

# Second-Party Opinion

## Minor International Sustainability-Linked Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Minor International Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2023, Sustainability-Linked Loan Principles 2023 and ASEAN Sustainability-Linked Bond Standards 2022. This assessment is based on the following:

- Selection of Key Performance Indicators** The Minor International Sustainability-Linked Financing Framework defines two KPIs: i) Scope 1 and 2 GHG emissions intensity of Minor Hotels (tCO<sub>2</sub>e/room sold); and ii) Water withdrawal intensity of Minor Hotels (m<sup>3</sup>/room sold). Sustainalytics considers KPI 1 to be adequate and KPI 2 to be strong based on materiality, relevance, scope of applicability and having an externally defined methodology, as applicable.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPTs to be aligned with Minor’s sustainability strategy. Sustainalytics further considers SPTs 1 and 2 to be ambitious based on Minor’s historical performance and targets set by peers.
- Financial Characteristics** Minor will link the financial characteristics of the instruments issued under the Framework to the achievement of all the SPTs. The financial characteristics may include a coupon adjustment or a margin adjustment, or a premium payment.
- Reporting** Minor commits to report on an annual basis on its performance on the KPIs in its sustainability report. Relevant information that may enable relevant stakeholders to measure KPI performance and monitor progress towards achieving the SPTs will be provided to lenders or investors on an annual basis.
- Verification** Minor commits to have external limited assurance conducted against each SPT for each KPI at least once a year.

<b>Evaluation Date</b>	April 24, 2024
<b>Issuer Location</b>	Bangkok, Thailand

The SPTs contribute to the following SDGs:



### Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Scope 1 and 2 GHG emissions intensity of Minor Hotels (tCO <sub>2</sub> e/room sold)	2019	Adequate	SPT 1: Reduce scope 1 and 2 GHG emissions intensity to 0.018 tCO <sub>2</sub> e/room sold by FY2026, from a FY2019 baseline of 0.023 tCO <sub>2</sub> e/room sold	Ambitious
KPI 2: Water withdrawal intensity of Minor Hotels (m <sup>3</sup> /room sold)	2022	Strong	SPT 2: Reduce water withdrawal intensity to 0.66 m <sup>3</sup> /room sold by FY2026, from a FY2022 baseline of 0.75 m <sup>3</sup> /room sold	Ambitious

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## Scope of Work and Limitations

Minor International Public Co. Ltd. (“Minor” or the “Company”) has engaged Sustainalytics to review the Minor International Sustainability-Linked Financing Framework dated April 2024 (the “Framework”) and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2023 (SLBP),<sup>1</sup> Sustainability-Linked Loan Principles 2023<sup>2</sup> and ASEAN Sustainability-Linked Bond Standards 2022 (ASEAN SLBS).<sup>3</sup>

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the Framework with the SLBP, as administered by the International Capital Market Association (ICMA), SLLP as administered by the Asia Pacific Loan Market Association (APLMA), the Loan Market Association (LMA), the Loan Syndications and Trading Association (LSTA), and ASEAN SLBS as administered by ASEAN Capital Markets Forum (ACMF).

As part of this engagement, Sustainalytics exchanged information with various members of Minor’s management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Minor’s representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Minor. Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance. The measurement and reporting of the KPIs and SPTs is the responsibility of the Company. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Minor has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion.

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<sup>1</sup> The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

<sup>2</sup> The Sustainability-Linked Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

<sup>3</sup> The ASEAN Sustainability-Linked Bond Standards are administered by the ASEAN Capital Markets Forum and are available at: <https://www.theacmf.org/images/downloads/pdf/ASEAN%20Sustainability-linked%20Bond%20Standards.pdf>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

## Introduction

Minor is a publicly held company headquartered in Bangkok, Thailand. The Company mainly operates in the following business segments: Minor Hotels, with properties in Asia, Europe, Australia, New Zealand, the Middle East, Africa and Latin America; Minor Food, a restaurant chain with locations primarily in Thailand, China and Australia; and Minor Lifestyle, which offers a wide range of clothing, footwear and consumer products through stores and e-commerce in Thailand. Minor generated revenue of THB 153.63 billion (USD 4.19 billion) in FY2023, and as of 2023, Minor had more than 78,000 employees.

Minor intends to obtain sustainability-linked debt instruments (bonds, loans, derivatives, and other financial instruments)<sup>5</sup> whose margin adjustment, coupon adjustment or premium payment is tied to the achievement of the SPTs for the selected KPIs related to GHG emissions and water withdrawal reduction.

Minor has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the SLBP, SLLP and ASEAN SLBS. The Framework has been published in a separate document.<sup>6</sup>

Minor has defined the following KPIs and SPTs:

**Table 1: KPI Definitions**

KPI	Definition
KPI 1: Scope 1 and 2 GHG emissions intensity of Minor Hotels (tCO <sub>2</sub> e/room sold)	<p>This KPI represents scope 1 and 2 emissions intensity from Minor's hotel business segment (Minor Hotels), measured in tCO<sub>2</sub>e per room sold and calculated using the GHG Protocol Standard.</p> <ul style="list-style-type: none"> <li>Scope 1: Emissions from the combustion of diesel, LPG, natural gas, heavy oil, kerosene, petrol, propane and butane, and from hydrofluorocarbon refrigerants from buildings or operations controlled by Minor.</li> <li>Scope 2: Indirect emissions associated with purchased electricity, district cooling, heat or steam.</li> </ul> <p>Rooms sold denotes the total number of rooms sold during a calendar year, excluding complimentary rooms and no-shows.</p>
KPI 2: Water withdrawal intensity of Minor Hotels (m <sup>3</sup> /room sold)	<p>This KPI measures the water withdrawal of Minor Hotels under Minor's operational control in a reporting year.</p> <ul style="list-style-type: none"> <li>Water withdrawal is the sum of all water drawn from surface water, groundwater, seawater, or a third party for any use over the course of the reporting period, in accordance with Global Reporting Initiatives (GRI) Standards for water withdrawal.</li> <li>"Room sold" represents the total number of rooms sold in Minor Hotels during a calendar year, excluding complimentary rooms and no-shows.</li> </ul>

**Table 2: SPTs and Past Performance**

KPI	FY2019	FY2020	FY2021	FY2022	FY2023	SPT FY2024	SPT FY2025	SPT FY2026
KPI 1: Scope 1 and 2 GHG emissions intensity of Minor Hotels (tCO <sub>2</sub> e/room sold)	0.023 (baseline)	0.041	0.039	0.027	0.024	0.021	0.020	0.018
KPI 2: Water withdrawal intensity of Minor Hotels (m <sup>3</sup> /room sold)	-	-	0.94	0.75 (baseline)	0.72	0.70	0.68	0.66

<sup>5</sup> Sustainalytics has reviewed only the financial instruments that are specified in the Framework. As for derivatives, Sustainalytics notes that the considerations for such instruments are typically different from SLBs and SLLs, and are thereby outside of the scope of Sustainalytics' Second-Party Opinion.

<sup>6</sup> Minor, "Minor International Sustainability-Linked Financing Framework", at: <https://www.minor.com/en/investor-relations/sustainable-finance/sustainability-linked-financing-framework>

## Sustainalytics' Opinion

### Section 1: Alignment with the Sustainability-Linked Bond Principles, Sustainability-Linked Loan Principles and ASEAN Sustainability-Linked Bond Standards

Sustainalytics is of the opinion that the Minor International Sustainability-Linked Financing Framework aligns with the five core components of the SLBP, SLLP and ASEAN SLBS.



#### Selection of Key Performance Indicators

##### Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues; and ii) to what extent the KPI is applicable.

##### KPI 1: Scope 1 and 2 GHG emissions intensity of Minor Hotels (tCO<sub>2</sub>e/room sold)

Buildings have a crucial role in the transition towards a low-carbon economy due to their significant energy consumption, which makes them a major source of GHG emissions. In 2022 buildings accounted for 30% of global energy consumption and 26% of energy-related emissions from building operations. In the commercial buildings sector, hotels stand out as particularly energy intensive, not only from energy use in guest rooms, but also in business centres, restaurants and laundry rooms. This highlights the importance of reducing emissions in the hotel industry.<sup>7</sup> Sustainalytics' ESG Risk Rating identifies Carbon – Own Operations as a Material ESG Issue (MEI) for the Company and the Travel, Lodging and Amusement subindustry.<sup>8</sup> The Sustainability Accounting Standards Board (SASB)<sup>9</sup> also identifies Energy Management as a material topic for the Hotels and Lodging industry. SASB emphasizes that buildings associated with the hotel and lodging sector consume substantial amounts of energy, primarily for space heating, ventilation, air conditioning, water heating, lighting, and the use of equipment and appliances.<sup>10</sup>

KPI 1 measures the intensity of scope 1 and 2 GHG emissions of Minor Hotels in tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e) per room sold. As of 2023, scope 1 and 2 emissions collectively account for 32% of Minor's total emissions (including scope 1, 2 and 3 emissions) across all business segments (Minor Hotels, Minor Food and Minor Lifestyle). Minor has confirmed to Sustainalytics that Minor Hotels accounts for 62% of the Company's total scope 1 and 2 emissions and approximately 79% of Minor's total revenue. Given these figures, Sustainalytics estimates that the KPI is applicable to nearly 20% of Minor's overall emissions.

Based on the above, Sustainalytics considers KPI 1 to be relevant and material, and to have a moderate scope of applicability.

##### KPI 2: Water withdrawal intensity of Minor Hotels (m<sup>3</sup>/room sold)

More than 2 billion people live in countries where the water supply is inadequate and nearly 50% of the world's population could be living in areas facing water scarcity by as early as 2025.<sup>11</sup> As a global issue, the hospitality

<sup>7</sup> IEA, "Buildings", at: <https://www.iea.org/reports/buildings>

<sup>8</sup> Sustainalytics' Carbon – Own Operations MEI refers to a company's management of risks related to its own operational energy and GHG emissions (scope 1 and 2). It also includes parts of scope 3 emissions, such as product use and fuel- and energy-related emissions.

<sup>9</sup> The SASB Foundation is an independent not-for-profit organization that establishes and maintains industry-specific standards to assist companies in disclosing financially material decision-useful sustainability information to investors.

<sup>10</sup> SASB, "Hotels & Lodging", (2018), at: [https://www.sasb.org/wp-content/uploads/2018/11/Hotels\\_Lodging\\_BFC\\_2018.pdf](https://www.sasb.org/wp-content/uploads/2018/11/Hotels_Lodging_BFC_2018.pdf)

<sup>11</sup> UN Water, "Water Scarcity", at: <https://www.unwater.org/water-facts/water-scarcity>

segment, which roughly counts 17 million rooms worldwide,<sup>12</sup> has a crucial role to play, given that daily water consumption per room in a hotel can reach an average of 1,500 litres, in some cases that is eight times the consumption of the local population.<sup>13</sup> Sustainalytics' ESG Risk Rating identifies Resource Use as an MEI for the Company and the Travel, Lodging and Amusement subindustry.<sup>14</sup> Similarly, the SASB identifies Water and Wastewater Management as a material topic for the Hotels and Lodging industry.<sup>15</sup>

The KPI measures the intensity of water withdrawal of Minor Hotels under Minor's operational control. Minor has confirmed to Sustainalytics that water withdrawal of its Minor Hotels business line represents 83% of Minor's total water withdrawal, and Minor Hotels represents 79% of Minor's total revenue pool as of 2023. Given these figures, Sustainalytics estimates that the KPI has a high scope of applicability.

Based on the above, Sustainalytics considers KPI 2 to be relevant and material, and to have a high scope of applicability.

### **KPI Characteristics**

In its assessment of the KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer's performance on the material environmental or social issue; and iv) whether the methodology can be benchmarked against an external contextual benchmark.<sup>16</sup>

#### KPI 1: Scope 1 and 2 GHG emissions intensity of Minor Hotels (tCO<sub>2</sub>e/room sold)

Sustainalytics considers Minor's definition and methodology for calculating KPI 1 to be clear and consistent with the Company's historical reporting on this KPI. Minor measures and reports on KPI 1 in line with the GHG Protocol Corporate Accounting and Reporting Standard. Additionally, Minor's emissions intensity calculation methodology follows the Cornell Hotel Sustainability Benchmarking Index methodology for estimating the carbon footprint of its hotels.<sup>17</sup> Sustainalytics views KPI 1 as a direct measure of Minor's performance on the significant environmental issue of GHG emissions. However, Sustainalytics notes that there are no contextual benchmarks currently available for the sector to assess progress on KPI 1.

#### KPI 2: Water withdrawal intensity of Minor Hotels (m<sup>3</sup>/room sold)

Sustainalytics considers Minor's definition and methodology for calculating KPI 2 to be clear and consistent with the Company's historical reporting on this KPI, in accordance with the GRI Standards. Additionally, Minor's water withdrawal intensity calculation methodology follows the Cornell Hotel Sustainability Benchmarking Index methodology for estimating data related to water withdrawal. Sustainalytics views KPI 2 as a direct measure of Minor's performance on the significant environmental issue of water stewardship. However, Sustainalytics notes that there are no contextual benchmarks currently available for the sector to assess progress on KPI 2.

### **Overall Assessment**

Sustainalytics considers KPI 1 to be adequate, given that it: i) directly measures Minor's performance on a relevant and material environmental issue for Minor and the sector; ii) has a moderate scope of applicability; and iii) follows a clear, consistent and an externally recognized methodology; but iv) does not lend itself to be externally benchmarked against an external benchmark or trajectory.

Sustainalytics considers KPI 2 to be strong, given that it: i) directly measures Minor's performance on a relevant and material environmental issue for Minor and the sector; ii) has a high scope of applicability; and iii) follows a clear, consistent and an externally recognized methodology; but iv) does not lend itself to be externally benchmarked against an external benchmark or trajectory.

<sup>12</sup> Statista, "Total number of hotel rooms worldwide from 2008 to 2018", at: <https://www.statista.com/statistics/1092527/number-of-hotel-rooms-worldwide/>

<sup>13</sup> Sustainable Hospitality Alliance, "Water stewardship", at: <https://sustainablehospitalityalliance.org/our-work/water-stewardship/>

<sup>14</sup> Sustainalytics' Resource Use MEI focuses on how efficiently and effectively a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks.

<sup>15</sup> SASB, "Materiality Finder: Hotels and Lodging", at: <https://sasb.org/standards/materiality-finder/find/?industry%5B0%5D=SV-HL>

<sup>16</sup> External contextual benchmarks provide guidance on alignment with ecological system boundaries.

<sup>17</sup> Ricaurte, E. and Jagarajan, R. (2023), "Hotel Sustainability Benchmarking Index 2023", Cornell University, at:

<https://ecommons.cornell.edu/handle/1813/113258>

<b>KPI 1: Scope 1 and 2 GHG emissions intensity of Minor Hotels (tCO<sub>2</sub>e/room sold)</b>	Not Aligned	Adequate	Strong	Very Strong
<b>KPI 2: Water withdrawal intensity of Minor Hotels (m<sup>3</sup>/room sold)</b>	Not Aligned	Adequate	Strong	Very Strong



### Calibration of Sustainability Performance Targets

#### Alignment with Minor’s Sustainability Strategy

Minor has set the following SPTs for its KPIs:

- SPT 1: Reduce scope 1 and 2 GHG emissions intensity to 0.018 tCO<sub>2</sub>/room sold by FY2026 from a FY2019 baseline of 0.023 tCO<sub>2</sub>e/room sold.
- SPT 2: Reduce water withdrawal intensity to 0.66 m<sup>3</sup>/room sold by FY2026 from a FY2022 baseline of 0.75 m<sup>3</sup>/room sold.

As highlighted in its 2023 Annual Report, Minor’s sustainability strategy is underpinned by three themes: i) enhancing people potential; ii) conserving natural capital; and iii) responsible business conduct. Minor is committed to reaching net zero value chain GHG emissions by 2050 and has set several interim goals and targets to support this transition. This includes reducing Minor Hotels’ energy and CO<sub>2</sub> emissions intensities by 15% by 2025 compared with a 2019 baseline and water intensities by 10% by 2025 compared with 2022 baseline. Minor is in the process of setting near-term and net zero science-based targets in line with a 1.5°C scenario and having them validated by the Science Based Targets initiative (SBTi). In 2022, Minor integrated Task Force on Climate-related Financial Disclosures (TCFD) recommendations into its enterprise risk management. Also, in 2023, Minor received a B score on the CDP questionnaire on climate change and water security.<sup>18</sup>

Based on the above, Sustainalytics considers the SPTs to be aligned with Minor’s overall business and sustainability strategy.

#### Strategy to Achieve the SPTs

Minor intends to achieve SPT 1 through the following strategy:

- Minor will aim to achieve improvements in energy efficiency by implementing building management systems to track energy usage, investing in energy-efficient equipment upgrades, improving building insulation to minimize heating and cooling needs and offering employee training programs and incentive structures encourage behaviours that conserve energy.
- Minor plans to transition away from fossil fuels by replacing natural gas heating systems with heat pumps and converting the Company fleet to electric vehicles.
- Minor intends to procure renewable energy and setup on-site energy generation facilities, including installing solar photovoltaic panels on rooftops or biogas digesters, which not only manage organic waste but also create bioenergy to power operations. This may also include the purchase of renewable energy certificates in geographies where renewable power is not accessible.

Minor intends to achieve SPT 2 through the following strategy:

- Minor actively addresses water efficiency across its hotels and restaurants. This includes installing water-efficient fixtures and equipment, implementing greywater recycling systems where feasible (using greywater for irrigation) and optimizing laundry processes to minimize water consumption per kilogram.
- Minor utilizes the World Resources Institute’s Aqueduct Water Risk Atlas to map its facilities and analyse water risks at each location. When significant water risks are identified, Minor will develop plans to mitigate their potential impact.

#### Ambitiousness, Baseline and Benchmarks

<sup>18</sup> Minor, “Sustainability report”, (2023), at: <https://www.minor.com/storage/download/sustainability-reports/Minor-sd2023-en/>

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPTs go beyond a business-as-usual trajectory; ii) how the SPTs compare to targets set by peers; and iii) how the SPTs compare with science-based references.<sup>19</sup>

Minor has set the baseline for SPT 1 at 2019 and SPT 2 at 2022, as it is aligned with the publicly disclosed Group-level targets and its reporting. Minor has confirmed to Sustainalytics that the GHG emissions target will be revised once the targets with a revised baseline of 2023 are validated by SBTi.

**SPT 1:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

In terms of emissions intensity from Minor’s hotels, Sustainalytics observes an increase of 4.35% between FY2019 and FY2023. SPT 1 represents an average annual reduction of 3.11% by 2026 from a FY2019 baseline and 8.33% by FY2026 from FY2023 (the most recent year of available data). Hence, Sustainalytics considers the SPT to be above historical performance.

In its peer analysis, Sustainalytics assessed a group of 11 peers. Sustainalytics notes that nine peers have set either absolute emissions reduction targets or emissions intensity targets measured in tCO<sub>2</sub>e/m<sup>2</sup>. Additionally, out of these nine peers, five have had their near-term targets validated by SBTi for alignment with the 1.5°C scenario. Sustainalytics notes that the direct comparison of SPT 1 against peers’ targets is limited, due to variations in the reported emissions metrics. Using absolute emissions reduction targets or emissions intensity targets measured in tCO<sub>2</sub>e/m<sup>2</sup> as proxies for assessing the SPT’s ambitiousness, Sustainalytics considers SPT 1 to be in line with similar targets set by peers.

**SPT 2:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: peer performance.

Sustainalytics could not accurately rely on Minor’s past performance to assess the ambitiousness of SPT 2 due to limited historical data on water withdrawal intensity from Minor Hotels. Additionally, Minor confirmed that the water intensity data for 2020 and 2021 are not an accurate representation of Minor’s business-as-usual scenario due to the impact of Covid-19. However, Sustainalytics notes that the SPT represents a continuous material improvement on the metric.

Sustainalytics assessed a group of 11 peers in its peer analysis. Sustainalytics notes that a direct comparison is limited for SPT 2 due to variations in the reported water intensity metrics; for instance, some use cubic metres of water per square metre of floor area, others cubic metres per guest-night or cubic metres per stay. Hence, Sustainalytics relied on water withdrawal and consumption intensity measured in cubic metres of water per square metre of area, cubic metres per guest night and cubic metres per stay as proxies for assessing the SPT’s ambitiousness. Based on this, Sustainalytics notes that SPT 2 is above the targets set by seven peers and aligned with targets set by the other four peers. Sustainalytics therefore considers the SPT to be above peer performance.

**Overall Assessment**

Sustainalytics considers the SPTs to align with Minor’s sustainability strategy and SPT 1 to be ambitious, given that it presents a material improvement compared with past performance and is aligned with targets set by peers.

Sustainalytics considers Minor’s SPT 2 to be ambitious, given that it is below historical performance but above the targets set by peers.

<p><b>SPT 1: Reduce scope 1 and 2 GHG emissions intensity to 0.018 tCO<sub>2</sub>/room sold by FY2026 from a FY2019 baseline of 0.023 tCO<sub>2</sub>e/room sold</b></p>	<p>Not Aligned</p>	<p>Moderately Ambitious</p>	<p><b>Ambitious</b></p>	<p>Highly Ambitious</p>
<p><b>SPT 2: Reduce water withdrawal intensity to 0.66 m<sup>3</sup>/room sold by FY2026 from a FY2022 baseline of 0.75 m<sup>3</sup>/room sold</b></p>	<p>Not Aligned</p>	<p>Moderately Ambitious</p>	<p><b>Ambitious</b></p>	<p>Highly Ambitious</p>

<sup>19</sup> We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.





## Financial Characteristics

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Minor intends to issue sustainability-linked financial instruments (bonds, loans and other financial instruments) under the Framework. The financial characteristics of the sustainability-linked financial instruments issued under the Framework will be linked to the following trigger events<sup>20</sup>: i) the SPT(s) have been achieved or have not been achieved by the respective target observation date; ii) the SPT(s) have not been achieved by the respective target observation date; or iii) the KPIs have not been calculated, observed or reported as defined in the instruments' documentation. Minor has disclosed that the financial or structural characteristics of the sustainability-linked instruments will be specified in the relevant documentation of each instrument. Such documents will also include KPI definition and calculation methodologies, SPTs, the variation mechanisms of the financial or structural characteristics as well as related trigger events, and where needed, fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner.

Sustainalytics considers the financial characteristics of the sustainability-linked financial instruments with the SLBP, SLLP and ASEAN SLBS, noting that it does not opine on the adequacy of the magnitude of the financial penalty.



## Reporting

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Minor commits to report on an annual basis on its progress on the KPIs in Minor's Sustainability Report that will be published on Minor's website. Minor further commits to disclose relevant information enabling investors to monitor the level of ambition of the SPTs. These may include: i) up-to-date information on the progress on the KPIs, including the baseline where relevant; ii) a verification assurance report relative to the SPT outlining the progress on the KPIs against the SPTs; iii) the sustainability impact associated with performance against relevant KPIs; and iv) any reassessment of the KPIs, restatement of the SPTs and adjustments of baselines or KPI scope. The reporting commitments are aligned with the SLBP, SLLP and ASEAN SLBS.



## Verification

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Minor commits to have an external verifier provide limited assurance against each SPT for each KPI at least once a year, which is aligned with the SLBP, SLLP and ASEAN SLBS on verification.

<sup>20</sup> The sustainability-linked loans will have annual trigger events in FY2024, FY2025 and FY2026.

## Section 2: Assessment of Minor's Sustainability Strategy

### Credibility of Minor's Sustainability Strategy

Minor's sustainability strategy is underpinned by three areas of impact: i) enhancing people's potential; ii) conserving natural capital; and iii) promoting responsible business conduct.<sup>21</sup> Additionally, Minor conducted a double materiality assessment in 2023 in alignment with the European Sustainability Reporting Standards (ESRS), having identified the following material issues, including: i) climate change mitigation and net zero commitment; and ii) water management.<sup>22</sup>

Minor aims to achieve net zero in its operations by 2050, to reduce the impact of its business operations on the environment. Minor also aims to reduce the scope 1 and 2 emissions intensity and energy intensity of Minor Hotels by 15% each by 2025 as compared to a 2019 baseline. Minor is committed to setting science-based emissions targets (which includes Scope 3 emissions) and is working towards submitting these targets to the Science-Based Targets Initiative (SBTi) for validation in 2024. Minor has set the following company-wide emissions-reduction initiatives to achieve its long-term decarbonization targets: i) increase the proportion of renewable energy usage; and ii) reduce energy demand by switching to efficient heating and cooling systems.<sup>23</sup>

To optimize water usage and overcome related risks, the Company aims to reduce the water withdrawal intensity of Minor Hotels by 10% by 2025 as compared to a 2022 baseline. In 2023, Minor's water withdrawal intensity was reported to be 0.72 m<sup>3</sup>/room sold, a 4% reduction from a 2022 baseline. Minor has implemented water conservation and efficiency programmes across its hotel properties to reduce water withdrawal and treat and recycle wastewater. This includes: i) installation of water-efficient fixtures and equipment in hotels and restaurants; ii) installation of grey water recycling systems; and iii) preventive maintenance to detect and fix leaks.<sup>24</sup>

Minor also commits to reporting to CDP's Climate Change and Water Security disclosures and reporting in line with the TCFD recommendations.<sup>25</sup> In 2023, Minor executed Thailand's first syndicated sustainability-linked loan (EUR 500 million) in the tourism and leisure sector.<sup>26</sup>

Based on the above, Sustainalytics considers that the instruments issued under the Framework will further support Minor's sustainability strategy.

### Minor's Environmental and Social Risk Management

Sustainalytics recognizes that Minor's defined targets are impactful, but notes that achieving the SPTs bears environmental and social risks, primarily related to occupational health and safety, corporate governance, data privacy and security, human capital and emissions, effluents and waste.

Sustainalytics comments below on Minor's ability to mitigate such potential risks:

- Minor has an Occupational Health and Safety Management System (OHSMS) in place to address risks related to occupational health and safety, based on the ISO 45001 standard. Minor uses the OHSMS to identify the risks associated with Minor's activities, formalize procedures to minimize these risks, and plan and monitor all preventive activities in relation to occupational accidents.<sup>27</sup> In 2023, Minor also adopted an occupational health and safety policy, which oversees the implementation of OHSMS.<sup>28</sup>
- To address risks related to corporate governance, Minor has in place a corporate governance policy that is aligned with the recommendations of the Corporate Governance Guidelines<sup>29</sup> and Code of Conduct to enforce good practices in corporate governance.<sup>30</sup> Minor has developed a sustainable supply chain management ESG programme for screening,

<sup>21</sup> Minor, "Sustainability report", (2023), at: <https://www.minor.com/storage/download/sustainability-reports/Minor-sd2023-en/>

<sup>22</sup> Minor, "Materiality assessment", at: <https://www.minor.com/en/sustainability/materiality-assessment>

<sup>23</sup> Minor, "Sustainability report", (2023), at: <https://www.minor.com/storage/download/sustainability-reports/Minor-sd2023-en/>

<sup>24</sup> Minor, "Sustainability", "Natural capital", at: <https://www.minor.com/en/sustainability/natural-capital>

<sup>25</sup> Minor, "TCFD Report", at: <https://www.minor.com/storage/download/sustainability-reports/2022/20230410-Minor-tcf-d-disclosure-en.pdf>

<sup>26</sup> Bangkok Post, "Minor Completes Thailand's First Tourism SLL Achievement", at: <https://www.bangkokpost.com/thailand/pr/2649586/Minor-completes-thailands-first-tourism-sll-achievement>

<sup>27</sup> Minor, "Occupational health and safety management system", at: <https://www.minor.com/storage/download/sustainability-reports/2022/ohs-management-system-en.pdf>

<sup>28</sup> Minor, "Occupational health and safety policy", at: <https://www.minor.com/storage/download/sustainability-reports/2022/ohs-policy-tbc-en.pdf>

<sup>29</sup> Minor, "Corporate governance guidelines", at: <https://www.minor.com/storage/download/guidelines/20221220-cg-guidelines-en.pdf>

<sup>30</sup> Minor, "Corporate governance policy", at: <https://www.minor.com/storage/download/cg-policy/download-cg-policy-en.pdf>

assessment and development of suppliers.<sup>31</sup> The Company also has in place a Code of Conduct for its employees and business partners that addresses conflicts of interest, anti-corruption, transparency and legal compliance of all activities undertaken by the Company.<sup>32,33</sup> Moreover, the Company has a whistleblower policy enabling its employees to report on any wrongdoing, including breaches of the Company's Code of Conduct and other policies via email, post or online.<sup>34</sup>

- To mitigate data privacy and security risks, Minor has a Personal Data Protection Policy which outlines a data protection framework and details operational controls for identifying privacy risks, assessment of privacy, security and threats.<sup>35</sup> The Data Protection Executive Committee is responsible for regularly monitoring and reporting privacy-related compliance issues.<sup>36</sup>
- To avoid violations of human rights, Minor has established a Human Rights Policy in accordance with international labour standards and principles such as the UN Guiding Principles on Business and Human Rights, the UN Global Compact and the ILO's Declaration on Fundamental Principles and Rights at Work. The Company has established a due diligence process to identify: i) situations and activities with the highest risks of human rights violations, and ii) measures to prevent and mitigate such risks. The policy prohibits child labour and forced labour, discrimination and harassment in Minor's business operations.<sup>37</sup>
- With respect to emissions, effluents and waste generation risks, Minor has an Environmental Policy that includes considerations for energy consumption, GHG emissions, sustainable procurement, pollution prevention, waste management, and water conservation and management.<sup>38</sup> Through the policy, Minor also commits to ensuring appropriate measures to treat and dispose of waste and wastewater in compliance with all applicable legal requirements, and undertake action plans to monitor the environmental impacts of the Company's activities.

Overall, Sustainalytics considers that Minor has strong management programmes and policies to mitigate the above environmental and social risks.

<sup>31</sup> Minor, "Sustainable supply chain management", at: <https://www.minor.com/storage/download/sustainability-reports/2022/sustainable-supply-chain-management-en.pdf>

<sup>32</sup> Minor, "Team Members Code of conduct", (2021), at: <https://www.minor.com/storage/download/code-of-conduct/team-members-coc-en.pdf>

<sup>33</sup> Minor, "Business Partner Code of conduct", (2021), at: <https://www.minor.com/storage/download/code-of-conduct/business-partner-code-of-conduct-en.pdf>

<sup>34</sup> Minor, "Whistleblower policy", (2021), at: <https://www.minor.com/storage/download/corporate-policies/20210303-whistle-blower-policy-en.pdf>

<sup>35</sup> Minor, "Personal Data Protection Policy", (2023), at: <https://www.minor.com/storage/download/sustainability-reports/2022/privacy-protection-tbd-en.pdf>

<sup>36</sup> Ibid.

<sup>37</sup> Minor, "Human Rights Policy", (2022), at: <https://www.minor.com/storage/download/corporate-policies/20210906-human-rights-policy-en.pdf>

<sup>38</sup> Minor, "Environmental policy", (2022), at: <https://www.minor.com/storage/download/corporate-policies/environmental-policy-en-2022.pdf>

## Section 3: Impact of the SPTs

Hotels are among the most energy and water-intensive buildings in the world due to their 24-hour operations demand, among other factors.<sup>39</sup> The UN World Tourism Organization estimates that hotels and other types of accommodation account for 2% of the total 5% GHG emissions from the global tourism sector.<sup>40</sup> Hotels present a significant challenge to global water security, particularly in regions facing water scarcity. Studies indicate that a single hotel room consumes an average of 1,500 litres of water per day, which can exceed the typical water usage of local population by up to eight times. This disparity is even more concerning in drought-prone areas. Such high water consumption can disrupt the water balance in these regions, potentially contributing to the severity and frequency of droughts.<sup>41,42</sup>

Hotels in Thailand are estimated to emit the highest amount of GHG emissions among all countries in Asia, amounting to 0.064 tCO<sub>2</sub>/guest as compared to the Asian average of 0.057 tCO<sub>2</sub>/guest and the global average of 0.019 tCO<sub>2</sub>/guest.<sup>43</sup> The average water usage per occupied room is 1,400 litres per day in the country.<sup>44</sup> Thailand's government has developed an energy efficiency development plan with a target to reduce energy intensity by 25% in 2030.<sup>45</sup> Additionally, Thailand has developed a Water Resource Management Strategy (2015-2026) as well as a National Water Resources Management Plan (2018-2037) for effective management of water resources.<sup>46,47</sup> In Thailand, a number of hotels are diversifying their energy supply and reducing their GHG emissions by investing in energy-efficient technologies such as HVAC systems, LED and smart lighting systems.<sup>48,49</sup>

Given the above context, Sustainalytics is of the opinion that Minor's investments in energy and water efficiency improvements have the potential to support Thailand's decarbonization objectives and targets.

<sup>39</sup> US Department of Energy, "Better Buildings", at:

<https://betterbuildingssolutioncenter.energy.gov/sectors/hospitality#:~:text=With%2024%2Dhour%20365%2Dday,square%20feet%20of%20national%20floorspace>.

<sup>40</sup> UN Tourism, "Hotel Energy Solutions", at: <https://www.unwto.org/hotel-energy-solution#:~:text=The%20hotel%20sector%20is%20one,emitted%20by%20the%20tourism%20sector>.

<sup>41</sup> Sustainable Hospitality Alliance, "Water Stewardship", at: <https://sustainablehospitalityalliance.org/wp-content/uploads/2021/06/Water-factsheet.pdf>

<sup>42</sup> Sustainable Hospitality Alliance, "Water Stewardship for Hotel Companies", at: <https://sustainablehospitalityalliance.org/resource/water-stewardship-for-hotel-companies/>

<sup>43</sup> The Nation, "Government urged to support hotels cut their GHG emissions", at: <https://www.nationthailand.com/special-edition/sustainability/40035974>

<sup>44</sup> CBRE, "Sustainability and ESG adoption in the hotel industry: A global status update", (2023), at: <https://www.cbre.com/insights/reports/sustainability-and-esg-adoption-in-the-hotel-industry>

<sup>45</sup> Thai Ministry of Energy, "Thailand 20-Year Energy Efficiency Development Plan", at: [https://www.eppo.go.th/images/POLICY/ENG/EEDP\\_Eng.pdf](https://www.eppo.go.th/images/POLICY/ENG/EEDP_Eng.pdf)

<sup>46</sup> Government of Thailand, Office of the National Water Resources, "The National Water Resources Management Strategies", at:

[http://www.onwr.go.th/en/?page\\_id=4207#:~:text=The%20National%20Water%20Resources%20Management%20Strategies%20\(2015%2D2026\)&text=Managing%20water%20for%20consumption,consumable%20water%20for%20all%20people](http://www.onwr.go.th/en/?page_id=4207#:~:text=The%20National%20Water%20Resources%20Management%20Strategies%20(2015%2D2026)&text=Managing%20water%20for%20consumption,consumable%20water%20for%20all%20people).

<sup>47</sup> UNEP, "Water Resources Management Master Plan 2018-2037", at: <https://leap.unep.org/en/countries/th/national-legislation/water-resources-management-master-plan-2018-2037#:~:text=This%20National%20Plan%20has%20been,droughts%20in%20core%20economic%20areas>.

<sup>48</sup> Saul, L., "Hospitality trends: The impact of an energy shift", EHL Insights, (2022), at: <https://hospitalityinsights.ehl.edu/hospitality-trends-energy-shift>

<sup>49</sup> UN Tourism, "Hotel Energy Solutions", at: <https://www.unwto.org/hotel-energy-solution#:~:text=The%20hotel%20sector%20is%20one,emitted%20by%20the%20tourism%20sector>

<sup>49</sup> UN Tourism, "Hotel Energy Solutions", at: <https://www.unwto.org/hotel-energy-solution#:~:text=The%20hotel%20sector%20is%20one,emitted%20by%20the%20tourism%20sector>

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The Framework is expected to help advance the following SDGs and targets:

KPI	SDG	SDG Target
KPI 1: Scope 1 and 2 GHG emissions intensity of Minor Hotels (tCO <sub>2</sub> e/room sold)	7. Affordable and Clean Energy	7.2. By 2030, increase substantially the share of renewable energy in the global energy mix  7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
KPI 2: Water withdrawal intensity of Minor Hotels (m <sup>3</sup> /room sold)	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

### Conclusion

Minor intends to issue sustainability-linked bonds and loans tying the financial characteristics to the achievement or non-achievement of the following SPTs.

- (1) SPT 1: Reduce scope 1 and 2 GHG emissions intensity to 0.018 tCO<sub>2</sub>e/room sold by FY2026, from a FY2019 baseline of 0.023 tCO<sub>2</sub>e/room sold.
- (2) SPT 2: Reduce water withdrawal intensity to 0.66 m<sup>3</sup>/room sold by FY2026, from a FY2022 baseline of 0.75 m<sup>3</sup>/room sold.

Sustainalytics considers KPI 1 to be adequate, given that it: i) directly measures Minor's performance on a relevant and material environmental issue for Minor and the sector; ii) has a moderate scope of applicability; and iii) follows a clear and an externally recognized methodology; but iv) does not lend itself to be externally benchmarked against an external benchmark or trajectory. Sustainalytics considers KPI 2 to be strong, given that it: i) directly measures Minor's performance on a relevant and material environmental issue for Minor and the sector; ii) has a high scope of applicability; and iii) follows a clear and an externally recognized methodology; but iv) does not lend itself to be externally benchmarked against an external benchmark or trajectory.

Sustainalytics considers the SPTs to align with Minor's sustainability strategy and SPT 1 to be ambitious, given that it presents a material improvement compared with past performance and is aligned with targets set by peers. Sustainalytics considers Minor's SPT 2 to be ambitious, given that it is above the targets set by peers. Additionally, Sustainalytics considers the reporting and verification commitments to be aligned with the Sustainability-Linked Bond Principles, Sustainability-Linked Loan Principles and ASEAN Sustainability-Linked Bond Standards.

Based on the above, Sustainalytics considers the Minor International Sustainability-Linked Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2023, Sustainability-Linked Loan Principles 2023 and ASEAN Sustainability-Linked Bond Standards 2022 and the prospective achievement of the SPTs to be impactful.

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