



Saunders Hotel Group

2013 SUSTAINABILITY REPORT





The Lenox

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From the CEO



I'm excited to write the opening to an informational document about our company's nearly 25 year commitment to sustainability. At Saunders Hotel Group we are a fourth generation family business, and we sincerely feel that we're all in this together – which is to say that our stakeholders come in many forms and are all intricately linked. Owners with guests, guests with our team, our team with the community, the community with our suppliers, our suppliers with our industry, and all the other industries that are working to keep their respective businesses relevant and successful. That is why, to us at Saunders Hotel Group, sustainability means not simply doing what is needed to succeed as a business, but striving ever harder to benefit our community and aggressively reduce our impact on the environment.

I think about the 307 employees of Saunders Hotel Group and how the decisions that we make impact their lives

and livelihoods. It is precisely then that sustainability presents itself – because making a decision for the short-term that undermines our commitment to long-term success would mean compromising the livelihoods of the stakeholders who depend on us the most—Our Teams. It is precisely for that reason that communicating our progress is important to me– to share insights and uncover opportunities to do better tomorrow.

Supreme Court Justice Louis Brandeis once said “Sunlight is the best disinfectant.” While I am confident in our purpose and our actions, I am always listening to what my teams share with me, my guests share with me, what my community shares with me, and what my family ownership group shares with me. Please take this document as part of an ongoing conversation as we shine sunlight on the opportunities to please our guests with responsible, exceptional hotels.

Sincerely Yours,

Jeff Saunders
Chief Executive Officer
Saunders Hotel Group

From the CSO



Having helped spearhead our industry pioneering efforts since 1989, I am thrilled to see us creating a sophisticated and comprehensive Sustainability Report. It is the first time we have marshaled all of this diverse information into a single report since 2001. For a small company it is a heroic effort and I applaud Scot Hopps, our Director of Sustainability, and Lisa Burns, our Director of Marketing Communications, for orchestrating this massive project. Mike Bellamente of Climate Counts has also been an invaluable ally in this painstaking process.

Our goal is to be not just a leader of the sustainability movement within the world's largest service sector, travel and tourism – but to compare ourselves with the best sustainable businesses of any kind. That is not possible without being fully transparent and sharing our achievements and challenges with all of our stakeholders and the public at large. We hope that this report will meet that goal and provide valuable information to everyone interested.

Within this report, you'll find information on our sustainability progress for 2011 and 2012. Why these two years? We've been at this for decades, have implemented countless measures and received numerous awards and recognition. In addition to being our most up to date snapshot, these two years contain some important steps forward. 2011 welcomed the formalization of our companywide goals for greenhouse gas (GHG) reductions, water efficiency, solid waste reduction, and sustainable purchasing. We have also further professionalized and integrated our efforts into the DNA of SHG. 2012 was nicely book-ended with SHG receiving the World

Tourism and Travel Council's Tourism For Tomorrow Award for Community Benefit, and the first ever involvement for SHG in the Climate Counts annual Company Ratings Report in December. (I would be remiss if I didn't mention that we received the top ranking of any hospitality company).

I am certainly proud of our collective accomplishments knowing the unprecedented impacts mankind is having on our ecological systems and its ability to sustain us - I can't help but think that we are not doing enough. We're not aggressive enough and not changing the status quo enough. From day one we have shared our process and lessons learned with competitors near and far. We have no desire to keep our success a competitive advantage. We take real pride in seeing so many companies within the hospitality industry get the wakeup call on sustainability.

However, I have no doubt that the pace of innovation and scale of implementation still need to ramp up significantly in order to meet the ecological constraints of this unique and, yes, fragile planet we call home. We certainly have not seen the level of response necessary to maintain the natural systems we require for our comfort, quality of life and prosperity. Innovative thinking, commitment and transparency are the keys to that shift. Which is why we are eager to share our ongoing commitment to sustainability and we hope you enjoy some of the everyday efforts the Saunders Hotel Group is taking on our journey to Preserve the Past and Protect the Future.

Sustainably Yours,

Tedd Saunders
Chief Sustainability Officer
Saunders Hotel Group



About Saunders Hotel Group

Saunders Hotel Group (SHG) is a Boston-based management company which, over the course of four generations, has evolved into a diversified portfolio of hotel properties. Throughout this growth, SHG has been fanatical about quality and service and has been recognized by guests, franchise companies, and investors for operational expertise and excellence. SHG is one of the few fully-integrated hospitality firms in the US that has its own pool of entirely discretionary capital, and that operates all of the assets that it acquires.

What You'll Find in this Report

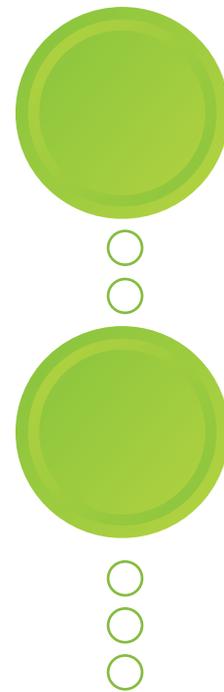
We've set out with one goal for this report: transparent communication. Saunders Hotel Group and the Saunders family have always been dedicated to running our business in a manner that reflects the values of our family. The corporate sustainability landscape has advanced a great deal in the last 10 years, to the point that we feel compelled to provide a full report on our progress.

With decades of successful operation under our belt, our record speaks for itself in business, in how we engage with our community, and with regards to our environmental performance. But we now operate in a new paradigm; one where the private sector is being asked to contribute to society beyond creating jobs and rewarding investors. SHG welcomes this change because it means the same moral code that has been the backbone of our business philosophy from the beginning is now becoming the norm for all companies, big and small. It is within this paradigm that financial results are not the only indicator for communicating company performance to our stakeholders. As you'll find within the pages of this report, our idea of success goes beyond the balance sheet; from how we're managing our carbon footprint and how we treat our employees to how we are involved in our communities.

This report is divided into three general sections:

- The first section is an introduction to the company including background information on SHG and the Saunders family, the health of the business, and some of the key features of our company.
- The second section contains the nuts and bolts: utility data, consumption figures, quantitative goals and our progress towards those goals. It also addresses many of the efforts we make to provide a healthier environment for our guests and our staff.
- Lastly, we address one of our biggest impact areas: the community.

Although we have three sections, we recognize that all these issues –health of the business, health of the community and health of the environment – are all interwoven.



Saunders Hotel Group (SHG) 2012 Portfolio



The Lenox Hotel, Boston, MA (LNX)

Located in the heart of Boston's Back Bay, The Lenox is a historic landmark. Uncompromising standards set the tone for the highest level of hospitality, especially for those who are accustomed to an intimate atmosphere and quiet luxury. This four-diamond hotel, an industry leader in environmental initiatives, features spacious guest rooms with elegant décor, working fireplaces, and numerous amenities that marry luxury and comfort. Enjoy fine dining at our City Table restaurant, a signature cocktail at City Bar or an authentic Irish pub experience at Sólás.



Comfort Inn & Suites, Revere, MA (CIS)

At the award winning Comfort Inn & Suites Boston/Logan International Airport we do our best to ensure all of your needs are not only met but exceeded. Our exceptional guest service, pristine room condition and cleanliness are just a few reasons we have been repeatedly awarded the Platinum Award by Choice Hotels International. An indoor pool, complimentary hot breakfast, and 24/7 free airport shuttle service are also much appreciated by our guests. We are conveniently located just three miles from Boston Logan International Airport, one mile from Revere Beach, America's First Public Beach, and minutes from downtown Boston. Join us for dinner nightly at Tio Juan's Margarita's Restaurant, located on site serving delicious Mexican fare in an authentic atmosphere.



Hampton Inn, Norwood, MA (NOR)

The hotel overlooks an 18-hole golf course and is conveniently located 15 miles south of Boston and 7 miles from Gillette Stadium with easy access to Routes 95, 128, and 93. Our spacious and newly appointed guest rooms offer a place to get away and relax from the rigors of your busy business day. To help you relax even more we offer complimentary hot breakfast, an indoor swimming pool, whirlpool, and exercise facility. Your stay is backed by the 100% Hampton Guarantee. If you are not 100% satisfied, we don't expect you to pay. That's our promise and your guarantee. In 2013, Kennedy's Public House opened on site, an American and Irish tavern that excels at dishing up fabulous food, friendly service, and near legendary hospitality.



Premiere Hotel & Suites, New Haven, CT (NHP)

New Haven’s only all-suite, extended stay hotel, the New Haven Premiere Hotel and Suites offers spacious, affordable and practical accommodations, which truly exemplify “your home away from home” feel. Premiere is the top ranked “Green Hotel” and named the First “Green Lodging Property” in New Haven. Many of Premiere’s amenities are complimentary including: full hot buffet breakfast served daily, light dinner with beverages Mon – Thurs evenings, high speed internet access, local calls and parking. 24/7 Mini-market on property.



Hawthorn Suites, Alexandria, VA (ALX)

At the Hawthorn Suites Alexandria/Washington DC, located minutes from the quaint historic area of Old Town Alexandria, we strive to provide the comforts of home for guests who are away from home for an extended period of time. With a full array of hotel amenities, our Alexandria hotel is ideal for both business and leisure travelers. Our hotel is conveniently located 1 ½ miles from the Van Dorn Metro Station and perfectly accessible to all Washington DC area attractions.



Boston Common Hotel, Boston, MA (BCH)**

Our Downtown Boston hotel is centrally located in the historic Back Bay neighborhood, nestled right in the middle of everything that brings you to Boston. Two blocks from the famed boutiques of Newbury Street, shopping at The Prudential Center and Copley Square, or a short walk to the Swan Pond in Boston Gardens and The Boston Commons, our location can’t be beat. The Boston Common Hotel and Conference Center has been named a “Best of New England – Editors’ Choice” winner in the May/ June 2012 Yankee Magazine, naming us “Best Secret Boston Hotel!”

** Recently purchaed, the BCH will be redeveloped into a 33 story, LEED Gold hotel and residence. As such, we are tracking their energy usage but the numbers have not yet been included into the results in this report aside from the SHG ROOM NIGHTS BY HOTEL graphic.

Reducing waste is engrained in the mindset of our dedicated staff...



SHG by the Numbers

4 Generations of
Saunders Family
Involvement

922
ROOMS

632,884 sq ft
of
building space

77%
occupancy
in 2011

6 hotels

307
employees

5.4%
increase in
revenues
among 5 hotels
from 2011 to 2012

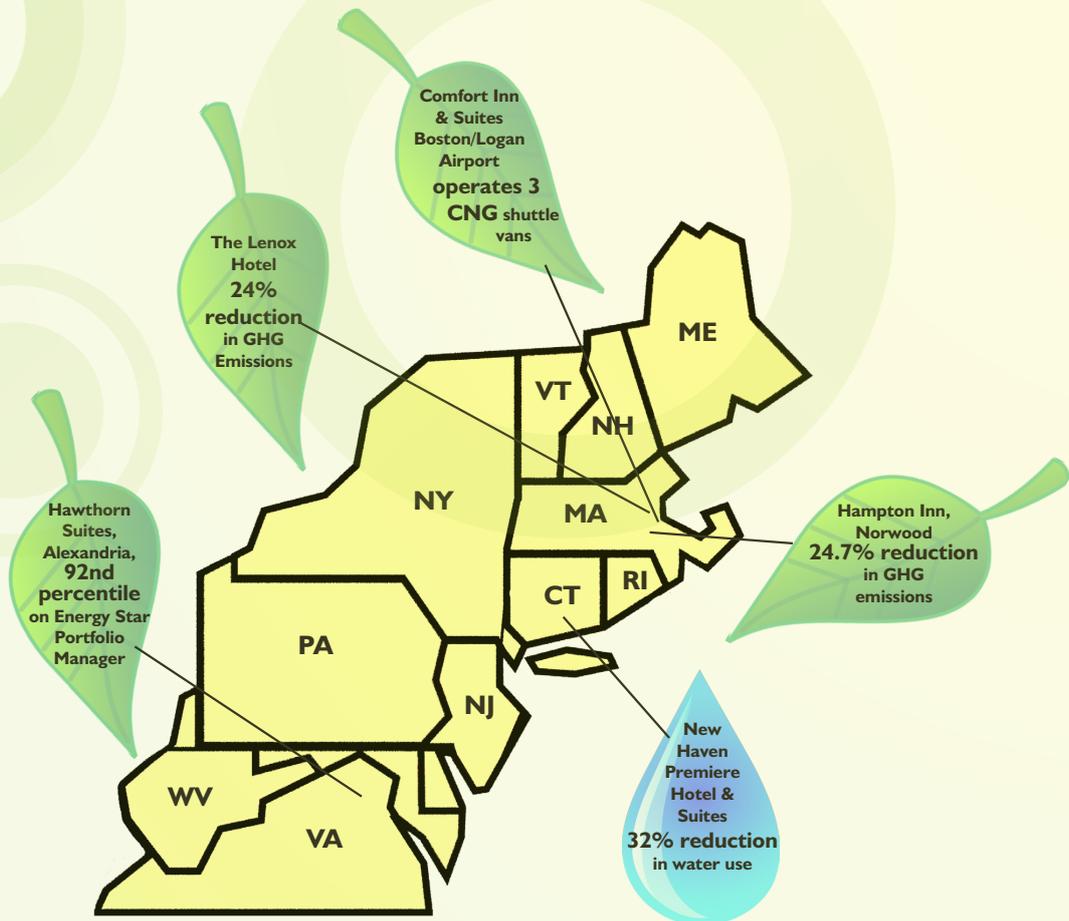
78%
occupancy
in 2012

5
leased
Restaurant Operations
at our Hotels

64%
women/minorities
in management

9%
decrease in GHG
emissions per
available room
from 2011 to
2012

40.5
million
revenues



SHG Room Nights Occupied, by Hotel



Legend

- NHP = Premiere Hotel & Suites, New Haven, CT
- MRI = Marriott Residence Inn, Merrimack, NH
- ALX = Hawthorn Suites, Alexandria, VA
- NOR = Hampton Inn, Norwood, MA
- LNX = The Lenox Hotel, Boston, MA
- CIS = Comfort Inn & Suites, Revere, MA
- BCH = Boston Common Hotel, Boston, MA



NOTE: MRI was sold at the end of 2011, and BCH was purchased at the beginning of 2012

2020 Sustainability Goals & Performance to Date

Sustainability Goals set in 2011, based on 2008 baseline:

Greenhouse Gas (GHG) Emissions

Goal: Reduce GHG emissions to a level 20% below 2008 levels.

Details: By measuring Scope 1 & 2 emissions, we are looking for opportunities to reduce emissions on a Per Available Room (PAR) basis.

Performance to Date: The Saunders Hotel Group Portfolio has reduced its carbon emissions by 15.2% since 2008 (based on kgCO₂e/PAR). This is already a significant portion of the way towards our goal of 20% reductions by 2020. Nevertheless, we anticipate significant additional reductions as a result of infrastructure upgrades, operational improvements, and strategic additions to our portfolio.

GHG reductions

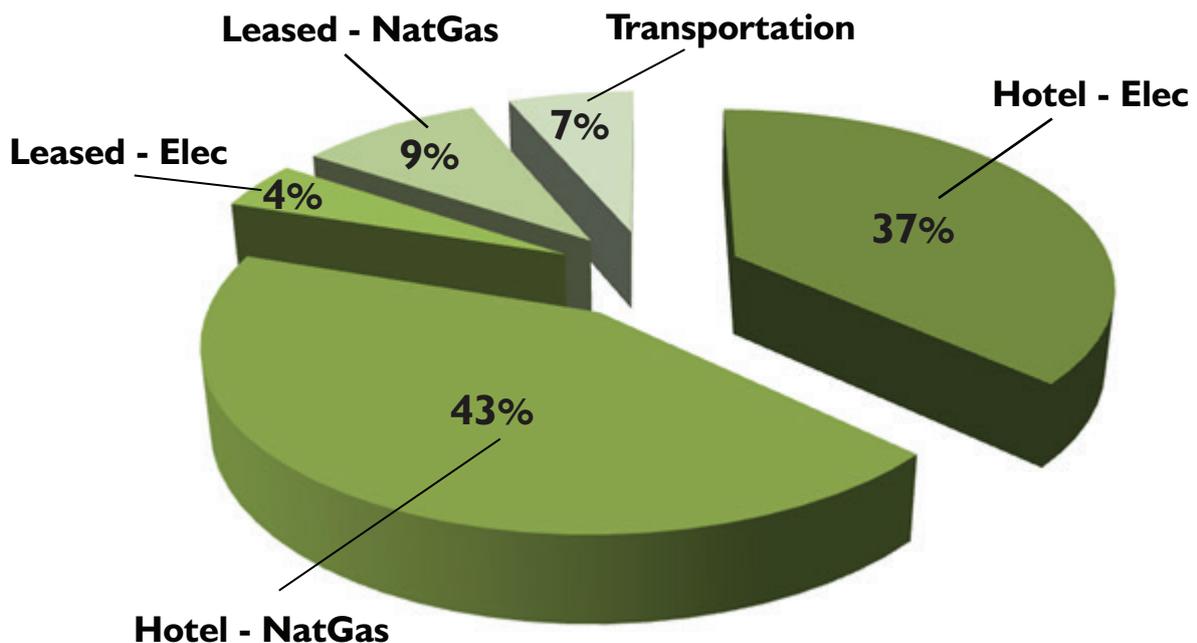


company wide

ENERGY

This pie chart breaks out the usage of our basic energy sources – natural gas (heating), electricity, and transportation. Natural gas is certainly the dominant form of energy (measured in MBtu) used collectively across our hotel properties.

2012 SHG Energy by Source



EMISSIONS

The source of energy is critical to the environmental impacts. This fact is clear in the illustration below – emissions related to purchased electricity outweigh those related to natural gas use in spite of the fact that we use more energy from natural gas. Any efforts, therefore, to reduce electricity or to implement cleaner or renewable alternatives (e.g. natural gas, wind energy, solar, geothermal) would have an instant impact on our carbon footprint as a company. The reason for this dramatic difference is two-fold: 1) our purchased electricity is generated from a regional mix of fuel sources which relies overwhelmingly on fossil fuels; and 2) there are significant losses when transmitting electricity over long distances. A lot of opportunities for cleaning up our electricity generation and transmission exist that we actively support both regionally and nationally to reduce waste and the associated GHG emissions inherent in the system.

The information in the graph on the next page displays the annual change in energy intensity between properties. While there are many variables such as room size, amenities offered, presence of restaurants and more, we still analyze this information to understand how why and where we use energy in our buildings.



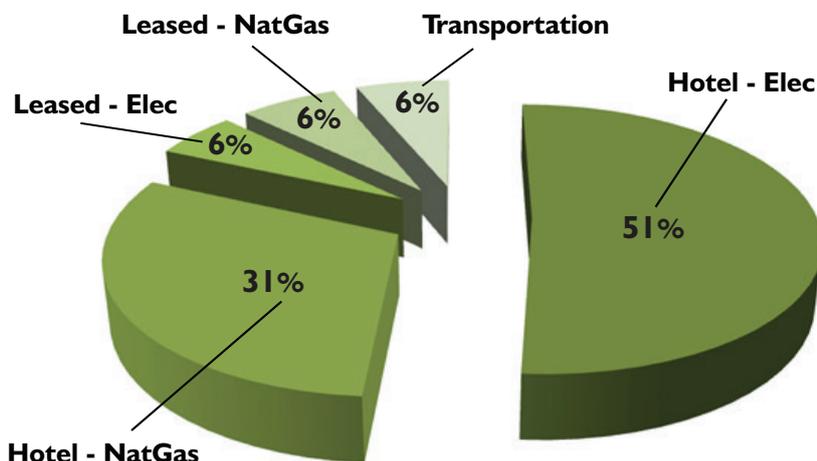
Can we really reduce our energy use?

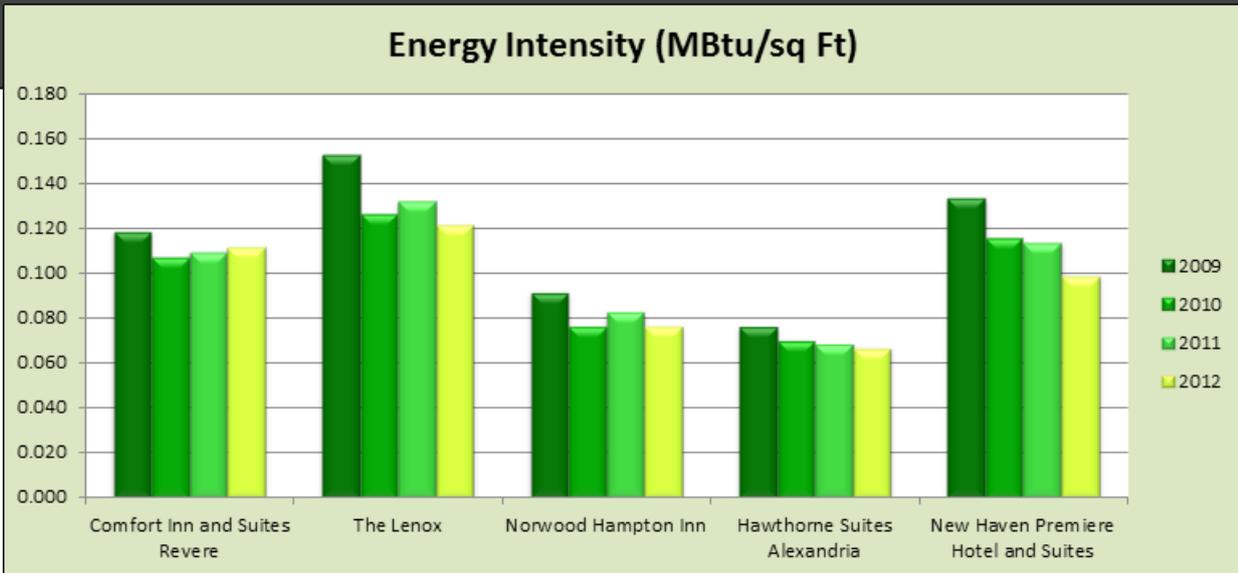
It is our intention to reduce the amount of energy we use in absolute terms. Yet how is this possible if we are serving more guests with more amenities? We were using less energy before we had TVs and mini refrigerators in each guestroom.

How can we continue to grow our properties, evolve with changing times and increasing technology, but still use less? We have discussed our two main strategies: leverage technology to make the hotel of tomorrow less energy intensive than today, and seize opportunities to make dramatic reductions through long term planning.

The first strategy includes efforts such as LED lighting and Energy Star® equipment – sensible progress in our selection and purchasing efforts that lower the energy required to operate. The second is a longer term perspective – large system (typically HVAC-R) changes in the hotel, adoption of on-site generation where appropriate, and even changing how we evaluate potential assets and how we construct hotels. At its core, the most important element of our sustainability strategy is to thrive as a business so that the SHG mentality and approach can be a positive example for others in our industry and beyond.

2012 SHG Emissions by Source





Above: annual change in energy intensity between properties.

ENERGY GENERATION

We previously alluded to the two main, global efforts that are critical to protecting and preserving our environment as we know it during the next few decades of projected growth. First is efficiency, second is the source of energy generation. Fossil fuel use is, by its very nature, unsustainable. There are a finite amount of resources, and the negative externalities, including pollution, human health impacts, environmental destruction, and greenhouse gas emissions have pushed the globe to the precipice of radical changes and beg for a better solution. Because of this, SHG has been a long-time proponent of renewable energy and in recent years, a strong supporter of it.

In 2012, SHG's energy reduction efforts were equivalent to taking 1,000 cars off the road for one year.



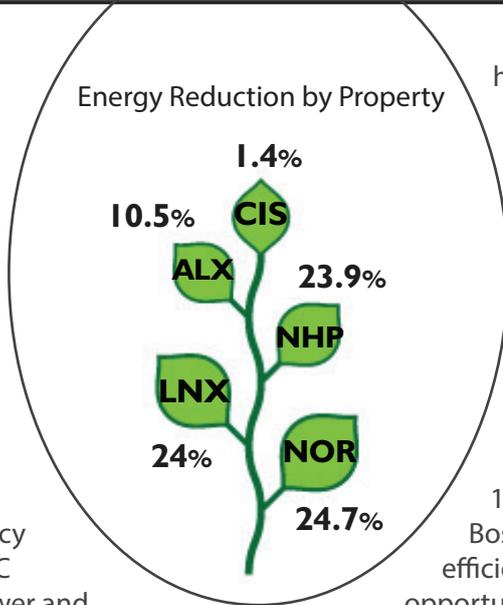
Starting in 2011, each of our properties has been evaluated for on-site renewable energy. Unfortunately, between limited roof and open space, obstructions, or structural limitations, none are financially viable candidates. However, that has not stopped the Saunders Hotel

Group from supporting renewable energy efforts (or considering its integration into new construction projects). The next best option to producing on-site renewable energy is to invest in renewable energy generation, even if the production is offsite. While we are still working on a project to supply The Lenox Hotel with offsite solar energy, in the interim SHG began offsetting 100% of the portfolio's energy use with Renewable Energy Credits (RECs) and carbon offsets. This program actually started in 2006, but was expanded to the whole portfolio in 2012. The domestic projects we support either create energy using renewable resources (thereby eliminating the negative impacts of fossil fuels), or actively remove carbon emissions from the atmosphere. The illustration on the next page highlights the progression of our green energy purchased vs. the impact of our emissions.

Collectively, SHG's efforts are equivalent to the carbon sequestered by 4000 acres of US forests, or taking 1000 cars off the road in 2012 alone. To learn more about renewable energy credits and carbon offsets visit: www.greenbiz.com/blog/2009/03/12/rec-vs-carbon-offset-do-you-know-difference.

Our enterprise-wide emissions reduction of 15.2% reflects a range of measures taken at our properties. Efficient HVAC systems using economizers along with LED lighting has helped Hampton Inn Boston/Norwood (NOR) reduce their carbon footprint by close to 25%.

The luxurious Lenox Hotel in Boston's Back Bay (LNX) drastically improved its efficiency when upgrading its major HVAC equipment (e.g. the cooling tower and boilers) and it continues to supplement the big efforts with operational efficiencies and smaller projects that together created a 24% reduction. The Premiere Hotel & Suites (NHP) New Haven, CT also



had dramatic reductions, with some of the key efforts being purchasing detergents that enable cold water to wash the on-site laundry and consistent lighting and envelope upgrades.

The Hawthorn Suites Alexandra, VA (ALX) has leveraged hot water savings (and therefore natural gas savings) and guest participation to reduce their energy use by over 10%. Finally, Comfort Inn and Suites Boston/Logan Airport (CIS) was built for efficiency in 2000, thereby eliminating the opportunity for low-hanging fruit. That said, they have kept the energy use relatively stable despite consistently growing occupancy and use – and they have added a cogeneration unit and replaced the cooling tower in 2013.

Progression of our green energy purchased vs. the impact of our emissions.

Our Growing Commitment, Our Shrinking Footprint



SHG total kg CO₂e



Kg CO₂e offset

5,237,762

5,216,135

4,195,273



1,410,937

2010



2,310,053

2011



4,873,602

2012



WATER CONSUMPTION

Goal: Reduce water consumption by 20% per occupied room below 2008 levels.

Details: Reducing water usage per person is an area we are focused on improving, however determining an accurate number of guests over the course of the year is impractical and has too much room for error (pun intended!). Try as we might, we can never be sure if there is one person in a room or four. Therefore, 'per occupied room' is the denominator used because we have very accurate accounting of that number and it can therefore act as our best metric for consumption.

Performance to Date: As indicated above, 2012 water usage was 7.7% below our baseline, which calls for a 2.2 gallons/occupied room per year reduction over the next seven years in order to hit our target.

As we consistently invest in more efficient fixtures, equipment, and procedures, we are able to exert a lot of control over our consumption. We also see opportunities in acquiring more efficient buildings in the future and aggressively implementing water use and re-use best practices on any future construction projects. Water is our second largest utility expense behind electricity, and

water reduction

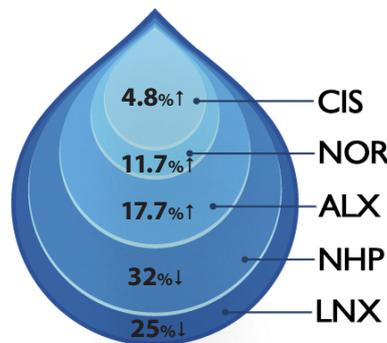


company wide

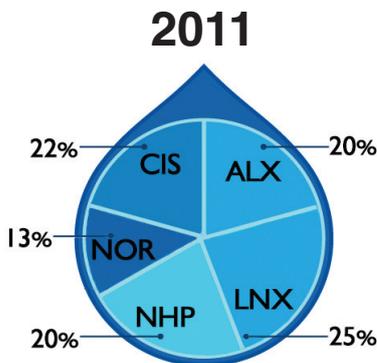
the rates for both water and sewer costs continue to rise, which helps us align the business case with the environmental case when attempting to maximize efficiency.

The Saunders Hotel Group portfolio is very mixed with regards to our water reduction results. CIS, NOR, and ALX have all increased since 2008, while NHP and LNX have had significant reductions. While not in particularly water stressed areas, managing our water resource is still critical to running a sustainable business and controlling expenses. Despite thorough investigating, specific causes for the properties with increases are not clear,

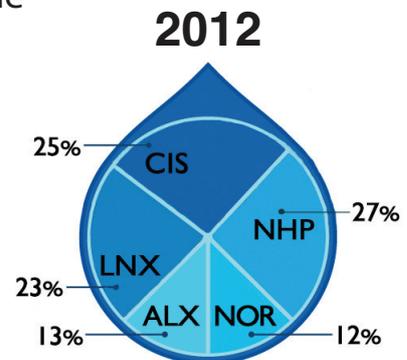
however there is anecdotal evidence that the number of guests per room increased during the recession as families and business travelers were looking to reduce expenses. In order to further address our overall water use, we have been analyzing all water fixtures in the front and back of house along with training staff in key areas (kitchen, housekeeping) on best practices.



Water Changes Relative to 2012 Baseline



Total Water Use By Hotel



Total Water Use By Hotel



in progress



SUSTAINABLE PURCHASING

Goal: Purchase 60% of goods and services from environmentally preferred products or companies.

Details: In 2011, the Saunders Hotel Group officially launched its Sustainable Purchasing Policy, which takes into account our detailed sustainability principles when selecting vendors, products, or services. Team members at each hotel look for designations such as Fair Trade, Organic, or Energy Star Certified when purchasing products. They also look for unambiguous environmental policies from potential vendors. While this goal is more subjective relative to our other goals, we continue to work to quantify and improve the sustainability of products and companies that our dollars are supporting.

Performance to Date: Purchasing is decentralized across many departments, from tissues and toilet paper for guest rooms to wines and top shelf alcohol for our restaurants, and everything in between. We have included a link to our full [Sustainable Purchasing Policy](#) and also to the information we share with our vendors. Getting hard numbers on the percentage of purchases which fall under the policy is still an inexact science; one we continually look to improve. Further still, our purchasing policy itself continues to evolve as new information and opportunities come on line.

Amenity Dispensers

Within the hotel industry, SHG is widely known for having pioneered the first guestroom bath amenity dispensers in 1992. In addition to that hotel, which we sold in 1996, our Comfort Inn & Suites Boston/Airport has amenity dispensers in all guest bathrooms. At The Lenox, creating a five star luxurious guest experience while providing these products in bulk has been a challenging process that is set to take flight in 2014.



Visit:
www.mosaicdispenser.com

Identifying a partner who could design a brand new, elegant and functional dispenser, finding the right high end bath products and communicating our environmental commitment to guests are essential components to a successful amenity dispenser roll out. Purchasing and providing amenities in bulk greatly reduces not only the plastic used in millions of individual amenity bottles, but cuts product transportation and waste removal impacts significantly. We are excited to improve our environmental footprint while focusing our dollars on higher quality products vs packaging waste and trash hauling fees.

WASTE DIVERSION

Goal: Divert 80% of our waste from landfills.

Details: Through sensible purchasing, communicating with vendors, aggressive recycling, composting and re-use programs, we are working to minimize any excess goods entering or leaving each hotel. We also seek ways to re-use or repurpose items to improve the full lifecycle of the products we purchase.

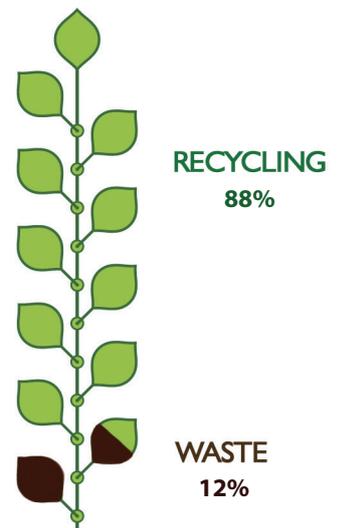
Performance to Date: As the charts illustrate, our diversion rate has been stable over the last two years, although the specifics of recycling vs. composting have shifted slightly. There are two main efforts which will help us achieve our aggressive goal. First is turning the waste paradigm on its head by creating operations which recycle just about everything. When evaluating the waste stream from a hotel room, there is very little that needs to go to a landfill. It is our job to inform guests and make recycling as easy as throwing an item in the trash, and putting realistic procedures in place for staff to get the recycling to the proper area. With focused training and strategic decisions (such as making the compartment for recycling larger than the one for trash on housekeeping carts – opposite of what is currently the case), this shift is actually happening.

The second effort is increasing the food waste diversion, which is taking place at CIS and NHP and restarting at The Lenox Hotel (which has the largest food and beverage operation on site).

What are not captured in these numbers are the items that are diverted from the waste stream entirely. Each hotel partners with local shelters, charities, and liquidators to ensure that anything

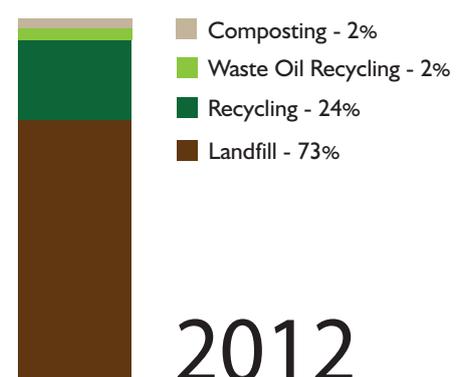
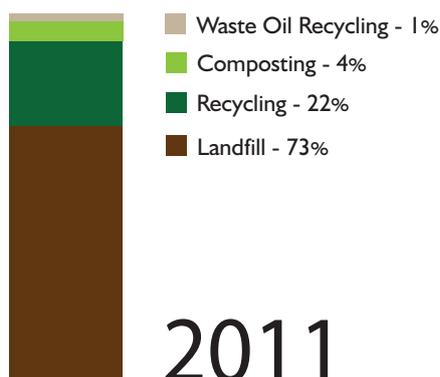
with residual value gets re-used. This includes partially used bottles of amenities (soap, shampoo, conditioner, etc.) that go to homeless shelters, as well as hundreds of linens, towels, bathrobes, and other fabrics which are re-used. Additionally, we recycle carpet and padding whenever there is a renovation, donate furniture and TVs that, while no longer suitable for a particular property, are still in perfect working order. The Lenox Hotel goes so far as to divert popular K Cups from the waste stream, and instead send them to a processing plant that composts the coffee grinds and recycles the plastic.

Since our total tonnage numbers from our waste hauler at The Lenox includes three leased food and beverage outlets and two neighboring businesses, we wanted to test the efficacy of the recycling program specifically at the hotel. A surprise waste audit at The Lenox Hotel had some exciting and encouraging results. 25 total bags (came down from the rooms – 22 were designated as recycling and only three were labeled as trash. We opened each, audited the contents to ensure we were not throwing out items that could be recycled or contaminating the recycling with trash. There were a few small items that moved from one pile to the other, but the final tally stayed the same – 22 bags of recycling to three bags of trash – an 88% diversion rate from the hotel rooms.



2012 Lenox Hotel Waste Audit

Saunders Hotel Group Waste Diversion Rates



OUTLOOK ON OUR GOALS

Looking back at our 2008 baseline utility data Saunders Hotel Group has made significant progress on reducing our energy consumption. Waste diversion serves as a major area of interest as we work to improve or implement composting all organic waste at all of our properties. We spent much time throughout 2012 equipping faucets with lower gallons per minute aerators, installing low flow shower heads, and determining methods for rainwater collection to minimize landscape irrigation. Engineering teams are continually improving the efficiency of existing equipment, while always on the lookout for a better product. Increasingly, team members with purchasing responsibility are requesting written environmental policies from companies and choosing environmentally friendly ones that include products composed of recycled, recyclable, or compostable materials, or products created by workers receiving fair treatment and pay. Educating all team members from the CEO and General Managers to bellmen and housekeepers has had a dramatic impact on what we are able to achieve. Raising the awareness of each employee is a crucial part of creating understanding of responsible consumption and helps to limit wastefulness at every level.

While we have come a long way from 2008, we must continue to ride our enterprise-wide momentum to meet and exceed our 2020 goals.

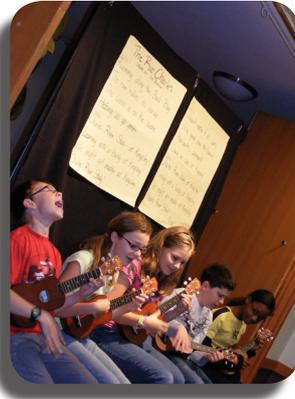
Our targets can be seen as a stretch – many things must go right in order to achieve the goals we've set, and it will require careful attention to every project and investment we make over time. Each property faces unique challenges and each business is indeed different. So while there are some economies of scale by managing multiple properties, the timing and specifics of any one project may not overlap with a similar project at a different property.

We hope that by serving as a real world example for other hotels, other industries, and other countries we can help shape the future of development and economic growth. Efficiency is not enough – supporting clean energy industries and innovations which hold the key to meeting our global energy needs while reducing the negative impacts from current energy generation is critical.



COMMUNITY

A fitting way to conclude our 2011/2012 sustainability report is with a section on Community since it was in 2012 that we were honored by the World Travel and Tourism Council with their Tourism for Tomorrow Community Benefit Award. Normally reserved for far flung resorts in the remote corners of the developing world, the award given to the Saunders Family and SHG's teams demonstrated an example of how to fully connect with and benefit one's community in an urban setting. Treating people well, paying an honest wage, supporting local charities, and seeing beyond race and gender to provide everyone an equal opportunity is only a starting point for SHG.



Although Saunders Hotel Group is internationally known for pioneering mainstream urban ecotourism since 1989, it has long served as a role model for community benefits as well. Years ago, when the SHG won a bid to redevelop Boston's Police station into a hotel, they also made a multi-million dollar contribution to build affordable housing in the area. This type of philanthropy is not an exception – it is the rule at the Saunders Hotel Group. And because it is genuine and comes right from the top, this level of care infiltrates every business decision and personal interaction in each SHG property. As a result, this small company strives to be a shining example of how to care for people and the community in such a way that everyone thrives.

DIVERSITY

With just over 300 employees and 55 managers, our goal is to ensure that everyone on the team has the same opportunity to succeed. Beyond line level team members, who are the GMs, the managers, the corporate decision makers? Quite frankly, the best people we can find. That includes

DIVERSITY



35 of the 55 managers who are women or minorities - an impressive 64%. Four of the nine corporate executives are also women or minorities, equaling 44%. Not bad considering two of the nine are Saunders family members, who as Gary Saunders puts it, were "drafted into the company."



Women/Minorities Represented in Management at SHG

DONATIONS

As previously indicated, bathroom amenities such as shampoo, conditioner and body wash from The Lenox, Hampton Inn Norwood and Suites New Haven are regularly collected and brought to the Boston Rescue Mission, an organization that serves as a shelter and provides social service to the homeless. Additionally, the Hawthorn Suites in Alexandria, Virginia, donates their leftover amenities to a local homeless shelter. Combined, the hotels and the corporate office donate hundreds of hours of their time cooking meals, participating in beach clean ups, and decorating over the holidays. Saunders Hotel Group employees recognize when others are in need and leap through hoops to respond. Each hotel puts its own spin on community outreach, becoming regulars at nursing homes, homeless shelters or neighborhood events or divvying their time up each year to different organizations.



Numerous individuals at each hotel contributed to the Tourism for Tomorrow Award in 2012 and we continue to maintain close relationships with those local organizations and try to serve as a pillar in our community.



EDUCATION

The patriarch of SHG is the namesake for the Roger A. Saunders School of Hospitality at nearby Newbury College in Brookline, MA. The Saunders family awards full annual scholarships to children or grandchildren of SHG employees so that they can attend Newbury College.

There are countless examples of how we help employees, such as The Lenox Hotel's Lunch and Learn program where a sustainable lunch is provided (locally sourced, hormone free meat, and sustainably harvested items) for all team members while they are given, among other information, a presentation on how to save money and energy at home. Additionally, each employee was given a winter window insulation kit, paid for by the hotel, for his or her home.

Throughout the year, our hotels have worked with nearby elementary schools to educate and engage children on the connection between hospitality and sustainability, and hotel managers have volunteered for university student projects – donating time to enable the college students to obtain real-world experience. Additionally, Saunders Hotel Group offers tuition reimbursement for any employee taking courses related to improving their professional skills or education.

Year in and year out, members of the SHG team take part in local and national working groups to share best practices with the hospitality industry. While each hotel is competitive, and always looking for hidden value that other hotels are missing, the team members cannot help but be educators and mentors in the industry. For SHG, community extends not just to the team, but to their homes, the areas around the hotels, current and future guests, their vendors and suppliers, their industry, and quite honestly, the world we all share.

Compressed Natural Gas (CNG) Fleet

2012 brought us one step closer to an entire fleet of CNG vans at our airport hotel. Collectively, four vans travel approximately a quarter of a million miles per year, and due to the proximity to compressed natural gas infrastructure, we have consistently retrofitted shuttle vans to run on cleaner burning CNG.



In years past, a healthy federal incentive existed for the CNG retrofit. In 2012, that incentive was no longer available – yet we evaluated the options, cost of fuel and maintenance, environmental benefits, and the cost of the upgrade.

We were thrilled to learn that, not only is CNG a preferred option for the environment, it is a better option for our business as well. The added cost to upgrade the van is more than offset by the savings in fuel costs over the first couple years of operation. Our fleet of two traditional gas burning vans and two CNG vans changed to three CNG vans in 2012. In 2013, we purchased one more to replace the last remaining traditional gas-powered van in our fleet.



FUTURE COURSE

Our ability to “predict the future” is immeasurably helped by the fact that we are completing this report part way through 2013. We have installed and interconnected a 75 kW cogeneration unit at one hotel, purchased an array of sustainably sourced materials for multiple renovations, and have further engaged the corporate human resources department on education and communication internally. We are taking aggressive steps to make reuse and recycling programs more robust at every location, and we are starting composting programs where they didn’t exist before.

But our future is about more than asset management. It is really about an evolution of our processes and a new level of genuine integration of sustainability into our business. Our company continues to evolve and change - in the short term we are evaluating new full service or luxury hotel opportunities. This can be seen as both good and bad from the standpoint of our goals. Building a hotel from the ground up (which we are currently undertaking) will enable us to incorporate more cutting edge thinking and technology into the systems that we design. At the same time, we are selling some of our older properties as the strength of the market encourages us to do. On first glance, changing our mix of properties from older to newer offers some inherent efficiencies; but when one considers the extensive



guest amenities of a full service property (that we are developing) compared to select service properties (two of which we are selling), there is an unavoidable increase in resources used. Therefore, we must continue to implement the best and most efficient systems. We must ensure that our efforts and our message reach more ears and eyes. We must innovate new and better ways to enable an enriched existence without undermining future generations.

Ultimately, our power is not in the absolute impacts we can make - we are a relatively small company. What we can do is provide a model - an example of how a hospitality company can prosper not in spite of, but because of their long term view. We can instruct other franchise owners about the hows and whys of efficiency throughout their operation. We can educate and inform employees and guests alike. We can attract ever more business from forward thinking companies and thereby be the company that other businesses emulate.

Our future is bright. Our efforts are relentless. We continue to seize opportunities to improve our purchasing, our partnerships, our innovation, and our impacts. We don’t lean on old clichés, but instead scour our industry and beyond for the greatest ideas and opportunities in order to ultimately, and humbly, do well by doing good.

Thanks for joining us on our sustainability journey.

Sincerely,

Scot Hopps
Director of Sustainability
Saunders Hotel Group

APPENDIX

Links to Additional Information

<http://www.saundershotelgroup.net/eco-program.php>

<http://www.lenoxhotel.com/boston-hotels-our-story/our-commitment/>

Link to full sustainable purchasing policy

<http://www.lenoxhotel.com/wp-content/uploads/2012/09/SHG-Sustainable-Purchasing-Policy.pdf>

Greenhouse Gas Emissions - Methodology

Data collected monthly from each hotel, either from invoices or from on site meter readings or similar tracking resources. All our buildings use electricity, natural gas, and gasoline. At this time we are not tracking refrigerants or oil used for backup generators.

All the energy is converted to British Thermal Units (Btus), then using EPA's annual emissions output rates (by region), we calculate the CO₂e in kilograms. It is important to note that the electricity mix for our two eGrid regions had fewer emissions based on the 2009 data (eGrid 2012 used 2009 data whereas the previous data in eGrid 2010 used 2007 data. Therefore, as a result of cleaner burning fuels, better carbon capture, and increased carbon-free renewable energy, the electrical grids our properties used got cleaner).

The transportation fuels are similarly tracked and using the IPCC's methodology, we calculate the carbon dioxide emissions per unit of fuel. For CNG, we used the common practice of Gasoline Gallon Equivalents (GGE) to convert from the CO₂ emissions per standard cubic foot to emissions per GGE. Again using IPCC data, we added in the impact of CH₄ and NO₂ (from grams per mile, multiplied by their global warming potential). We then added the CO₂ emissions per gallon to the CO₂e emissions (using our average gallons per mile to obtain similar units) from CH₄ and NO₂ for a total factor for greenhouse gas emissions from CNG fuel. As expected, it is approximately 20% fewer emissions per gallon than gasoline.

eGRID2012 Version 1.0 Year 2009 GHG Annual Output Emission Rates for 2012 calculations, and eGRID 2010 Version 1.0 Year 2007 was used for years 2008-2011.

Calculating CO₂ emissions – IPCC 1995 Second Assessment Report

The Intergovernmental Panel on Climate Change (IPCC) guidelines for calculating emissions inventories require that an oxidation factor be applied to the carbon content to account for a small portion of the fuel that is not oxidized into CO₂. For all oil and oil products, the oxidation factor used is 0.99 (99 percent of the carbon in the fuel is eventually oxidized, while 1 percent remains un-oxidized.)[1.]

Finally, to calculate the CO₂ emissions from a gallon of fuel, the carbon emissions are multiplied by the ratio of the molecular weight of CO₂ (m.w. 44) to the molecular weight of carbon (m.w.12): 44/12.

