView's inception, we have also implemented data management systems that allow us to confidently report high quality, non-financial data, better manage our footprint, and identify opportunities for continual improvement.

## METRIC ALIGNMENT WITH THIRD PARTY STANDARDS

The metrics we provide in this report are:

- Aligned with the Greenhouse Gas Protocol, a global standard that outlines methodology for reporting on environmental impact to ensure these metrics are comparable with those reported by our peers and other organizations
- Most material and relevant to our industry, as recommended by the Sustainable Accounting Standards Board (SASB) for the Real Estate Sector
- Aligned with Hersha's Global Real Estate Sustainability Benchmark (GRESB) assessment

## METRIC SCOPE

Our environmental metrics and results are derived from the 2019 calendar year performance of our Hersha-owned, operating hotel portfolio across our markets. We use an equity approach for reporting, accounting for emissions, energy, water, and waste reductions from property operations according to our share of equity in the property under the World Resources Institute's reporting protocols. These environmental results represent our like-for-like portfolio that has remained the same year-over-year. In 2019, our entire portfolio is included in our reporting as we did not have any dispositions or acquisitions during this period. Our portfolio totals to 48 hotels with 4.4 million gross SF (by equity share).



## METHODOLOGY FOR EMISSIONS CALCULATIONS

- Scope 1 emissions are derived from the natural gas consumption of our owned properties. Scope 2 emissions are derived from the electricity, steam, and chilled water consumption of our owned properties. Scope 3 emissions, including energy consumption from indirect, non-operational activities, are not included in this report.
- Our emission inventories include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O). Hydrofluorocarbons (HFCs) are not included in our emissions inventory as we currently do not have the ability to measure the amount of HFCs produced from our HVAC systems, while other emissions (e.g. sulfur hexafluoride, perfluorocarbons, and nitrogen trifluoride) are not included as they are not used due to the nature of our business.
- We use EPA guidelines, via EnergyStar Portfolio Manager's Reporting tool, to generate location-based Scope 1 and Scope 2 emissions. To report emissions over time, we use the most recent eGRID emissions factors available during the year in which emissions are being calculated. For instance, for 2019 data, we use the eGRID 2020 version 2 (released 3/9/2020).

## GREENHOUSE GAS EMISSIONS REDUCTION



reduction per SF vs 2010

	Absolute Production			
	2018	2019		
	Emissions (mT)	Emissions (mT)	Data coverage (SF)	Data coverage (%)
Scope 1	9,193	9,969	4,430,927	100%
Scope 2 (location-based)	22,660	22,236	4,430,927	100%
Total	31,853	32,205	4,430,927	100%

	Like-For-Like Production			
	2018	2019	2010-2019	
	Emissions	Emissions	Like-for-like change (%)	Like-for-like change (%)
Total (mT)	30,159	28,916	-4.1%	-44%
Intensity (mT/SF)	0.0075	0.0072	-4.1%	-44%

## WATER REDUCTION



reduction per SF vs 2010

### Note on Water Reduction:

By nature of our business in the real estate and hospitality industry, our water usage is primarily made up of water withdrawal. The majority of our water is "returned" through municipal sewer systems as we do not use large amounts of water for consumption.

	Absolute Withdrawal			
	2018	2019		
	Withdrawal (kgal)	Withdrawal (kgal)	Data coverage (SF)	Data coverage (%)
Total	265,798	268,602	4,430,927	100%

	Like-For-Like Withdrawal			
	2018	2019	2010-2019	
	Withdrawal	Withdrawal	Like-for-like change (%)	Like-for-like change (%)
Total (kgal)	247,718	246,845	-0.4%	-5%
Intensity (gal/SF)	61.8	61.6	-0.4%	-5%

## ENERGY REDUCTION



**15%**

reduction per SF vs 2010

	Absolute Consumption			
	2018	2019		
	Consumption (mBTU)	Consumption (mBTU)	Data coverage (SF)	Data coverage (%)
Total energy	414,463	433,599	4,430,927	100%
Electric	235,586	232,378	"	"
Natural gas	173,070	187,688	"	"
Chilled water	5,802	4,828	"	"
Steam	8,665	8,714	"	"
Renewable energy	512	512	"	"
As % of electricity	0.2%	0.2%	"	"

	Like-For-Like Consumption			
	2018	2019	2010-2019	
	Consumption	Consumption	Like-for-like change (%)	Like-for-like change (%)
Total (mBTU)	401,713	400,703	-0.3%	-15%
Intensity (kBTU/SF)	100.3	100.0	-0.3%	-15%

## WASTE DIVERSION



**30%**

diversion rate in 2019

	2019
Total weight of all waste (tons)	6,933
Landfill	70%
Total diverted	30%
Diverted – recycling	18%
Diverted – compost	5%
Diverted – waste to energy	1%
Diverted – incineration	6%
Data coverage (SF)	4,430,927
Data coverage (%)	100%

### WASTE DIVERSION

By nature of our business, all waste we produce is non-hazardous waste. We do not produce hazardous waste. Total waste production is attributed to regular operations and does not include waste produced from major renovations.

# EFFICIENT BUILDINGS AND OPERATIONS

Buildings have an outsized impact on our environment. According to a joint report published by the UN Environment Programme and the International Energy Agency, buildings and construction account for 39% of global energy-related emissions. To us, this means we strive to run our buildings as efficiently and sustainably as possible.



**34%** of our portfolio has been awarded a third-party building certification, such as LEED, EnergyStar, ISO 14001 (for environmental management), or ISO 50001 (for energy management) over the past five years

## THE AMBROSE HOTEL

**Environmental Level, certified by the California Department of General Services**

California's Green Lodging Program recognizes hotels that reduce their carbon footprint, conserve energy and water, divert waste from landfills, and improve indoor environmental quality. The "Environmental Level" is the highest level of program participation. As a certified hotel, the Ambrose Hotel is listed on California's Green Lodging Directory of hotels and is designated as a green hotel on the state's online travel booking tool.



## THE RITTENHOUSE

**Zero Waste Partner, designated by the City of Philadelphia**

The Rittenhouse has been recognized as a Zero Waste Partner by the City of Philadelphia for its efforts in diverting waste from landfill. For instance, the Rittenhouse team actively composts food waste from the hotel and restaurants. Extra prepared food that has not yet been served is also donated to shelters and other local organizations to help feed fellow Philadelphians in need.





## PLAN TO ACHIEVE OUR TARGETS

This year, we set forth ambitious 2030 targets for our emissions, energy, and water reductions, as well as our waste diversion. To achieve these, we are focused on projects and initiatives that increase energy efficiency, water efficiency, and the amount of waste diverted from landfill, with sub-targets for some of these initiatives to track our progress towards reaching our overall environmental targets. Project highlights and progress against our sub-targets below.

## KEY PROJECTS

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### LED LIGHTING

- Our energy efficiency lighting strategy is focused on retrofitting existing lighting with LEDs, which are more efficient than incandescent and florescent lighting, and have much longer lifespans.
- LEDs have been installed at over 95% of our hotels. We continue to purchase and install LEDs as hotels are renovated.
- We are on track to install LEDs across 100% of our portfolio.



### GUESTROOM EMS

- Our HVAC efficiency strategy includes installing guestroom energy management systems (EMS).
- Our guestroom EMS is programmed to reduce energy consumption while rooms are unrented or unoccupied, saving our hotels 25-30% in heating and cooling costs.
- Engineering teams are trained to review their hotel's energy management system.
- Currently, EMS has been installed at 88% of our eligible, HVAC compatible properties and is continuing to be implemented at all new acquisitions.



## HIGH EFFICIENCY WATER FIXTURES

- Water fixtures, including faucets and shower heads, can make up the majority of a hotel's water usage.
- As such, we have increased the water efficiency of these fixtures through balanced flows that still maintain guest comfort.
- On average, properties with high efficiency water fixtures lower their water usage by 20-30%.
- We have installed these water efficiency measures at over a quarter of our hotels with high flow rates.



## LAUNDRY WATER REUSE SYSTEMS

- For our hotels with on-site laundry, washers consume a significant amount of water every year. We installed our second laundry-water reuse system this year, which uses recycled and filtered laundry grey water for 70-80% of our laundry cycles. We are continuing to evaluate opportunities for this system at additional hotels in our portfolio.
- To date, our two laundry-water reuse systems have reused nearly 2,000 kgal of water, which is the equivalent of three Olympic-sized swimming pools.



## NON-PLASTIC STRAWS & STIRRERS

- To avoid the detrimental environmental impacts of single-use plastic, our hotels only use paper straws and wooden stirrers in their operations. Over the course of a year, we avoid using over 4 million pieces of plastic straws and stirrers, preventing these items from littering our oceans and harming wildlife.



The background of the entire page is a photograph of a sunset over the ocean. The sun is a bright orange circle on the left side of the horizon, casting a long, shimmering reflection across the water's surface. The sky is a gradient of orange and yellow, with some light clouds. The water in the foreground has small, dark blue waves. A white rectangular box is centered in the upper half of the image, containing the title and a paragraph of text.

## **RENEWABLE ENERGY & NON-EMITTING TRANSPORTATION**

We believe transitioning to an economy run on clean energy is imperative to curb climate change and maintain a livable future for our society. To support this endeavor, Hersha is committed to sourcing clean, renewable energy to power and light our hotels, as well as spurring the growth and availability of non-emitting transportation options in our communities.





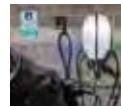
## ON-SITE RENEWABLES

Currently, we have on-site solar installed at our Residence Inn Coconut Grove. This solar array generates 150 MW of electricity per year. In the coming years, we plan to increase our portfolio's mix of renewable energy by exploring additional on-site installations and off-site options.



## NON-EMITTING TRANSPORTATION

To encourage the reduction of emissions from transportation, we are installing electric vehicle charging stations across the portfolio, providing electric house cars when possible, encouraging exploration of local neighborhoods through walking, and educating guests on public transportation options.



**Electric Vehicle Charging Stations:** These efforts support the expansion of a larger charging infrastructure, which is needed to spur the transition away from combustion vehicles. Currently, we have electric vehicle charging stations at 8 of our hotels, with a target to eventually have charging stations at 20 of our hotels.



**Electric House Cars:** Our Ambrose Hotel has an electric house car, a Tesla, that transports guests to and from popular destinations. We continue to evaluate options to purchase electric house cars for other hotels.



## EASY WALKABILITY & ACCESS TO PUBLIC TRANSPORTATION

Our hotels are mostly based in dense, urban neighborhoods, with a portfolio-wide Walk Score of 84 out of 100. A high Walk Score indicates there is a greater number of diverse amenities that are easily accessible via walking. Our Courtyard by Marriott San Diego and Courtyard by Marriott Los Angeles Westside also communicate public transportation route information to guests via their GoBoards. This reduces the number of single-passenger emitting rides taken to and from our hotels, as well as supports local transportation systems.



Our associates at the Courtyard by Marriott San Diego, CA: Executive Housekeeper Lisa Morales and laundry attendant Obdulio Heredia Cortez, supporting breast cancer awareness

## OUR SOCIAL IMPACT

We believe our business is only as healthy as our guests, as successful as our associates, and as strong as our communities. As such, we focus on nurturing wellness, stimulating development, and driving positive local and global change.



## OUR SOCIAL SDG PRIORITIES

Our priorities around the social aspect of the Sustainable Development Goals are focused on having a local and global impact, supporting our associates, and embracing health and wellness for our associates and guests.



### SDG 6: CLEAN WATER AND SANITATION:

- Provide access to safe and affordable drinking water, as we believe access to acceptably clean, accessible, safe, sufficient, and affordable water is a fundamental human right
- Facilitate access to sanitation and hygiene



### SDG 4: QUALITY EDUCATION:

Support partners providing access to education as we believe obtaining quality education is the foundation for improving lives



### SDG 17: PARTNERSHIPS FOR THE GOALS:

Engage in public-private partnerships to support our communities



### SDG 3: GOOD HEALTH AND WELL-BEING:

- Facilitate an inclusive, safe, open, and understanding work environment
- Provide opportunities for empowerment and professional development
- Demonstrate appreciation for our associates
- Embrace health and wellness of our associates and guests



# OVERVIEW OF SOCIAL IMPACT

**19,779** hours  
volunteered in our local  
communities since 2015

**\$596,000**  
raised for autism awareness  
since 2015

**25,000+** people provided  
w/ access to clean water for 21 years  
through funding of EarthView Water since 2014

**561,000** new bars of  
sanitized and repackaged soap sent  
to developing nations since 2011

**300**  
unique non-profits  
assisted since 2017

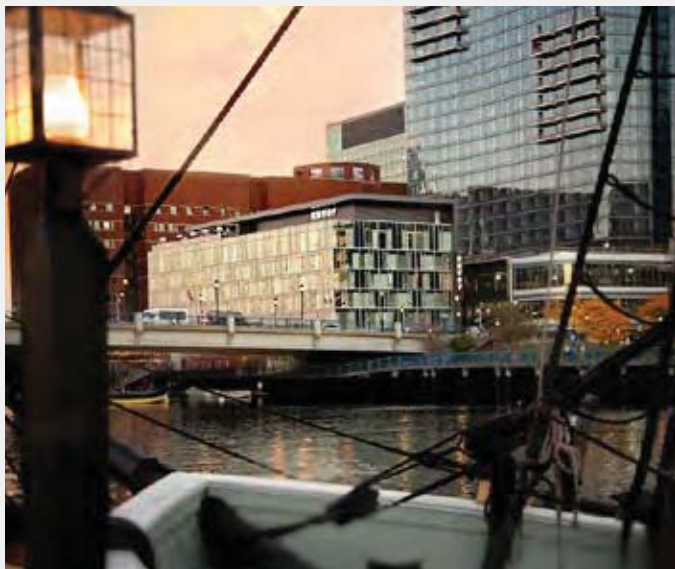
**39%**  
of our workforce is made  
up of women

## HAVING A LOCAL & GLOBAL IMPACT

One of our core values is “Hearts that Serve.” This means that our care and service of people does not apply only to guests and associates, but also to our stewardship of local and global communities.







## OUR LOCAL IMPACT

Our hotels are deeply rooted in the communities in which they operate. Stronger, more vibrant communities in turn are able to help our hotels thrive. As such, we support our local communities through two lenses: economic development and revitalization, as well as philanthropy.

### ECONOMIC DEVELOPMENT

We encourage our management teams to hire local or regional associates and procure local products. These efforts support the growth and development of our local economies:

- **Parrot Key Hotel & Villas** sources coffee from Baby's Coffee and key lime pie from Kermitt's – both businesses locally based in Key West
- **The Rittenhouse** provides space for Egan Day, a boutique that sells fine jewelry designed and crafted by local Philadelphia designers
- **The Cadillac Hotel & Beach Club** partners with local studios based in Miami to provide fitness classes, including Nobe and Focused Movement Academy

### REVITALIZATION

Several of our hotels were constructed to support urban revitalization, as well as the development and remediation of urban brownfield sites (when applicable), within their neighborhoods. These hotels have created 271 jobs in our communities.

- **The Ritz-Carlton Georgetown** is an adaptive reuse of a formerly vacant industrial building
- **The Envoy Hotel** was developed on former parking lots, which supported the revitalization of Seaport, MA, a neighborhood that had at one point been abandoned and inaccessible

### PHILANTHROPY

We support our associates by encouraging them to actively serve their communities and providing them with the autonomy to support the projects, organizations, or causes they care about. With each property participating in or holding at least three philanthropic events a year, we are proud to see our hotels being positive forces in their communities. In 2019, our hotels and corporate offices held and participated in **239 events**. The next page has a few examples highlighting their efforts.



## **CAPITOL HILL HOTEL ASSOCIATES PARTICIPATED IN A WORKDAY AT THE MARION STREET INTERGENERATIONAL GARDEN**

Associates at the Capitol Hill Hotel participated in a workday at City Blossoms' Marion Street Intergenerational Garden, helping to weed, prune, clean, and maintain this urban garden for neighbors and local DC residents to use for youth programming.



## **OUR SUNNYVALE HOTELS VOLUNTEERED AT SECOND HARVEST FOOD BANK**

Our Courtyard and TownePlace Suites Sunnyvale teams volunteered at Second Harvest Food Bank to sort 15,000 lbs of food and box 25,500 bags of fresh produce that was then transported to people in need in rural communities without access to a food bank.



## **THE CADILLAC HOTEL & BEACH CLUB ASSOCIATES VOLUNTEERED AT THE MIAMI RESCUE MISSION**

Associates at The Cadillac Hotel & Beach Club helped the Miami Rescue Mission serve lunch to their community's homeless, prepare sandwiches in the evening, and donate to the kitchen pantry – all to support the Miami Rescue Missions' programs to provide emergency shelter, residential programs, training, and projects for at-risk youth.



## GET TO KNOW THE TEAM:

**Erik Kreft**, General Manager at The Ambrose Hotel, Santa Monica, CA

Erik is passionate about sustainability and strives to leave behind a world better than he found it. He looks for any opportunity to help The Ambrose operate more sustainably. To that end, within a year of joining Hersha, he successfully led The Ambrose to certification in the California Green Lodging program. To be certified, the hotel and team had to meet a strict set of state-wide sustainability standards. Erik furthermore excites his team around giving back to the community – whether it be for EarthView initiatives like Clean the World, or unique partnerships like donating lightly worn guestroom slippers to The People Concern Shelters, one of Los Angeles County's largest social services agencies. He also supports the community on his own time as the Vice Chair of the Tourism Market District for Santa Monica Travel and Tourism.



## OUR GLOBAL IMPACT

In our hotels, we provide guests with access to clean water and superior cleanliness. However, we believe it is important to be a positive force, not just locally, but also for global communities in which we do not directly operate.





## PROVIDING ACCESS TO CLEAN WATER

- Why? We believe access to clean, accessible, safe, sufficient, and affordable water is a fundamental human right. It is unacceptable that one in ten people globally lack access to safe drinking water.
- How? We developed EarthView Water, a privately-labeled water bottle made from 100% recycled materials. For each bottle purchased, we donate \$1 to help bring clean, drinkable water to those in need.
- Update: In 2019, we successfully funded a Hersha Well in Tanzania. This well, to be built by Waterboys.org, will be able to bring life-sustaining water to 8,000 people.
- About Waterboys.org: Waterboys is an initiative founded by Chris Long that brings clean, accessible drinking water to rural communities in East Africa. Local crews in East Africa are hired to drill deep borehole wells for communities where there is unsafe drinking water, or community members need to walk miles each day to retrieve water.

We have achieved our target to provide accessible, clean water to 25,000 individuals in need! We are in the process of developing a new goal for our future impact.



## PROVIDING IMPROVED SANITATION

- Why? While hotels dispose of a staggering amount of single-use soaps every day, two out of the top five leading causes of deaths around the world, particularly among children, could have been avoided by improved hygiene.
- How? We partner with Clean the World to give our soaps a second life. Our hotel associates collect and send partially used soaps to Clean the World. Clean the World then sanitizes these items, repackages them, and then distributes new bars of soap to communities in need.
- Update: Since 2011, our hotel donations have created and distributed 561,000 new bars of soap. When we first partnered with Clean the World, we were the largest hotel company to do so. Now, we are excited to see many other hotel companies also partnering with Clean the World to recycle and send soaps to those in need.





## SUPPORTING OUR ASSOCIATES

As one of our core values states “People Are Our Capability.” Our associates are the drive and soul behind Hersha’s continued success, and as such, we strive to facilitate a diverse, inclusive environment, provide development opportunities, and focus on health and wellness to help our associates thrive.

## OUR WORK ENVIRONMENT

We provide an inclusive, safe, and open work environment, and have a staunch commitment to our Code of Conduct. Additionally, we provide numerous benefits that allow our associates to lead full lives outside of Hersha. For more information on Hersha’s human rights and labor policies, benefits, and other policies, please download our Code of Conduct on our Hersha website.



## POLICY & BENEFIT EXAMPLES

### Policy examples

- Robust human rights and labor policies
- Diversity and inclusion
- Established reporting mechanisms in the event of assault or harassment

### Benefit examples

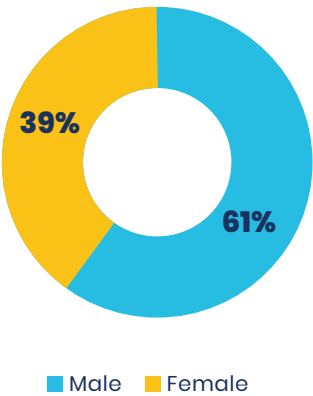
- Health insurance
- A retirement plan
- Paid time off, family and medical leave
- A lodging discount program

# DIVERSITY AT HERSHA

## GENDER DIVERSITY

**39%** of our workforce is made up of women

**37%** of our female workforce holds roles of Director and above

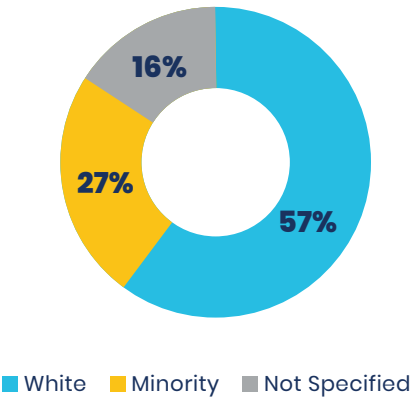


## DIVERSITY REPORT SCOPE

Within the scope of this report, there is no substantial portion of our work that is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including associates and supervised associates of contractors. In 2019, we had no significant variations in employment numbers. We have no part-time employees; all of our employees work full time .

## ETHNIC DIVERSITY

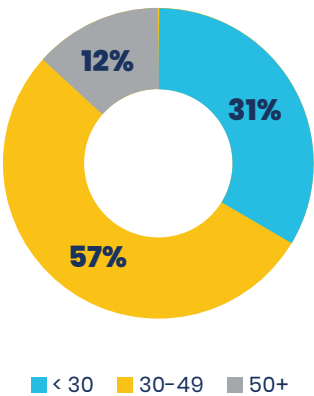
**27%** of our workforce identifies as a member of a minority group



## AGE DIVERSITY

**31%** of our workforce is under age 30

**57%** is between 30 and 50







## NURTURING GROWTH

We believe our associates will become tomorrow's leaders, and so we support them through providing numerous opportunities for advancement and personal growth, as well as benefits to support their health and wellness.

## PROFESSIONAL DEVELOPMENT & OPPORTUNITIES

We provide associates with numerous opportunities to advance, grow personally and professionally, and become future leaders. A few of these opportunities and programs include:

- Formalized, comprehensive programs dedicated to succession planning and development at multiple levels. Succession plans and development processes are in place for all executives and senior leadership
- Extensive policy trainings and job-specific development training programs tailored to all job functions and roles, provided internally and by the brands we work with
- Leadership development support for our management team, as well as hotel and corporate associates at multiple levels to become department heads and key corporate leaders
- Yearly stipends for all associates, full-time and part-time, interested in further education, training, and workshops, either in-person or online classes

## ASSOCIATE APPRECIATION

Hersha's successes today are all thanks to our dedicated, inspiring associates. We consciously foster a culture of appreciation to ensure our associates feel recognized for all that they do for our company, our collective environment, and our communities.

### THE **HERSHA** **ASSOCIATE RECOGNITION PROGRAM**

This year, we started a program that formally recognizes associates who embody one of Hersha's core values

### THE **HERSHA PROGRAM**

This program shares inspiring stories of associates with 'Hearts that Serve', who strive for 'Only Excellence', who 'Stay Nimble', who 'Own It', and who are embodiments of 'People Are Our Capability'.

## GET TO KNOW THE TEAM:

**Abbe Stern**, Operations & Event Manager at The Rittenhouse, Philadelphia, PA

Abbe is the driving force behind our daily food rescue efforts at The Rittenhouse. Her passion for food recovery stemmed from a young age, when she learned that hunger was a problem due to our food systems, not because of a lack of food. Since then, she has founded and runs her own non-profit, Fooding Forward – a consultant agency for restaurants and hotels looking for food waste solutions – and also sits on the City of Philadelphia's Food Policy Advisory Council. In 2019, she was recognized by the Pennsylvania Restaurant and Lodging Association with the "Future of the Industry" award for her work with Fooding Forward. Abbe's leadership has been an inspiration for the Rittenhouse team and has taught and empowered them to see and speak up on additional food recovery opportunities. In her words, "Change is hard... but I'm proud of the willingness of my colleagues to be a part of the new system we're trying to create. It takes the will and determination of everyone on the property to make food recovery possible."



## EMBRACING HEALTH & WELLNESS

We promote the health and wellness of our associates and guests in order to create a great place to work, as well as design a comfortable destination to stay.

**For our associates**, we aim to support their physical and mental health, as well as overall wellness. Our efforts have been recognized, with our Philadelphia office being named "Best Place to Work" by the Philadelphia Business Journal for three years in a row.

**For our guests**, we aim to help them maintain their daily wellness routines while travelling, to help them recharge and refresh.



## ASSOCIATE BENEFITS

Among many benefits, some of which are described under "Our Work Environment" section prior, we:

- Host team events and sponsor team outings
- Celebrate each other's important milestones
- Offer fresh fruit in the office and provide education on healthy nutrition and diets
- Provide access to stress management and healthy living (including diabetes wellness, emotional well-being, work life balance, positivity)
- Provide access to support with elder care, parenting, midlife, and personal budgeting

## GUEST OFFERINGS

- Walking distance from and accessibility to local sights and destinations, with a portfolio-wide Walk Score of 84 out of 100
- Locally sourced produce and foods ensure foods are served at peak nutritional value and support the health of guests
- Complimentary bike rentals allow guests to easily explore our cities and neighborhoods in an eco-friendly and unique way at select hotels
- Access to fitness centers (available at all of our hotels), with many of our hotels providing complimentary high-tech fitness equipment that support guests' wellness and allow guests to maintain their exercise routines during their stay



## HYATT UNION SQUARE

**Sustainability Strategy Award by the Hotel Association of NYC from 2018–2019**

Our Director of Housekeeping at Hyatt Union Square created a roof top garden to provide fresh, healthy, locally-grown herbs and produce for our associates – through inclusion in staff lunches and by sharing with associates who want to use fresh produce in their cooking as a healthier option for their homes. This garden grows herbs including thyme, basil, and parsley; and vegetables such as peppers, peas, squash, lettuce, tomatoes, and kale.



## THE ST. GREGORY HOTEL

### PURE Wellness Hotel Rooms

The St. Gregory Hotel has PURE Wellness hotel rooms, which are allergy-friendly rooms treated with a patented in-room, seven-step purification and filtration process that treats every surface to make the rooms 99% allergen-free. These rooms ensure guests can feel fresher, breathe deeper, and have a healthy stay with us.



## GET TO KNOW THE TEAM:

**Dixon Souchet**, Chief Engineer at Hyatt Union Square, New York, NY

Over the course of his 30+ year career in renovating, building, and providing input in designing hotels, Dixon has come to realize that a focus on sustainability and community, and a feel of ownership for a property “as if it were yours”, are integral – not only to provide a pleasant guest experience, but to ensure that the hotel, as a resident itself, is respecting the community and being “good cooperating neighbors.” He himself is involved in the community through numerous associations, including the US Marine Corps, the NYC Hotel Association, the NYC Hotel/Motel Engineer Association, and the National Fire Protection Association. Since joining Hersha in 2015, Dixon has been a stalwart supporter and implementer of many sustainability initiatives at the Hyatt Union Square, including ideas from his own team, such as the hotel’s rooftop garden created this year. Dixon leads by example, ensuring his team actively participates in and understands the sustainability and community projects they are implementing. He also encourages his team to work nimbly: “As we say in the Corps, if a plan fails for whatever reason, implement a new idea, adapt, and execute.”







## OUR GOVERNANCE & RESILIENCY

We believe strong governance is the unwavering north star for a successful business. Integrity, transparency, and a deep commitment to ethical business practices are the governing pillars that never fail to guide us in the right direction. Furthermore, we believe being proactive in identifying, and assessing risk, as well as actively building our resiliency, is integral to our long-term growth.

Capitol Hill Hotel, Washington, DC



## “OWN IT”

Our governance practices embody one of our Hersha values “Own It”. As such, we are committed to conducting governance with accountability, honesty, and responsibility to our stakeholders. Strong corporate governance is fundamental to our continued high performance.

## BOARD OF TRUSTEES AND GOVERNANCE INFORMATION

8

Size of Board  
at Hersha

5

Board Meetings  
Held in 2019

6

Number of  
Independent Directors

50%

Women and Minority  
Board Members

Yes

Separate Chair  
and CEO

Yes

Independent  
Chair

Yes

Proxy  
Access

Yes

Code of Conduct for Directors  
and Executive Officers



**FOR MORE INFORMATION** on Hersha's governance practices,  
please download our [Governance documents](#) on our Hersha website.

## BOARD ROLE IN RISK OVERSIGHT

We believe having robust board oversight around risk is paramount to running a successful business. Thus, our Board has a dedicated Risk Subcommittee, housed under the Audit Committee. The Risk Subcommittee has oversight of climate-related risks as part of its overall responsibility for reviewing Hersha's enterprise risk strategy, risk identification and management, and compliance around environmental and social issues.

## RISK SUBCOMMITTEE PROCESS

Management of risk and resiliency is a business priority, delivered through an interdisciplinary effort, with contributions from acquisitions, asset management, finance, accounting, legal, and sustainability teams. These business teams update the Risk Subcommittee on market trends and forecasts that may lead to identification of new risks, changes in risk exposure, potential impact, and management strategy. The Risk Subcommittee reviews these updates and provides recommendations on risk management strategies to the full Board. Responsibility for monitoring progress against risks, including climate-related risks, fall on the Risk Subcommittee and the members and directors of the appropriate business team.

“

**We are facing the ultimate long-term problem. We don't yet know which predictions about the climate will be accurate, nor what effects we have failed to consider. But there is no denying the direction we are heading. Every government, company, and shareholder must confront climate change.**

”

*– Larry Fink, CEO of BlackRock, 2020 Letter to CEOs*

## OUR RESILIENCY STRATEGY

Climate preparedness and resiliency efforts are supported by all aspects of the business – from the Board, to executives, to senior management in asset management, acquisitions, capital planning, and risk management. Our resiliency strategy includes the ongoing evaluation of potential climate risks, the identification of mitigation strategies, and the ongoing monitoring and assessment of our progress.



## CLIMATE RISKS

We recognize there are inherent sustainability and climate risks that may impact our business. Key risks most pertinent to us include both physical and transition risks:

- **Physical risks** are those that arise from the physical effects of climate change, especially those associated with increasing intensity and frequency of extreme weather events – including hurricanes, storm surge, and wildfires – degradation of ecosystems, and changing climate patterns that lead to sea level rise, heat stress, and water stress.
- **Transition risks** consist of rising stakeholder and shareholder concern around sustainability, increasing prevalence of climate-related policy and regulation, and technological advances and fundamental shifts in market demand.

These will be updated as needed in subsequent annual sustainability reports.



## FLOOD RISK NOAA SCORE

**1.4** average portfolio risk,  
vs. 2.8 average risk for US Lodging REITs\*  
(1-10, 1=low risk)

**2.1%** of properties by count at high risk  
(as defined by NOAA), vs. on average 3% of US  
Lodging REITs' properties are at high risk

## PORTFOLIO IN FEMA SPECIAL FLOOD ZONE AREAS

(Special Flood Hazard Areas have a 1% chance of  
flooding every year)

**19%** of our portfolio by count

The Federal Emergency Management Agency  
(FEMA) designs flood maps based on historical  
flooding since the 1970s in order to determine the  
likelihood of future flooding in designated areas.

\*Hersha NOAA Hazard Score is collated from data by the National Oceanic Atmospheric Administration (NOAA), and peer risk score calculated from the Morgan Stanley report "Rising Flood Risk: How Much and at What Cost?" (3/2019). The NOAA Hazard Score takes into account flood risk as defined by FEMA, the Federal Emergency Management Agency.

## RESILIENCY MEASURES

We employ portfolio-wide resiliency measures, including carrying all risk property insurance for every property. This includes insurance for natural catastrophes including wind, flood, and fire events. Furthermore, because our hotels are geographically diverse, any singular event will not have an overwhelming effect on the performance of our overall portfolio.

From a **property-specific perspective**, our resiliency efforts are largely dependent on the property's unique circumstances – geography, building age, whether the building is under renovation or currently operating etc. At the **property-level**, we continually monitor and implement practical, cost-effective resiliency measures and strategies.



## MITIGATION TACTICS

- Emergency response and life safety plans
- Business continuity plans
- Emergency evacuation plans, procedures, and drills
- Backup power generation, emergency lighting, and fire pumps
- Temporary flood barriers
- Energy- and water-efficiency projects to reduce overall reliance on utilities
- Sourcing food locally – which reduces the risk and potential impact of supply chain disruption

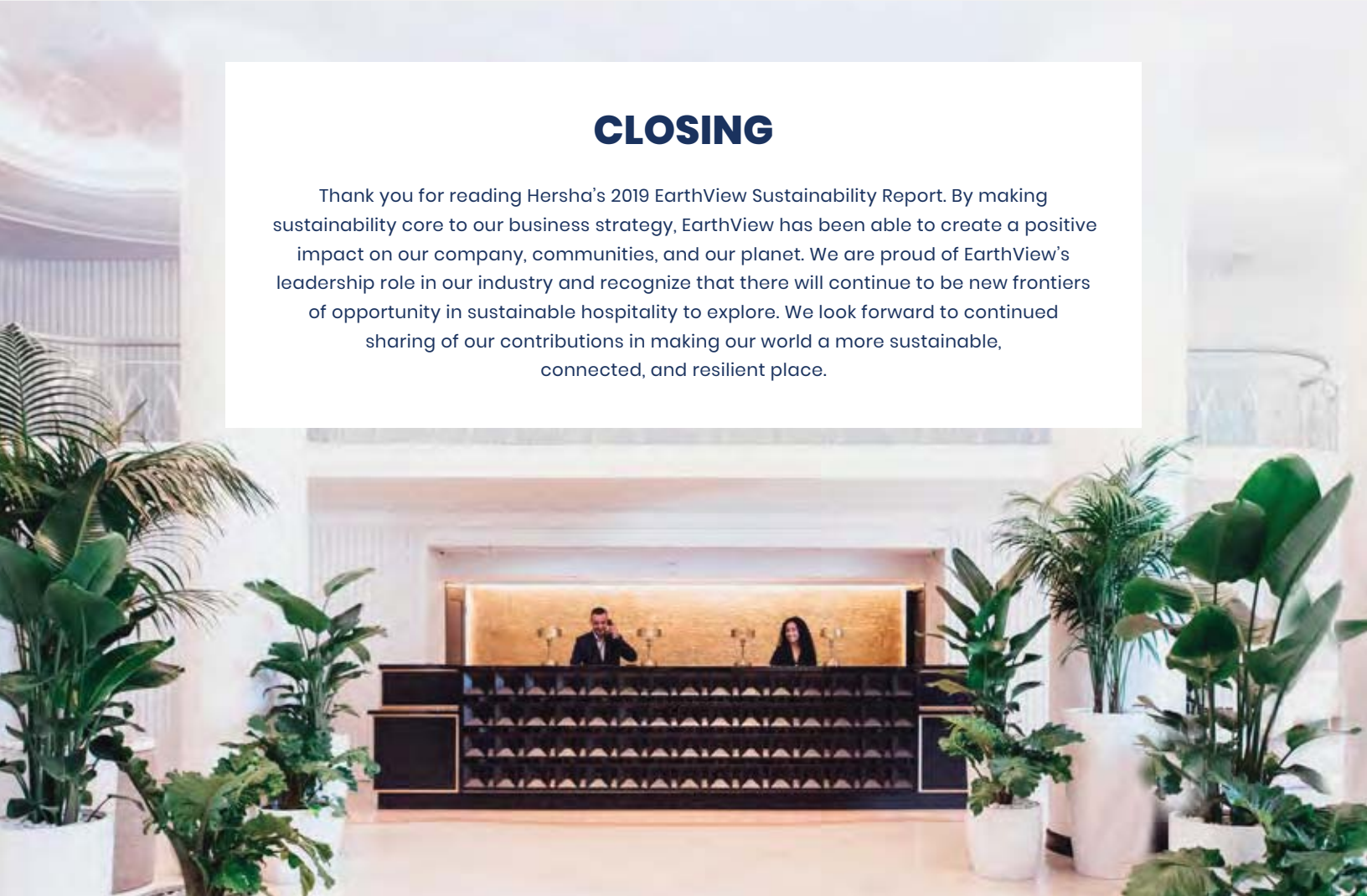
## CLIMATE OPPORTUNITY

We also continue to explore climate-related opportunities, including reductions in operating expenses due to improvements in resource efficiency and added resiliency measures, minimization of business interruption during climate shocks, improved reputation, and potential competitive advantages from stakeholder preferences towards sustainability.



## CLOSING

Thank you for reading Hersha's 2019 EarthView Sustainability Report. By making sustainability core to our business strategy, EarthView has been able to create a positive impact on our company, communities, and our planet. We are proud of EarthView's leadership role in our industry and recognize that there will continue to be new frontiers of opportunity in sustainable hospitality to explore. We look forward to continued sharing of our contributions in making our world a more sustainable, connected, and resilient place.



**For questions regarding EarthView, please contact:**

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**Emily Wei | Sr. Analyst, Sustainability | [emily.wei@hersha.com](mailto:emily.wei@hersha.com)**



# LRQA Independent Assurance Statement

## Relating to Hersha Hospitality Trust's GHG Emissions and Environmental Data for the Calendar Year 2019

This Assurance Statement has been prepared for Hersha Hospitality Trust in accordance with our contract.

### Terms of Engagement

Lloyd's Register Quality Assurance (LRQA) was commissioned by Hersha Hospitality Trust (Hersha) to provide independent assurance on its Greenhouse Gas (GHG) Emissions, Energy Use, Water and Waste Data ("the Report") for calendar year (CY) 2019 against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using LRQA's verification procedure and ISO 14064 - Part 3 for GHG data.

Our assurance engagement covered Hersha operations and activities for 48 hotels totalling 7,644 rooms located in New York, Washington, DC, Boston, Philadelphia, Miami and select markets on the West Coast using the equity share reporting method and specifically the following requirements:

- Verifying conformance with:
  - Hersha reporting methodologies for the selected datasets: 11 data sets
  - World Resources Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol: A corporate accounting and reporting standard, revised edition (otherwise referred to as the WRI/WBCSD Protocol) for the GHG data<sup>1</sup>
- Reviewing whether the Report has taken account of:
  - Service sector guidelines
- Evaluating the accuracy and reliability of data and information for only the selected indicators listed below:
  - Direct (Scope 1) and Energy Indirect (Scope 2) GHG emissions
  - Energy use
  - Water consumption; and
  - Waste generated

Our assurance engagement excluded the data and information of Hersha's direct fugitive emissions from Refrigeration and Air Conditioning equipment.

LRQA's responsibility is only to Hersha. LRQA disclaims any liability or responsibility to others as explained in the end footnote. Hersha's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the Report and for maintaining effective internal controls over the systems from which the Report is derived. Ultimately, the Report has been approved by, and remains the responsibility of Hersha.

### LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that Hersha has not, in all material respects:

- Met the requirements of the criteria listed above; and
- Disclosed accurate and reliable performance data and information as summarized in Table 1 and 2 below.

---

<sup>1</sup> <http://www.ghgprotocol.org/>

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

**Note:** The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

**Table 1. Summary of Hersha Hospitality Trust's Report for CY 2019:**

Scope of GHG emissions	Tonnes CO <sub>2</sub> e
Scope 1 GHG emissions	9,969
Scope 2 GHG emissions (Location-based)	22,236
Scope 2 GHG emissions (Market-based)	22,236
Note 1: Scope 2, Location-based and Scope 2, Market-based are defined in the GHG Protocol Scope 2 Guidance, 2015	

Environmental Data	CY 2019	Units
Energy Consumption	433,598,874	kBtu
Water Use	268,602	kGal
Waste Generation	6,933	US tons

### LRQA's Approach

LRQA's assurance engagements are carried out in accordance with our verification procedure. The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

- interviewing relevant employees of the organization responsible for managing GHG emissions and environmental data and records; and
- verifying GHG emissions and environmental data and records at an aggregated level fiscal year 2019.
- Auditing Hersha's data management systems to confirm that there were no significant errors, omissions or mis-statements in the Report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification.
- Specific activities include but not limited to:
  - Undertaking Strategic Analysis/Risk Analysis
  - Generating a Verification Plan
  - Developing a Data and Information Sampling Plan
  - Conducting the Verification
  - Conducting Materiality Review
  - Generating the deliverables

### Observations

Further observations and findings, made during the assurance engagement, are:

- Hersha should consider monitoring and reporting the fugitive emissions which result from the release to atmosphere of GHG compounds from their Refrigeration and Air Conditioning equipment as applicable.



#### **LRQA's Standards, Competence and Independence**

LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021 *Conformity assessment – Requirements for bodies providing audit and certification of management systems* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

Signed

Dated: 2 April 2020



Neville Dias  
LRQA Lead Verifier  
On behalf of Lloyd's Register Quality Assurance, Inc.,  
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Houston, TX 77077  
United States of America

LRQA reference: UQA00001214

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