



ESG Report 2021

GREENSTAR HOTEL*

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Expansion plans in line with ESG up to year 2024

GreenStar Hotels expanded from its original entity in Joensuu in the past three years, adding three more entities. The current enterprise strategy (GreenStar concept 2.0) aspires the opening of new branches across Finland in the next few years culminating into the mid-term future to ten GreenStar Hotels. These designated goals continually embrace for every hotel to be opened, our sustainability strategies and the consideration of Environmental, Social and Governance - ESG metrics. Notably, we support Finland's policies and principles towards sustainable tourism and business travelling that are highly on the political agenda.

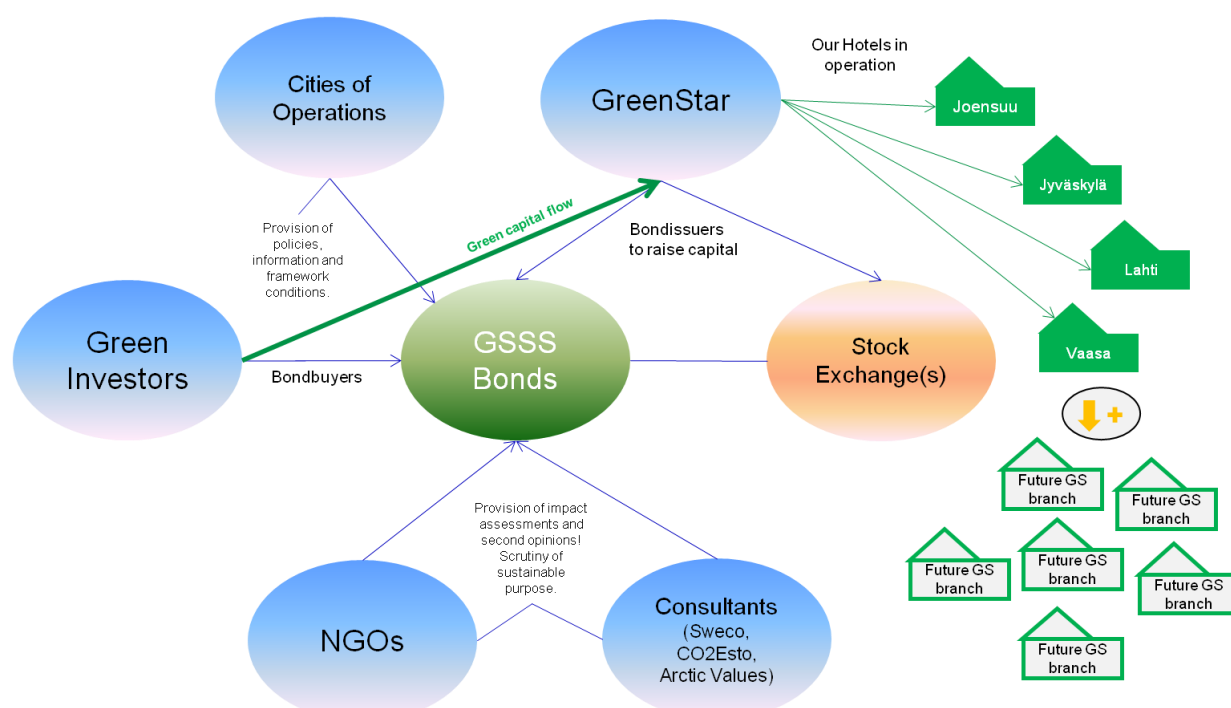


Figure #1: GreenStar GSSS Bonds framework. GreenStar and its stakeholders in the green investments scheme emphasizing interdependencies. GSSS bonds as one, but not the only instrument segment to utilize sustainable investments for our operations.

Environmental, Social and Governance - ESG

As an actor of Finnish hospitality sector, we understand very well the relevance of ESG metrics and the overall sustainability discourse in tourism. Evidently, the hospitality sector has plenty of potentials to improve ecological footprints and we strive for staying in the forefront here to enable and promote best practices in this field. We do this in line with current developments like movements towards smart cities, circular economy and mitigation & adaptation activities by taking the climate crisis into account.

When we speak about ESG, diverse actors associate certain aspects with the concept and quickly link those to sustainable development and to Corporate Social Responsibility (CSR). Though CSR is a significant component, this alone does not allow to embrace ESG in its entirety. While ecological and social aspects had been much better implemented in the past decade in many enterprises, the “G” in ESG, covering the Governance element, remains to be the blurriest of the three dimensions and misinterpretations eventually weaken ESG strategies. At GreenStar, we have a clear understanding what ESG means for our stakeholders, including our investors and this entails also a comprehensive picture of the Governance dimension that is going to be explained in this report. We identified our own key ESG metrics and outline those in the following.

Green Financial Instruments

Sustainable buildings are increasingly financed with sustainable investment solutions; this implies as well the construction of buildings as the modernization & renovation of already existing buildings, taking ESG factors into account. The Management of GreenStar follows these developments continually. In this regard, it is of interest to what extent global investments increase for green financial instruments and how dynamic the discourse in fact is. While Green Bonds are still a novel tool, the global investment community goes already ahead and classifies more specifically different categories of GSSS-Bonds, let alone that Green Bonds are not the only outstanding category anymore.

GSSS-Bonds

G = Green Bonds;

S = Social Bonds;

S = Sustainability Bonds;

S = Sustainability-linked Bonds

This diversification provides more accuracy for investors and issuers to lay financial products correctly and also to realize the desired impact eventually! This impact is crucial as a sustainable investment without a real impact is nothing else but an incorrectly-labelled conventional investment. In green finance, even the impact has been assigned with a specific term, the so-called “Greenium” of an investment. While traditionally the return of investment in monetary terms was basically the outstanding element of key metrics, the Greenium is in the framework of sustainable investments the positive extra-feature under the umbrella of ESG. Evidently, this must not be neglected and external bodies that provide second opinions on each ESG investment are fundamentally important here. At GreenStar, we scrutinize all our steps including our investments since the early days of the enterprise and even when the first branch opened in Joensuu in 2008, though we did not use the

specific term Greenium, but rather sustainability impact or equivalent terms, the Greenium has been always in our focus. Transparency and clear indication of the impacts are crucial and we communicate with all stakeholder groups in this respect. Notable achievements can be retrieved from the GreenStar website, highlighting documents and certificates, gained with ESG relevance¹. In this respect, we refer again to the identified ESG metrics that are accountable for our business venture.

GreenStar ESG Assets

We utilize at GreenStar multiple reporting frameworks that were either specifically designed for ESG reporting or more broadly embrace the thematic areas and KPIs of CSR and sustainable development. The following chart depicts a summary of our involvements and intertwinements towards ESG disclosures and our KPIs.

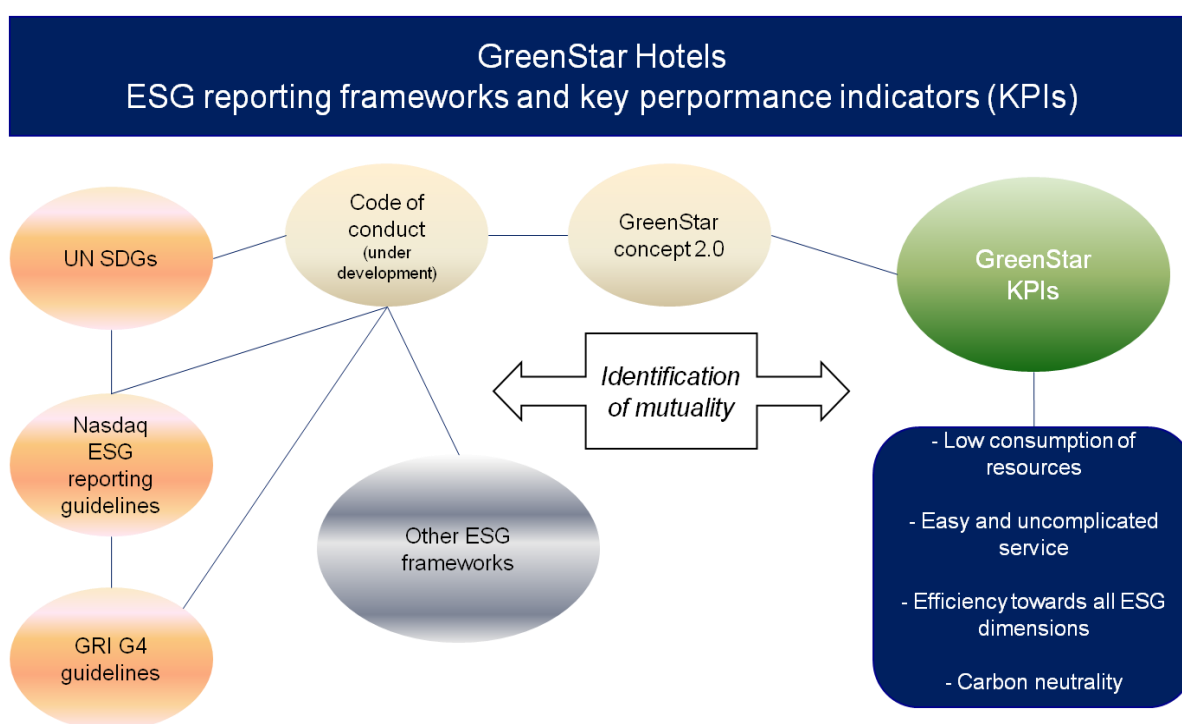


Figure #2: ESG reporting frameworks of GreenStar Hotels in correlation to our KPIs

¹ GreenStar Documents and Certificates accessible at: <https://www.greenstar.fi/en/about-us/#1579129671411-a03063d2-4251>

ESG metrics & ESG reporting

At GreenStar, we recognize and value multiple sustainability reporting standards and welcome the appearance of more specific voluntary ESG guidelines and principles that embrace sustainable investments. The recommendations and guidelines of the Climate Bonds Initiative, the Principles for Responsible Investments (United Nations), the Global Reporting Initiative G4 guidelines and the Nasdaq – ESG reporting guide are all helpful! When it comes to the coherent and comprehensive depiction of our specific ESG metrics, we get close to the voluntary ESG reporting guidelines of Nasdaq. In our understanding, potential investors could perceive in this format easily what matters in our business ventures in terms of ESG and what is the “Greenium” (the sustainability impact) that we generate. In the following, we outline a few key ESG metrics from our enterprise close to this format to showcase practically that all dimensions of ESG are of utmost significance at GreenStar.

Environment	Social	Governance
carbon neutrality	gender diversity	disclosure practice
resource consumption	societal effects	corporate behaviour
waste management	health and safety	business ethics
water efficiency	heritage and culture	ownership
logistics	demographic aspects	accounting
biodiversity	stakeholder dialogue	code of conduct
raw material sourcing	service liability & quality	financial system instability
life-cycle assessment	privacy and data security	transparency
energy efficiency	uncomplicated service	board remuneration
climate change vulnerability	communication	fair competition

Table #1: ESG Metrics with specific relevance on GreenStar Hotel operations

GreenStar and the Environmental Dimension of ESG

Key Metrics GHG Emissions (under the umbrella of carbon neutrality)

The goal to reduce carbon footprints is highly in focus and goes from local and regional levels over to national and supranational perspectives, all corresponding to the Paris Climate Agreement from year 2015 and partly to the UN SDGs to minimize severe impacts linked to the climate crisis. In our focal areas, Finland as a whole has its own climate targets established by the Finnish government and also several cities with GreenStar Hotel branches decided on their specific carbon goals and schedules to aim for carbon neutrality.

GHG-Emissions as ESG-Indicator at GreenStar	
Why is it measured?	CO ₂ equivalents and other GHG emissions are crucial aspects to consider in order to be carbon neutral! At GreenStar all facilities are operated carbon neutral as of year 2018.
How is it measured?	GreenStar commissioned Sweco Finland to calculate the emissions based on our operations. (Sweco is an internationally well-recognized engineering consultancy company).
Why is it disclosed?	At GreenStar, we interact and communicate with our guests and other stakeholders and also intent to be a valuable corporate citizen in our cities of operations and contribute with our solutions to achieve carbon neutrality across the cities. Being an actor from the private sector and important for regional value chains is particularly of benefit in the discourse. Evidently, a rising number of investors are interested in carbon footprints of ventures that receive “green” capital. Our investors find relevant ESG analyses regarding climate impacts on our website and the management board welcomes interested parties beyond the investors` community to discuss this further.
How is it disclosed?	We disclose in line with international standards and we take sectoral and aerial benchmarks into account. The service providers Sweco, CO2Esto and Arctic Values contribute in this respect. For further information in the section “ <i>Documents and Certificates</i> ” on the GreenStar website, we provide further details: https://www.greenstar.fi/en/about-us/#1579129677331-b0e594de-b3b1
What is the ESG impact (Greenium)?	GreenStar cooperates with Finnish company CO2Esto as CO ₂ offsetting provider. GreenStar offsets all its GHG emissions by preventing an equal amount of CO ₂ from being made in the EU.
Connections to Frameworks	<ul style="list-style-type: none"> ▪ GRI: 305-1, 305-2, 305-3 ▪ UNGC: Principle 7 ▪ TCFD: Metrics & Targets (Disclosure B) ▪ SASB: General Issue / GHG Emissions (See also: SASB Industry Standards)

Table #2: Environmental Key Metrics – GHG emissions & carbon neutrality of GreenStar operations

GreenStar and the Social Dimension of ESG

Key Metrics Gender Diversity

Gender Diversity as ESG-Indicator at GreenStar	
Why is it measured?	At GreenStar, we strive for a balance of women and men in the teams and among the decision-making boards throughout our operations. We consider this as “good corporate governance” and we believe that diversity enhances successes in business relations and stakeholder feedbacks and customer and investor satisfaction.
How is it measured?	The balance is measured by figuring the percentage of female and male employees and board members at GreenStar, relative to the counter peer-group.

Why is it disclosed?	Multiple reasons could be given and can differ from business to business. Generally, diversity underlines efforts to be fair and balanced. We know that investors that strive beyond conventional investments put emphasis on social aspects in providing capital. We strongly believe at GreenStar that gender diversity can be regarded as a good level of societal consciousness among corporate decision-makers.
How is it disclosed?	Disclosures outline historic developments inside the GreenStar enterprise and benchmark the own diversity percentages to other companies in the hospitality sector and cross-sectoral enterprises as well.
What is the ESG impact (Greenium)?	At GreenStar, we consider gender diversity as “good corporate governance” and we believe that diversity enhances successes in business relations and stakeholder feedbacks and customer and investor satisfaction.
Connections to Frameworks	<ul style="list-style-type: none"> ▪ GRI: 102-8, 405-1 ▪ UNGC: Principle 6 ▪ SASB: General Issue / Employee Engagement, Diversity & Inclusion (See also: SASB Industry Standards)

Table #3: Social Key Metrics – Gender Diversity

GreenStar & Governance Dimension of ESG

Key metrics Disclosure Practices (financial and non-financial)

We understand at GreenStar that Governance in ESG is going far beyond corporate responsibility approaches and the way top-down management decisions are handled internally. To our knowledge, it happens that some actors might neglect the governance part in their ESG reports and this is misleading. All three ESG dimensions are essential and when it comes to our individual governance practices, we have amongst others in our mind demands and expectations from the investors' community. Therefore, at GreenStar we know the relevance of corporate ethics, applicable remuneration schemes and inform ourselves about relevant green financial instruments, such as green bonds, green funds, environmental/social impact bonds and the novel GSSS bonds umbrella.

Disclosure Practice as ESG-Indicator at GreenStar	
Why is it measured?	At GreenStar we are aware that investors, who seek ESG impacts beyond the conventional monetary return on investment, appreciate enterprises that have tradition and commitments towards the reporting of sustainability impacts. We gradually and continually evolve in this respect and have already a very good history in disclosing life-cycle, energy and climate-relevant data in addition to our comprehensive annual financial statements. At one of the latest steps, we specifically include the ESG concept and refer our key metrics to it.

How is it measured?	We gather all our ESG data in due diligence. Our corporate reports and statements outline in transparent formats how we scrutinize ESG metrics and involve governance practices.
Why is it disclosed?	To allow the entire stakeholder community, including guests, investors, near-by communities and anybody else to get transparent insights about our path and strong commitment towards eco-friendly and socially responsible business practices.
How is it disclosed?	The principles and frameworks that we utilize are disclosed on the website and we communicate this with our stakeholders frequently.
What is the ESG impact (Greenium)?	The disclosure practice shows holistically that we take corporate governance as ESG element highly into account. The ESG statement and report highlights in a concise way all our efforts towards environmental protection, smart city development involvements and societal well-being in the cities of our operations and beyond.
Connections to Frameworks	<ul style="list-style-type: none"> ▪ UNGC: Principle 8

Table #4: Governance Key Metrics – Disclosure Practices

The five recommendations of the IFC towards ESG implementation to hotel operations

At GreenStar, we value the five recommendations of the Sustainable Hospitality Alliance in cooperation with the International Finance Corporation (World Bank Group) very high. Long before these recommendations had been published and the ESG concept had received decent recognition on the global markets, GreenStar showed strong commitments to all five outlined aspects.

Five recommendations for hotel operators coined by Sustainable Hospitality Alliance in cooperation with the International Finance Corporation (World Bank Group) March 2020
Invest in sustainable solutions for immediate savings
Mainstream sustainability in new developments and renovations
Measure, report and analyse your resource usage
Switch your energy and electric supply to renewable sources
Communicate your sustainability goals and actions

Table #5: ESG recommendations for hotel operations by IFC (World Bank Group)

Post-COVID-19-era - ESG resilience of the enterprise

Although the global pandemic crisis since early 2020 has put almost every company in the hospitality sector into certain difficulties, we perceive that sustainable hotel enterprises like GreenStar are more resilient to master and survive crisis times. This links also to the fact that societal awareness towards

the climate crisis and resource constraints are on the rise and that potential hotel guests are more selective for what their host stands for than in the past! Corporate Social Responsibility and management of finances and resources also in non-crisis times are essential in this respect and at GreenStar we strive for continuity regarding responsible business practices across all our operations. Our global society is designed for social interactions, including business travelling and building trust in face-to-face meetings, therefore the hospitality sector remains important in Finland (and internationally) and we contribute in recognition and promotion of health and well-being of our guests and the entire stakeholder community.

The enormous advantage of GreenStar compared to competitors is the fact that a transition towards sustainability is not required anymore, because the enterprise business model had been since its foundation the achievements of positive sustainability impacts on the agenda.

Green Star Hotels: Four cities – Four sustainable success stories

GreenStar has opened hotel branches already in four Finnish cities, namely Joensuu, Jyväskylä, Lahti and Vaasa. All of these cities play a crucial role in Finland's transition processes towards circular economy and the desired achievements of Finnish climate goals and sustainable development goals in the specific regions. All four cities are their respective regional capitals in Finland. Already now and even to larger extent in the future, GreenStar is/will be a valuable contributor in whichever city operations take place to support the initiatives towards smart city developments. The notion of smart cities implies the pursuit towards low consumption levels of resources and energies and to lower the ecological footprints continually to the greatest possible extent.

City (in brackets opening of GS Hotel branch)	Region	Est. Population (July 2021)	Smart City/ Circular Economy Path
Joensuu (2008)	North Karelia	~ 77.000	The CIRCWASTE project Joensuu Smart City had been taken place from 2016-2019 under the umbrella of the city's business development company Business Joensuu. Circular Economy solutions for the residential and industrial areas of Joensuu are in focus here.
Jyväskylä (2018)	Central Finland	~ 143.000	Already implemented smart city value network involving multiple actors from public and private sector. Sustainable Investments workshop in 2020 for the Circular Economy actors (organized by the Regional Council of Central Finland & Arctic Values)
Lahti (2019)	Päijät-Häme	~ 120.000	Initiative Smart & Clean Lahti; Winner of 2021 European Green Capital (awarded by the European Commission). Lahti received from the international panel recognition to be particularly strong in terms

			of air quality, waste, green growth and eco-innovation, as well as governance.
Vaasa (2020)	Ostrobothnia	~ 67.000	Multiple Circular Economy projects ongoing and in planning phases. Strongly promoted by VASEK the regional business and development company. Vaasa is annual host of the Vaasa Energy Week, an internationally recognized event with strong sustainability focus in the energy sector and beyond.

Table #6: GreenStar cities of operation as of year 2021 – exploration for new entities is constantly under way)

Societal change towards sustainability awareness

Social aspects increase in the sustainability discourse for good reason! Not only political agendas and investments enable a sustainable society, but people eventually do exercise the activities. GreenStar, in its mission and alignments towards ESG, takes people, particularly its guests in the hotel premises along the path and widen their perspectives during their stay. In our philosophy, we do not raise the green index finger and do not push our guests aggressively towards the importance of sustainability. We rather prefer that our guests embrace sustainability in the sub-context of their stay, by perceiving the difference from our offer compared to conventional solutions that are still largely common across the hospitality sector. Moreover, we value transparency as element of sustainability and ESG and each visitor is welcome to learn more about our sustainability implementations on diverse platforms. In addition to the website and bulletins in the hotels, guests are invited to contact the hotel administration to learn more about the sustainability theme, either prior or after their stay with us. We also encourage all our guests to carry on their experiences to their personal lives and share insights and sustainability awareness with family and friends.

International Cases

Sustainable investments increase in large volumes as the Climate Bonds Initiative outlines in their portal with frequent updates. At GreenStar, we know the great opportunities that arise for actors involved, including new chances for potential investors. It is useful in this regard to focus on the question what could the hospitality sector learn from the recent developments in Western European markets? We watch out in this respect and share in the following a meaningful example from the Iberian Peninsula that could encourage others to follow.

BBVA-Pestana Case

A notable recipient of green capital is the Pestana Hotel Group. In September 2019 the international hotel chain (headquartered in Portugal) became the first issuer of a Green Bond in the hotel industry, in cooperation with the large-scale financial institute BBVA (headquartered in Spain). The issued Green Bond has a value of 60 Million Euro and a maturity (time-span) of six years, ending in 2025. The Pestana Group operates around 100 hotels worldwide and utilized the raised green capital to establish two new sustainable hotels embracing multiple innovations that we know from the smart city solutions schemes in order to contribute to sustainable development. An independent second opinion had been issued by the consulting firm DNV.GL. This allowed the project holders (Pestana Group and its investors) to receive “green certification”. Interestingly the case shows how the European Green Bond market gains continually high demand. The investors inquired in the subscription period in autumn 2019 a value, three times exceeding the actual available bonds. It is not rare that issued Green Bonds just like the Pestana-BBVA bond find high attention in very short time periods. In this particular case, due to the strong interest the capital has been increased during the process from 50 Million Euro to 60 Million Euro. The bond was placed among professional institutional investors, comprising 30 eventually. These 30 investors will receive annual interest rates (coupons) and their full return on investment in a comparatively short time-span of six years, unless they will sell their bonds on the open market to other investors.

UN Sustainable Development Goals

In the framework of the GreenStar ESG strategy, we draw also the connection to the very relevant Sustainable Development Goals of the United Nations (UN SDGs). Multiple of the overall 17 SDGs have high significance when it comes to our operations in the hospitality sector and we outline the reasoning in the following. We clustered all 17 SDGs into three specific impact levels to depict our possibilities and responsibilities to contribute to improvements towards all ESG dimensions and the pursuits of the international communities around the United Nations.



Figure #3: GreenStar and clustered UN SDGs based on the internally identified impact levels.²

Based on the GreenStar operations and our overall enterprise strategy and the novelized GreenStar 2.0 concept we perceive that five goals could be categorized for us to the highest impact level. With high appreciation we perceive that the United Nations put strong emphasis to address megatrends of urbanization and the need of novel ways of city life. In the framework of SDG #11 Sustainable Cities and Communities, we have plenty of common ground with our own business philosophy when it comes to sustainable housing linked to our services and overall to our hotel facilities. In our opinion this is a perfect match in terms of SDG #11 policy and our practical implementation since we opened in Joensuu in 2008. In addition these strategic pathways, contribute also to the industries, infrastructure, employment opportunities and economic growth in the cities of our operations and therefore gain positive impacts with respect to SDG #8 and SDG #9. Resource consumption (SDG #12) and transition towards renewable energies (SDG #7) are further goals that have strong intertwinements with our enterprise strategy and we provide the reasoning more specifically linked to our sustainability certificates and documents. The SDGs ## 3,5,6,13,17 are relevant goals that allow us to have moderate impact, while highlighting that SDG #13 Climate Action is on the edge to high impact as we contribute to the largest possible extent, by utilizing clean energies and several mitigation efforts, while being carbon neutral and offsetting greenhouse gas emissions. Fortunately,

² (UN SDG icons source: <https://sdgs.un.org/goals> (accessed online July 2021))

considering the framework conditions of GreenStar, we are not naturally an enormous threat to the climate due to our operations, as we provide services and provide a favourable climate benchmark in this regard. Notably, the seven SDGs that are in the low-impact category, when it comes to our operations are in our opinion by no means less inferior, however those are less relevant for our specific business venture. For instance, SDG #1 and SDG #2 No Poverty and Zero Hunger are common challenges for the global society, but not market conditions for the Finnish hospitality sector.

Overall, we would express our openness to discuss our ESG approach also with members of the global investment community and we strongly believe that institutional investors could benchmark investment opportunities well in addition to ESG metrics also on policy frameworks linked to the UN SDGs. As well providers as recipients of green capital, could contribute greatly in joint projects to achieve the UN SDGs that will enhance the chances for prosperity for future generations in home regions and on the globe at large enormously.

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