

# Environmental, Social, Governance



2020 Report



The new Cambria Hotel development in downtown Detroit has received \$6.8 million in lower-cost energy efficiency funding from Under the Property Assessed Clean Energy program (PACE Equity LLC) with plans to execute energy-efficient enhancements such as plumbing and domestic hot water improvements, HVAC, lighting and electrical system upgrades and building envelope improvements. These include roofing, windows, masonry and air barrier protections.

## About Choice Hotels

Choice Hotels International, Inc. (NYSE: CHH) is one of the world's largest lodging companies. With more than 7,000 hotels franchised in more than 40 countries and territories, Choice represents nearly 570,000 rooms around the globe. The Choice® family of hotel brands provides business and leisure travelers with a range of high-quality lodging options from limited service to full-service hotels in the upscale, midscale, extended-stay and economy segments. The award-winning Choice Privileges® loyalty program offers members benefits ranging from everyday rewards to exceptional experiences.

At our worldwide corporate headquarters in the Washington, D.C. metro area (Rockville, MD), and in our technology center in Phoenix, AZ, we create cutting-edge technology and serve as a champion for our franchisees.

## Message from President & CEO Pat Pacious

*This year has been extraordinary in every sense of the word.*

*We face a global pandemic that has given rise to deep economic challenges, while issues of racial injustice have come to the forefront and sparked a national movement.*

*These challenges inspired and moved us as a company to do more for the communities we serve, building upon the work we've been committed to for decades:*

- Our company's purpose puts our franchisees at the center of what we do - and when the pandemic began, Choice moved with incredible speed to support the 13,000 small business owners who fly a Choice Hotels flag. As a result, an incredible 90% of our hotels kept their businesses running during the worst weeks of the crisis. Today, that number is nearly 100%.*
- We are immensely proud to have provided safe and reliable lodging for guests who travelled throughout the pandemic to keep the country safe and running, including essential workers and first responders. And as the year progressed, we've been pleased to welcome families who turned to our trusted brands for getaways closer to home near destinations where they could safely practice outdoor social distancing, like beaches and National Parks.*
- We have engaged in internal retrospection and conversations within the Choice family, and are taking fresh actions that enhance our existing commitment to diversity, equity, and belonging and ensure that our brand promise - that everyone feels welcome, wanted and respected - comes to life.*
- At every turn, one of our highest priorities was to protect the physical health and emotional well-being of our 1,375 associates across the globe, all of whom showed incredible dedication to our franchisees, guests, and each other amid rapidly evolving circumstances and while caring for their own families.*

*While the challenges this year have been unique, we are adapting our business to the new environment. We always take a long-term view as a company. That will never change, nor will our commitment to a core truth: Doing the right thing is also good for business.*

*Choice Hotels is emerging in a position of strength - just as we have before in our 80-year history. The future is bright for our shareholders, investors, associates, franchisees, and guests.*



A handwritten signature in black ink that reads "Pat Pacious". The signature is fluid and cursive, with a small flourish at the end.

Pat Pacious  
President & Chief Executive Officer  
Choice Hotels International

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## Room for Responsibility

Choice Hotels and Choice-branded franchised hotels across the globe work hard to make everyone feel welcome, wanted and respected—and we believe that this spirit should be alive in the communities where we work and live. It’s not just a way of doing business; it’s how we make Room for Responsibility. Our corporate associates and the owners and employees of our more than 7,000 franchised hotels around the world embody a commitment to give back and embrace the pillars of our corporate responsibility program each and every day.



**The Comfort Inn & Suites Logan International Airport donated room nights and amenities to first responders, essential workers, and the homeless all while retaining employees and providing bonuses to help them during this critical time. The hotel also teamed up with local organizations to make thousands of masks and partnered with food banks to provide meals for people in need.**

## **Response to COVID-19**

The unprecedented COVID-19 crisis devastated the hospitality industry in 2020 and will undoubtedly affect travel for years to come. Despite historically low travel and the corresponding financial impacts, Choice and our franchised hotels continued to invest in supporting local communities, particularly those impacted by COVID-19:

- Discounted rates, and in some cases complimentary rooms, were offered to essential workers and volunteers including the National Guard, first responders, and healthcare professionals serving communities across the country during the COVID-19 crisis.
- The Choice Global Sales team actively connected essential workers and volunteers with much needed lodging throughout our franchise system, and in addition, many hotels flying the Choice flag

participated in the American Hotel and Lodging Association's *Hospitality for Hope* program, which does the same.

- Choice raised hundreds of thousands of dollars for the American Red Cross as a member of the Disaster Responder Program – helping to ensure funds and resources are available to respond to disasters when they strike, anytime and anywhere, across the United States.
- Choice provided hotel rooms donations to Operation Homefront to help ill and injured servicemembers who were displaced by the pandemic.
- Choice donated 5 million points to the International Franchising Association's *Franchising Gives Back* program, which provides education, resources and direct financial support to small businesses and local non-profit partners across the country.
- Choice teamed up with Serta, Inc., the nation's leading mattress brand, to contribute to its "Stay Home, Send Beds" initiative, which provided bed donations to help address nationwide shortages at hospitals and temporary medical facilities caused by the COVID-19 pandemic. All Serta mattress donations were facilitated through Relief Bed International, a nonprofit organization that provides beds to impoverished people and disaster victims around the world.
- To protect associates and reduce the spread of COVID-19, Choice initiated a work from home mandate across all corporate campuses beginning March 13<sup>th</sup> throughout 2020, and beyond.
- Choice implemented many programs to address mental health and well-being and offered flexible schedules to assist associates with specific needs through the pandemic such as parents implementing virtual learning for their children.



**The Cambria Hotel White Plains, Downtown donated free rooms to health care professionals on the front lines at Westchester Medical Center and White Plains Hospital.**





# Awards

**Forbes | 2020**  
**THE BEST EMPLOYERS**  
*for* **DIVERSITY**  
POWERED BY STATISTA

**Forbes | 2020**  
**AMERICA'S BEST EMPLOYERS**  
*for* **VETERANS**  
POWERED BY STATISTA

20% BY 2020  
**2020**  
WOMEN ON BOARDS

2020  
*Best CEOs for*  
**WOMEN**

**DEI** **BEST PLACE TO WORK FOR DISABILITY INCLUSION** 2020<sup>SM</sup>  
100% DISABILITY EQUALITY INDEX



  
HUMAN RIGHTS CAMPAIGN FOUNDATION  
**BEST PLACES TO WORK**  
2020 **for LGBTQ Equality**  
100% CORPORATE EQUALITY INDEX<sup>TM</sup>



**Environmental Sustainability**





## **Worldwide Headquarters – Rockville, MD**

Our Rockville, MD office is Platinum LEED (Leadership in Energy and Environmental Design) Certified. LEED certified buildings are scored in several categories: location, transportation, sustainable sites, water efficiency, energy, atmosphere, materials, resources, indoor environmental quality, innovation, and more. Based on the number of points achieved, Choice's headquarters reached Platinum, the highest of four levels. With features like a green roof, Energy Star® appliances, recycling, walkable communities, monthly public transportation subsidies, reusable cups and technological enhancements to reduce paper waste—to name a few—practicing sustainability is a way of life for our associates when they are in the office.



## **Technology Center – Phoenix, AZ**

While most Choice associates are working remotely during the pandemic, the construction of Choice Hotels' world class innovation center continued in Scottsdale, AZ. This new construction building is located within Cavasson's 134-acre premiere mixed-use project with a walkable community, plentiful green space, and will tout numerous environmentally friendly features, including daylight harvesting, low flow faucets, energy efficient lighting, energy/lighting sensors, 42%+ recycled content carpet, Floorscore Certified LVT Flooring, low VOC Paints, low VOC adhesives, and 100% daylight views for all occupants.



## Environmental Practices in Choice Franchised Hotels

We are committed to reducing our carbon footprint and we require our franchised hotels to join us in our efforts to promote environmentally friendly practices. Our Room to be Green (RTBG) program focuses on five key pillars that make a difference in our environmental impact: energy conservation, water conservation, recycling and waste reduction, employee engagement & operational excellence, and sustainable product usage.

We hold hotels accountable for the required elements of the RTBG Level 1 program by incorporating an assessment into Choice's Quality Assurance Review (QAR) process. A failure to complete the requirements results in a loss of points on the hotel's overall QAR\* score.

\*While the RTBG program remained in place throughout the COVID-19 crisis, the QAR process was paused in March 2020 in order to support the needs of hotel owners and teams focused on navigating critical and immediate challenges.



Comfort Inn Powell - Knoxville North, a **Level 3 Room to be Green Hotel**

**Mandatory\* Level 1 requirements include:**



**Energy Conservation** - Use energy efficient indoor lighting solutions, such as LED or compact fluorescent (CFL) bulbs.



**Water Conservation** - Offer all guests a towel and linen re-use program via approved in-room collateral and/or signage.



**Recycling and Waste Reduction** - In accordance with state or local recycling laws, ensure that the hotel offers designated recycling receptacles for staff and guest use.



**Employee Engagement & Operational Excellence** - Designate a staff member to be the "Green Leader" for the hotel.



**Sustainable Product Usage** – Replace polystyrene foam with sustainable alternatives in midscale and above properties.

## 2020 Room to be Green Level 1 Compliance\*

	Compliant
Energy Conservation	99%
Water Conservation	87%
Recycling and Waste Production	90%
Employee Engagement & Operational Excellence	89%
Sustainable Product Usage	80%

### *Additional 2020 Green Initiatives:*

- The launch of **Housekeeping Upon Request** this year puts guests in control of when hotel employees enter their room. The successful pilot program demonstrated that guests do not want housekeeping service daily, as 90% elected to have housekeeping service after the 3rd night of their stay. A reduction in housekeeping service yields a reduction of chemical, water, and energy usage.
- The launch of the **Electronic Guest Services Directory** and **digital check-in** has reduced paper and printing needs. Choice's efforts to digitize services as well as minimize in-room collateral across our portfolio of brands reduces both plastic and paper waste.
- Through brand reimaging efforts, approximately 4,000 properties have moved or are in the process of moving to energy-efficient LED signage by 11/1/2022. Converting from florescent to LED signage will reduce the use of electricity by 50% on average at each hotel.

\*The Room to be Green Level 1 program is mandatory for US and Canadian hotels. Specific requirements may vary by brand and segment. While the RTBG program remained in place throughout the COVID-19 crisis, the QAR process was paused in March 2020 in order to support the needs of hotel owners and teams focused on navigating critical and immediate challenges.

## Optional Level 2 and Level 3 Hotels

Many Choice hotels go the extra mile to conserve resources and make environmentally friendly decisions. In addition to meeting our Room to Be Green Level 1 requirements, hotels engage in a selection of enhanced environmentally friendly initiatives to earn Choice's Room to be Green Level 2 and Level 3 recognition. These hotels apply for Level 2 and Level 3 designation through a robust self-audit and a commitment to participate in a variety of activities that include:

- Utilizing Energy Star Portfolio Manager to track and manage energy and water consumption
- Partnering with non-profit Clean the World® to recycle soap and amenities
- Using eco-friendly cleaning products or consumables
- Investing in enhancements like energy management systems or renewable energy sources
- Pursuing LEED certified status

These hotels and others that go beyond even Levels 2 and 3 make a conscious effort to do their part because it's simply the right thing to do – and we want to recognize them for their success.



The Garrison Hotel & Suites Dover-Durham, Ascend Hotel Collection, a **Level 3 Room to be Green Hotel**

## Featured Green Hotels



The **Quality Inn Cambridge, OH** features 340 solar panels and a wind turbine that produces enough electricity for the hotel with a surplus.



The **Quality Inn Shelburne-Burlington** features 139 flush mount rooftop solar panels.

Photo taken by Noah Roulat



The **Comfort Suites Gothenburg, NE** installed a Tesla Supercharger.

## Partnership with Clean the World



Many of our franchisees go the extra mile to conserve resources and make environmentally friendly decisions, including partnering with Clean the World. The goal of this social enterprise is to recycle discarded soap and shampoo from hotels so that they can be distributed to people in need around the world to prevent hygiene-related illnesses and death.



With a mission to save millions of lives around the world, Clean the World leads a global hygiene revolution to distribute recycled soap and hygiene products from more than 5,000-plus hotel and resort partners to children and families in countries with a high death rate due to acute respiratory infection (pneumonia) and diarrheal diseases (cholera), two of the top killers of children under five. **Since 2009, Clean the World has distributed more than 50 million bars of soap in 127 countries. It is estimated that Clean the World has saved millions of lives by decreasing hygiene-related diseases.**

Year to Date Choice Hotels / Clean the World Metrics		
Bars of Soap Distributed	Pounds of Soap Collected	Pounds of Plastic Collected
12,747	2,390	2,625





# Social Responsibility

# Protecting Human Rights

## Human Rights Policy

Choice Hotels is committed to conducting our business in a manner consistent with the principles contained in the United Nations Universal Declaration of Human Rights. Our Human Rights Policy outlines our commitment to ethical, non-exploitative and non-discriminatory business conduct and we strive to ensure awareness of these issues among the owners and staff of our franchised hotels.

## ECPAT-USA Tourism Code of Conduct

We condemn human trafficking in all forms and in 2015, we joined ECPAT-USA (End Child Prostitution, Pornography and Trafficking of Children for Sexual Purposes) to take measures to prevent and protect children from human trafficking including by signing the Tourism Child- Protection Code of Conduct (The Code). The Code is the industry-driven tourism initiative in preventing child trafficking.



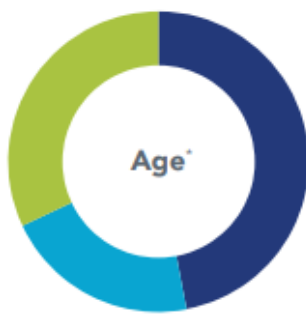
## Support for Polaris Project

We partner with and support the Polaris Project through donations and fundraising as a part of the Choice Privileges® redemption program. The mission of the non-profit Polaris Project is to combat human trafficking and modern-day slavery and, through a comprehensive approach, strengthen the anti-trafficking movement. Founded as a grassroots initiative to create long-term solutions that address the underlying systems which allow human trafficking to occur, the Polaris Project advocates for stronger federal and state laws, operates the National Human Trafficking Hotline, conducts trainings, and provides services to trafficking victims.

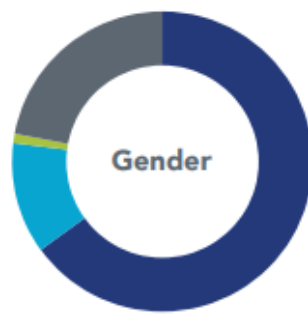


Throughout 2020, Choice Hotels donated over **\$20,000 to Polaris** including a \$10,000 gift donation and **5 million Choice Privileges Points** in honor of World Day Against Trafficking; providing **500 room nights** to help survivors of human trafficking.

### Demographics of Communities Served by Polaris



Adult **10,731**  
 Minor **4,945**  
 Unknown **7,402**



Female **15,042**  
 Male **2,917**  
 Gender minorities **109**  
 Unknown **5,010**



Latino **2,348**  
 Asian **1,809**  
 African, African-American, Black **1,072**  
 White **989**  
 Multi-ethnic, Multi-racial **184**

### Training – Employees of Franchised Hotels

As a signatory of the The Code and in conjunction with the Department of Homeland Security’s Blue Campaign, Choice offers education programs to employees of franchised properties via Choice University to drive awareness of how to identify and combat human trafficking at hotels. **Over 35,000 hotel employees have completed the online training since launch (4,200 year to date in 2020).**

# Diversity, Equity & Belonging

At our corporate offices and at Choice-branded franchised hotels across the globe, **we are committed to making every associate, every partner and every guest feel welcome, wanted and respected – that’s our brand promise.** Part of how we deliver on this promise is by weaving deliberate diversity initiatives throughout all levels of the enterprise, from the Board of Directors to the front lines of our franchised hotels. Choice focuses diversity, equity & belonging efforts on three core areas:

- **Diversity** – Ensuring that the Choice workforce is an authentic representation of the world we live in where associates from different backgrounds thrive.
- **Equity** - Commitment to providing fair and competitive pay regardless of gender, race or other demographics.
- **Trust, Belonging & Engagement** – Commitment to foster a culture of belonging where associates are inspired, engaged and feel welcome, wanted and respected.



## Choice Hotels Board of Directors

Choice's commitment to diversity starts at the top with the Diversity Committee of our Board of Directors. This committee is comprised of four board members and meets a minimum of twice annually, with the purpose of holding the business accountable for meeting deliberate and measurable diversity objectives in corporate workplace practices, franchise sales and advertising.

## Corporate Culture

At Choice, we believe that our corporate culture should reflect the diverse world in which we live and the diverse guests and franchisees who we serve. We seek out the best talent that the hospitality, franchising and technology industries have to offer, and we nurture that talent in an open and inclusive workplace, yielding a high performing organization with positive business outcomes. We empower our associates to advance their careers by providing them with access to networks, resource groups and other tools that promote career development and cultural awareness. Choice proudly provides equal employment and advancement opportunities to all associates and all applicants regardless of race, color, religion, sex, national origin, age, sexual orientation, gender identity or expression, disability, veteran status, genetic information, or any other factor protected by applicable laws.



## Executive Sponsorship and Diversity Advisory Council

Each of Choice's Executive Team Members sponsors a group that contributes to diversity, equity, and belonging at work. In addition, they come together quarterly to share insights and fully leverage the power of our diverse talent. In 2020, we added an additional component to our layered diversity infrastructure. This group, called the CEO Diversity Advisory Board, includes representation from each of the associate, franchisee and guest stakeholder groups and meets with the CEO regularly to review all of the opportunities, initiatives and efforts around diversity, at an enterprise level.

The Diversity Advisory Council (DAC), sponsored by our CFO, Dominic Dragisich, serves as an organizational thought partner, identifying issues and trends that impact our diverse workforce and/or serve to strengthen our inclusive culture. This council is comprised of 30 cross-functional leaders who serve three-year terms; with Patrick Cimerola, Chief Human Resources Officer, and Simone Wu, General Counsel and Secretary, serving as permanent members.

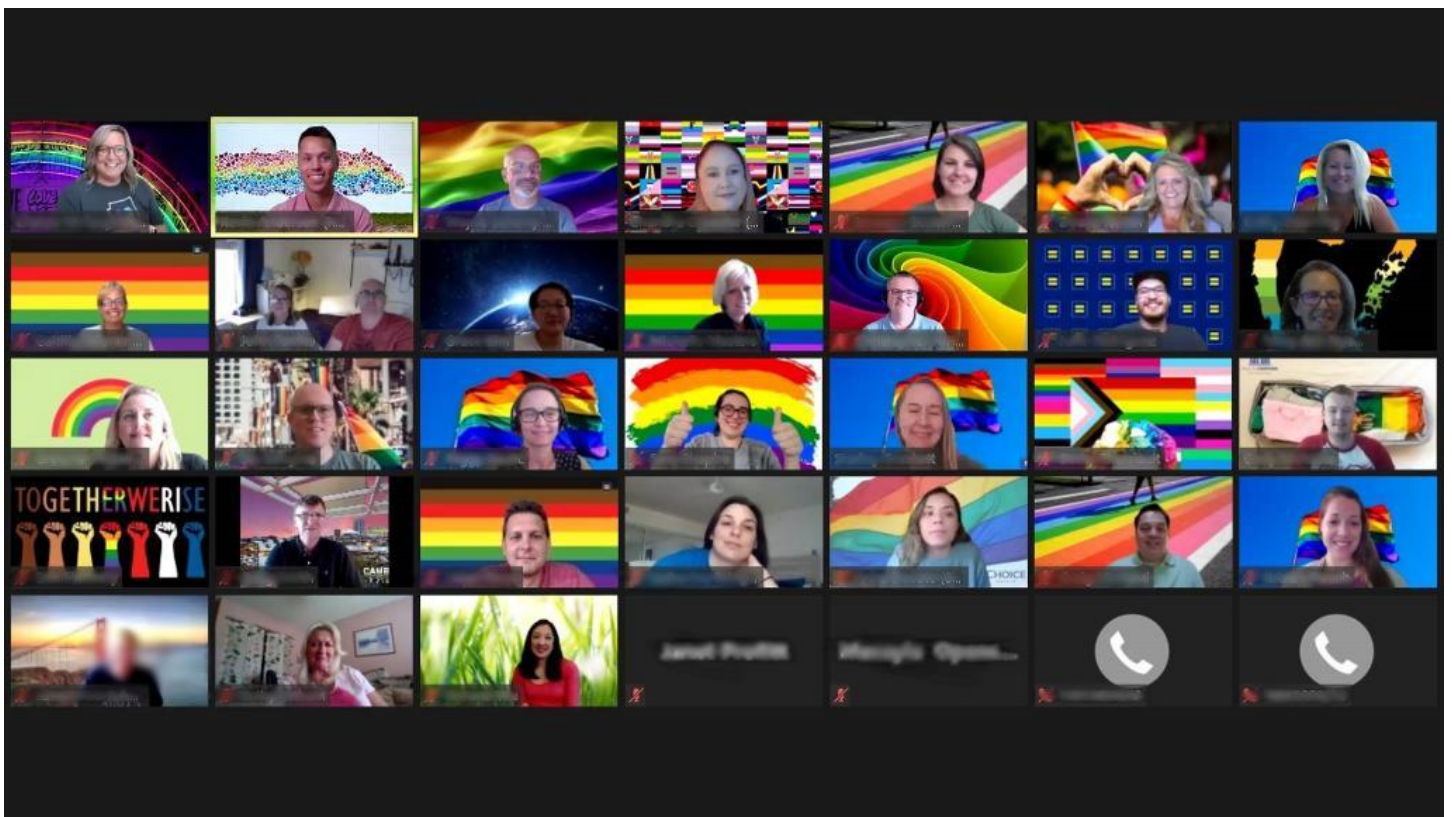
The mission of the DAC is to:

- Identify trends and issues in diversity and inclusion that impact Choice Hotels and challenge thinking with diverse perspectives and ideas
- Offer input and insights into corporate initiatives ranging from core business practices to corporate strategic objectives
- Provide expanded intelligence to business leaders within the organization so that they are equipped to provide an inclusive experience to all associates and, in return, are positioned to leverage the full power of the diversity within their teams
- Role model inclusive practices and demonstrate the value of diversity on a daily basis

In 2020, the Diversity Advisory Council focused on helping the organization navigate the COVID-19 pandemic, migrate to working in dispersed, at-home environments, and meaningfully acknowledge and address racial and social injustice. The DAC works in both large group forums and smaller subcommittees.

## Choice Resource Groups (CRGs)

Guided by a three-pronged focus on Choice culture, talent, and business, the Choice Resource Groups provide cultural vibrancy and a sense of connectedness and belonging for associates. New resource groups are added organically when there is associate interest or need and then supported by Choice. Chairs of the groups are provided with training and support throughout their tenure and emerge from the chair experiences as a diverse talent pool of future leaders. Choice has 11 core resource groups and at the top of the year a total of 27 chapters representing associates across the nation.



**ADELANTE**  
HISPANIC ALLIANCE

Adelante, or forward movement in Spanish, enhances our diverse culture and creates awareness for the Hispanic and Latino communities within the company and in our consumer base.

**CHAAMP** CHOICE HOTELS  
ASIAN AMERICAN  
PROFESSIONALS

CHAAMP was chartered to bring the organization's Asian community together and serve as a business resource for Choice. With a strong focus on sharing cultural insights and engaging the Asian traveler, this vibrant group also works to support and grow our Choice Asian professionals.

**CHAARGE**  
CHOICE HOTELS AFRICAN AMERICAN  
RESOURCE GROUP FOR EMPLOYEES

CHAARGE leverages the diverse talents and experiences of Choice's African American associates to assist in the execution of the company's strategic business objectives, creating long-term stakeholder value.

**ENABLE**  
Awareness, Access, Advantages & Advocacy for All Abilities

ENABLE increases awareness, access, and advocacy of people with disabilities at Choice.

**NOODLEGROUP**

Noodle – A play on the phrase “use your noodle,” was formed out of a “brainstorming” session, pun intended, during a Diversity Advisory Council Meeting. The group partners with the business to identify issues that are looking for solutions and then brings together diverse groups of associates, eager to share their ideas and perspectives.

**PRIDE** CHOICE PEOPLE,  
RESOURCES, & INSIGHTS  
DEDICATED TO EQUALITY

Choice PRIDE enhances Choice's standing in the corporate community as it relates to LGBT associates, suppliers, and guests.



Toastmasters International is a non-profit educational organization that promotes communication and public speaking skills. At Choice, our associate-led Toastmasters groups leverage the professional tools and approach of the international organization, while enjoying the intimate setting and peer support for their learning and growth.

**V.A.L.O.R.**  
VETERANS ARE LOYAL  
ORGANIZATIONAL RESOURCES

VALOR makes a positive difference in the lives of veterans and their families through acknowledgement of service and sacrifice, promoting stewardship and assisting with needs.

**CWP** CHOICE  
WORKING  
PARENTS

Choice Working Parents Group (CWP) - Creating a culture where working parents feel Welcome, Wanted, and Respected—and Supported.

**YPA** YOUNG  
PROFESSIONALS  
ALLIANCE

YPA offers networking and development opportunities designed to address those associates who are at the start of their careers.

**WOMEN'S  
BUSINESS  
ALLIANCE**

WBA serves as a forum to provide resources and development opportunities for Choice associates.



## **Choice Resource Groups Response to Global Pandemic**

Like so many other companies, in mid-March we transitioned our entire workforce to a remote, at-home work environment.

As an organization, our associates have quickly adapted to working remotely demonstrating the agility necessary to support our owners and operators through this unprecedented crisis. While ensuring our associates were set up for success in their new virtual environments was a priority, we also ensured that we continued to engender a sense of belonging, fostered personal connections, and provided continuous support. Our Choice Resource Groups were instrumental in keeping associates connected and supported during this time. They quickly designed innovative virtual programs including working parents/caregivers support groups, Executive Storytime for associates and their families, a matching program for those isolated or lonely during quarantine, and a variety of wellness and educational sessions.

## **Workplace Practices**

Driven by the desire to capture the agility, creativity, innovative thinking, and enhanced customer insights that diverse talent brings to organizations with inclusive cultures, we are always looking at the composition of our talent. We look at the traditional dimensions of diversity such as gender and ethnicity, as well as seek to attract and engage associates that bring with them a variety of life experiences, perspectives, and abilities. At Choice, we strive to foster an environment that creates an energized and engaged workforce – and it's why we truly value our relationships with the local communities near our corporate offices, as well as our national non-profit partnerships that have footprints in the communities where our franchisees own and operate.

## **Talent Acquisition**

We actively work to attract diverse talent at all levels of the organization and take deliberate steps to eliminate unconscious bias. In addition, we require a diverse slate of candidates for all open roles at the Senior Manager level and above.

## **Pay Parity & Pay Opportunity**

We foster an inclusive culture that empowers learning, growth, and the ability for all to make an impact. We are committed to providing fair and competitive pay regardless of gender, ethnicity, or other demographics. To ensure that we are delivering on our commitment to making equitable compensation decisions, we conduct corporate pay parity and opportunity analyses annually.

**Pay Parity:** Paying associates fairly and equitably relative to one another, regardless of gender or ethnicity.

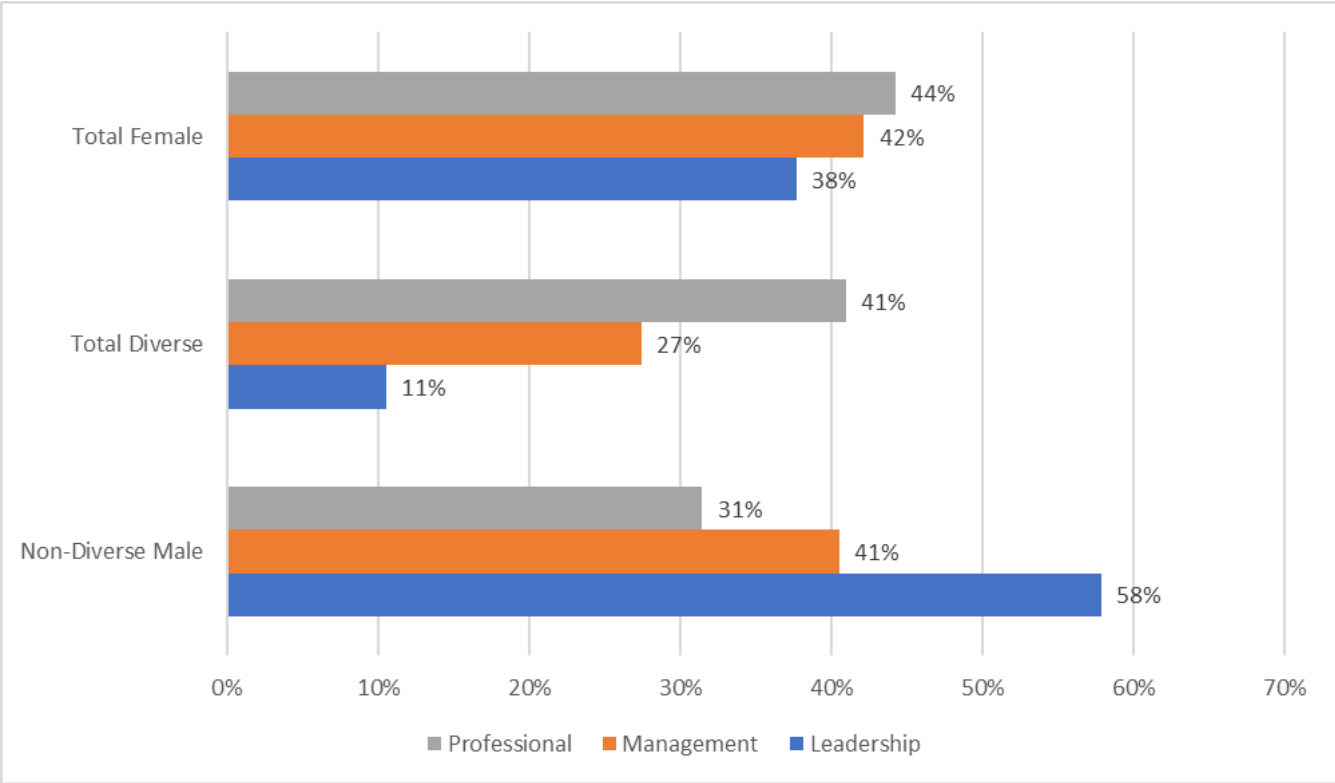
**Pay Opportunity:** Ensure fairness in promotions and lateral career movement across the enterprise.

We continue to evolve and mature our approach to ensuring pay parity. Using a year over year comparison we saw improvement from 2.5% in 2019 to 1.9% in 2020 of our associates being outside the 5% differential in pay range. In 2020 we decided to tighten our standards to 0% differential in pay (e.g., no disparity in pay due to gender or diverse status). Our analysis using this new standard found that 3.0% of our associates were outside the new standard, and we took action to remediate this variance.

Our Career Framework supports our pay opportunity goals, establishing the architecture for fair and equitable pay and opportunity throughout the employment lifecycle by aligning comparable jobs into a level and salary grade within one of four career tracks. Through our pay opportunity review and

ongoing analysis, we continue to identify opportunities to reinforce fairness in career movement. Below is a chart portraying the mix of female, diverse (male and female), and non-diverse males by management level in 2020. Our female and diverse representation in leadership has increased by 4% and 1%, respectively, as compared to 2019.

### 2020 Corporate Associate Demographics





## Choice Stands for Equality and Works to Fight Racial Injustice

When the national spotlight turned to racial injustice in the Spring of 2020, Choice leveraged our cultural values of being Welcome, Wanted and Respected to support our associates. As a company, we paused and came together as a community to actively listen and have *Courageous Conversations* with each other around systematic racism. CEO Pat Pacious, CHRO Patrick Cimerola and other executives met with our CRG leaders and conducted a virtual town hall with CHARGE (Choice Hotels African American Resource Group for Employees) where they acknowledged the racial injustice occurring every day. In these powerful sessions, many associates courageously shared their personal reflections and provided recommendations on how to move forward. In addition, our CEO led an initiative for all leaders to engage their teams in having ongoing conversations regarding racial and social injustice. Choice also continued to offer and enhance communication, education and training tools on inclusion, racism and unconscious bias and created a virtual internal “Social and Racial Injustice Resource Hub” where

associates can access a variety of resources. Further, to support our associates during these stressful and emotional times, Choice began to offer "Well-Being days" to enable all associates to take paid time off for reflection, activism, family time or self-care.

While Choice has historically had a sharp focus on the value of diversity and worked to ensure that everyone felt they belonged, we recognize that there is still work to be done, as a nation and at Choice.

As a result of our recent efforts,

- Choice is revitalizing its underrepresented entrepreneurs' [franchise owner's council](#) to provide support and advocacy for these diverse owners.
- Choice is working with Historically [Black Colleges and Universities to form a hospitality internship program](#), partnering with select Cambria hotels. This program is expected to debut in the Spring of 2021.
- Choice is establishing a program to provide financial support to a non-profit organization that works towards addressing racial injustice and improving access to higher education.
- Choice is implementing benchmarks and goals for hiring diverse leaders, as well as benchmarks and goals around promoting and retaining existing diverse associates. These goals will augment our current goals and our long-standing commitment to hiring and developing diverse talent and women, at all levels of the organization.

## Creating Opportunities for Minority-Owned Businesses

“ Choice has focused on recruiting underrepresented entrepreneurs for over 15 years through its industry leading diversity program; offering financial incentives to African American, Hispanic, Native American, and veteran entrepreneurs. Choice is one of the few (if not the only) hotel company that has dedicated resources to support underrepresented minorities in the pursuit of entrepreneurship. ”

**John Lancaster, Regional Vice President  
Emerging Markets, Franchise Development & Owner Relations**



As franchisor, it is our vision to fuel small business through proven brands where all are welcome to pursue the American Dream of entrepreneurship. To reach underrepresented groups, Choice has a dedicated Emerging Markets Program focused on establishing relationships within the African American, Hispanic, Native American and veteran communities; offering incentives for new franchises, yielding **17 Emerging Market contracts** in 2020, despite the COVID-19 environment.

**Most notably, Choice signed the largest multi-unit deal with an African American entrepreneur in the program's history in 2020.** This agreement with Frederic Washington, who is managing partner of Southern Accommodations, LLC and previously served as the U.S. Department of Housing and Urban Development lead in Florida under Presidents Bill Clinton, George W. Bush and Barack Obama, includes the following hotels: Sleep Inn – St. Augustine, Florida, Comfort Suites – Fort Myers, Florida, Sleep Inn – Fort Myers, Florida, MainStay Suites – Fort Myers, Florida, Sleep Inn – Ocala, Florida, and the MainStay Suites – Ocala, Florida.



“ It's historically significant that the first hotel in this multi-unit deal is owned by an African American in St. Augustine, where there have been several prominent acts of racial discrimination in this industry. This is a welcomed step forward and I appreciate the sincere collaboration with Choice Hotels to help address the racial divide that exists in our country by promoting African American hotel ownership. Choice leads the industry in creating true equity participation, and now I've experienced firsthand why — the company is not satisfied with hanging banners and coming up with logos, but they live inclusiveness and diversity every day. ”

**Fredric Washington, Managing Partner  
Southern Accommodations, LLC**

The mission of the Emerging Markets Program is to identify, educate, and counsel potential candidates and guide them through the application and ownership process. One of the key barriers to hotel ownership is the level of investment. Choice offers investment opportunities at various price points with more obtainable options relative to the industry at large. With the financial incentive support from the Emerging Markets Program, Choice Hotels helps make small business ownership a reality for minority entrepreneurs.

# Supporting Minority Entrepreneurs

Choice is committed to the long-term success of its minority hotel owners, and as such, reignited the institution of Choice Hotels Owners African American Alliance’s (CHOAAA) in 2020. This council was established to provide continued support and advocacy for Black/African American owners. Choice engaged minority owners with the creation of the council, providing them with a platform to express their voice and unique experience directly to executive leadership.

Choice Hotels industry engagement efforts also included education initiatives via minority conferences, as well as partnering with the National Association of Black Hotel Owners Operators and Developers and the Latin Hotel Association.

## Choice Hotels Franchise Owners Demographics

60% Asian Indian



68% Minority



8% Woman Owned



- Woman (Non-Asian Indian) Owned (3%)
- Woman (Asian Indian) Owned (5%)

Tamara Lang-Allen, Ph.D., the managing director of The Mangrove Eco Boutique Hotel Properties L.L.C. opened the Comfort Inn & Suites in St. Thomas, U.S. Virgin Islands, thanks to the support from the Choice Hotels Emerging Market Program.

“Being in the hospitality industry for many years and being from St. Thomas, I knew what the island needed. After seeing a Choice Hotels presentation at a convention, I learned more about the brand and its values and decided it was something that was desperately needed in St. Thomas. It is a really great fit,” says Lang-Allen.



**Tamara Lang-Allen, Ph.D.**  
Comfort Inn & Suites Owner  
St. Thomas, U.S. Virgin Islands



## Asian Americans

Asian American hotel owners represent the majority within the Choice portfolio of franchised hotels (over 60%) with many first, second and third generation owners from the same family. Choice is proud to celebrate Asian American hotel owners as they continue to achieve the American Dream of entrepreneurship and successful business ownership. Choice is a founding member of the Asian American Hotel Owners Association (AAHOA) and currently holds a platinum membership.

“ We have worked with Choice for more than 20 years, and we keep coming back because of their strong value proposition and relationship-based focus. ”

**Jay Patel, Chief Executive Officer  
Athena Hospitality Group**

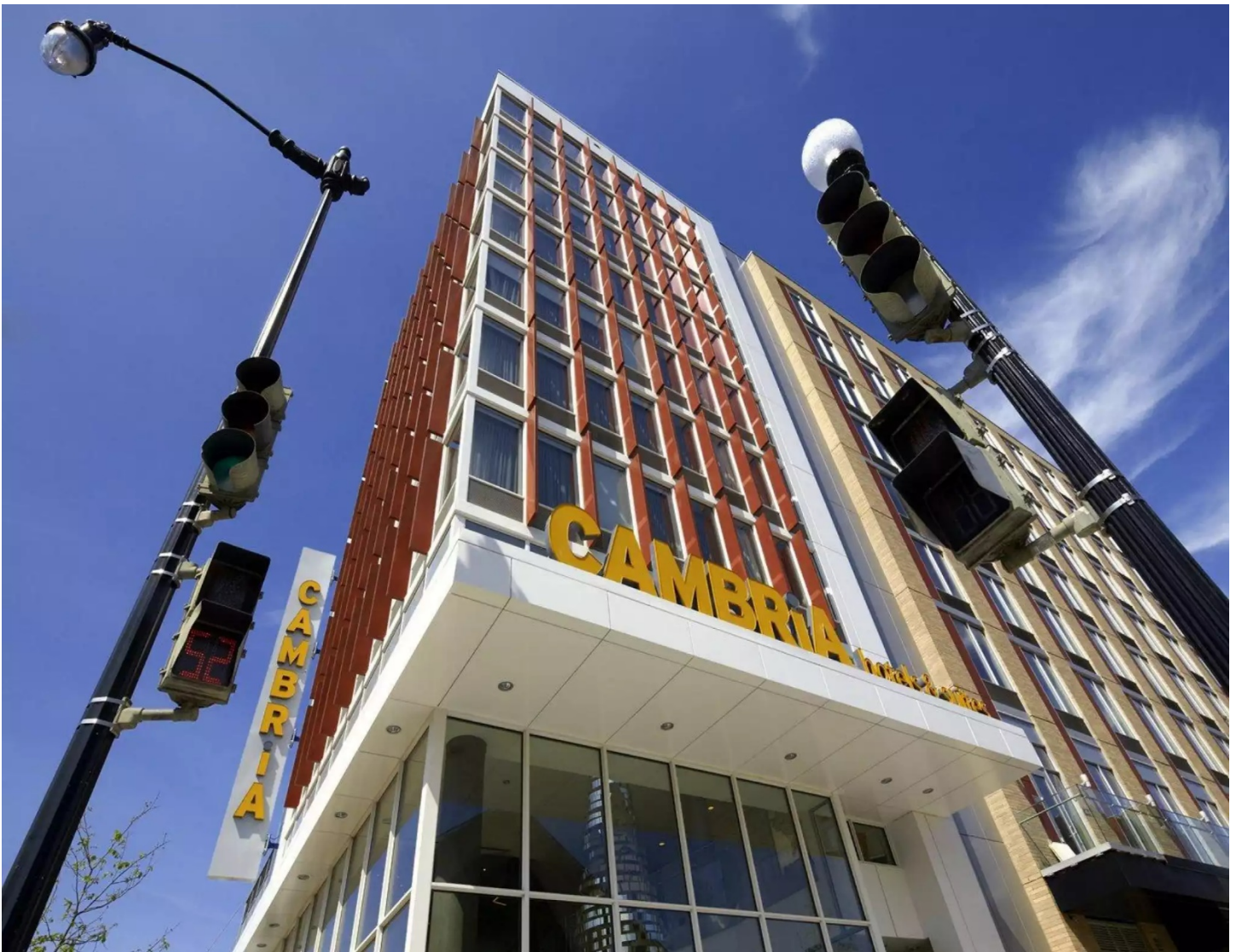


From left to right: David Pepper – Chief Development Officer, Choice Hotels International; Patrick Pacious – President and Chief Executive Officer, Choice Hotels International; Jayesh (Jay) Patel – Owner, Athena Hospitality Group; and Reena Patel

## Creating Hospitality Careers for Black Students

In 2020, Choice initiated a hospitality internship program for students attending Historically Black Colleges and Universities. The internship program will be a partnership with several Cambria hotels and located in major markets across the United States.

The program is designed to provide paid, meaningful employment opportunities in the hotel industry with the extra support from Choice resources. This program will debut in the Spring of 2021.

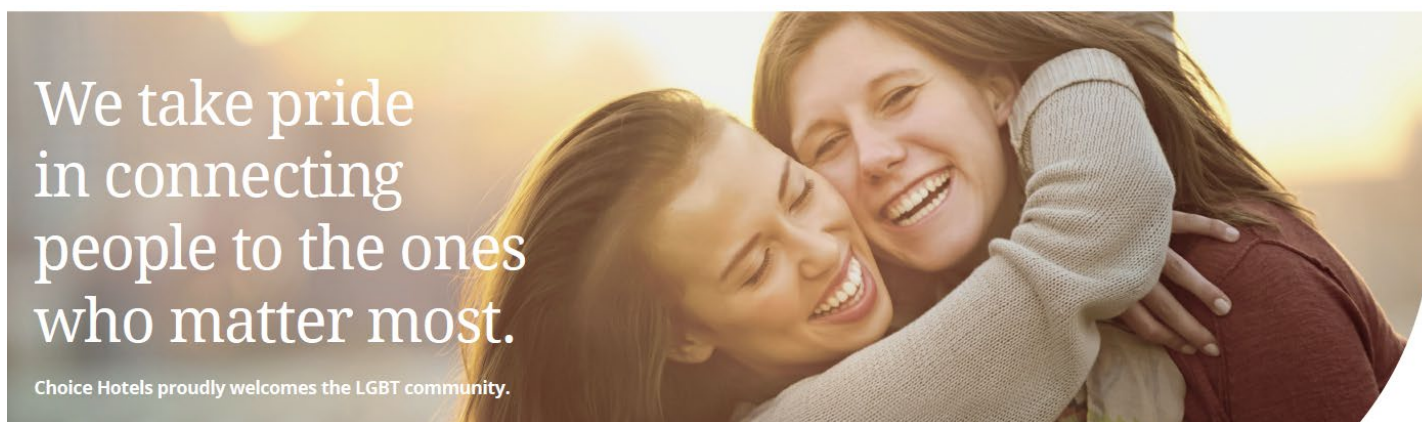


Cambria Hotel Washington, D.C. Convention Center

# Ensuring All Guests Are Welcome, Wanted and Respected

## Advertising and Marketing

It is important that our advertising and marketing efforts are an authentic representation of our diverse guests – ensuring that all consumers know that Choice offers inclusive brands where everyone is welcome, wanted and respected.



We take pride  
in connecting  
people to the ones  
who matter most.

Choice Hotels proudly welcomes the LGBT community.

## Training – Employees of Franchised Properties



As a resource for the employees on the front lines of our franchised hotels, we offer the training “Welcome, Wanted & Respected – It’s Good for Everyone,” via our online education portal, Choice University. This initiative began in 2019 to drive awareness of unconscious bias and remind our owners and operators how important it is to have respectful interactions with every guest, with over **20,000 hotel employees accessing the content since its launch.**





As a member of the ADGP program, combined with guest Choice Privileges® redemptions, Choice donated **\$250,000 to the American Red Cross in 2020.**

## Disaster Relief

### Annual Disaster Giving Program (ADGP) and Disaster Responder

Each year, the American Red Cross responds to an average of more than 62,000 disasters around the country, from home fires to tornadoes and severe winter weather, hurricanes and floods to transportation accidents, to explosions. The Red Cross not only provides food, shelter and clothing, but also offers comfort and care to help those affected by disaster during their time of greatest need. Choice is a member of the Annual Disaster Giving Program (ADGP) and Disaster Responder Program, and pre-invests in disaster relief. This ensures that the Red Cross can pre-position supplies, secure shelters, maintain vehicles and train volunteers nationwide so that they're always ready to respond, day and night.



**American  
Red Cross**



**Comfort Suites in Carlisle, PA hosted an American Red Cross blood drive to help respond to the nationwide blood shortage.**

Due to the public health concerns caused by the pandemic, the American Red Cross faced significant challenges in 2020 as it continued to deliver its lifesaving mission. To continue carrying out this vital work nationwide throughout 2020 and beyond, funds raised by Choice and other disaster responder supporters helped the American Red Cross maintain sufficient blood supply to help patients in need as well as continue to provide critical relief services to people affected by disasters.





## Supporting Servicemembers & Veterans

### Operation Homefront Partnership

Americans have the confidence and security to travel because of the dedication of our servicemen and women who protect our freedom at home and abroad. To show our appreciation, Choice established a partnership with Operation Homefront, a national nonprofit whose mission is to build strong, stable, and secure military families so they can thrive, not simply struggle to get by, in the communities they have worked so hard to protect. We believe that no military family should go hungry, struggle to pay bills or risk losing their home. That is why Choice donated over **\$100,000 in cash and in-kind donations to Operation Homefront in 2020.**





When Sargent Assiya Lewis's family could not move into their new home because of COVID-19 mandated quarantines, Choice was able to provide rooms for her family of seven at the Cambria Hotel in Rockville, MD through our partnership with Operation Homefront.

## **Choice Portfolio of Hotels, Discounts & Extended Stay**

Choice supports our active duty and retired military personnel with discounts at thousands of franchised properties nationwide. Choice also provides a variety of extended stay hotels, key for short-term housing needs of military families.

## **Choice Privileges® Military Membership**

As a special salute to Choice Privileges® members who are active duty military, veterans and military spouses, these members can now be upgraded to Lifetime Gold status. They also receive 2,500 bonus points after their first qualifying stay. Eligible members can apply at [choicehotels.com](https://choicehotels.com).

## Philanthropy & Volunteerism

At Choice we strive to foster an environment that creates an energized and engaged workforce – and it's why we truly value our relationships with the local community near our corporate offices, and our national non-profit partnerships that have footprints in the communities where our franchisees own and operate hotels. In 2020, Choice gave **over \$750,000 in cash and in-kind donations** to deserving non-profits. And we don't just write checks - our associates get out into the community, roll up their sleeves and donate their time through our **paid volunteer leave program**.

### Supporting Volunteerism

Whether it's a corporate-wide event, team outing, or a small group event hosted by an employee resource group, Choice encourages its corporate associates to volunteer in our surrounding communities,



COVID-19 didn't stop our passionate associates from getting out and helping the community. Rockville, MD associates volunteered to build an access ramp for a family in need, funded by Choice's Associate Grant Program.

including during regular business hours on company time. Among other activities, Choice associates have hosted drives, volunteered at homeless shelters and food pantries, and built homes with Habitat for Humanity. In addition to these sponsored events, Choice also supports associates by offering eight hours of paid volunteer leave per year for personal volunteerism with a non-profit organization of their choosing.

## Cage Free Egg Commitment

Choice is committed to provide the hotels in our system with suppliers of cage-free eggs, in order to source 100% of the eggs used (shell, liquid and egg products) from cage-free sources globally by 2025. We have translated this policy into key native languages.







# Governance



Choice is committed to maintaining good corporate governance as a critical component of our success in driving sustained shareholder value. With a focus on serving the interests of shareholders, the Board collaborates with Choice's senior management and external advisors to remain abreast of and evaluate corporate governance trends and best practices.

**For complete SEC filings information, visit: [investor.choicehotels.com](https://investor.choicehotels.com)**

-  Annual election of directors by majority vote
-  Separate positions for Chairman of the Board and CEO
-  The independent directors of the Board meet a minimum of 4 times a year in executive sessions
-  Lead independent director - In addition to chairing the executive sessions, the lead independent director manages the Board's review of the CEO's performance, coordinates activities of the independent directors, and performs other duties assigned by the Board

-  Stock ownership and holding requirements - Directors and executive officers have robust stock ownership and holding requirements
-  Clawback policy - Executives' incentives are subject to a clawback that applies in the event of certain financial restatements
-  Board governance training program
-  Independent Board committees - The Compensation and Management Development Committee, Audit Committee and Corporate Governance and Nominating Committee are made up entirely of independent directors
-  Annual report of succession planning and management development by CEO
-  Annual assessment of Board and committee effectiveness by the Corporate Governance and Nominating Committee
-  Hedging policy - The Company has a comprehensive insider trading policy and prohibits hedging by any associates (employees, directors, contractor or consultants), other than Bainum family directors in relation to certain indirectly held shares
-  The Company prohibits pledging of shares by executives as collateral for loans or holding shares in margin account
-  Global hotline and web portal to encourage associates to report financial, ethics and employee relations issues
-  Long-standing commitment to sustainability and environmentally friendly building and operating practices

## Board of Directors

### Board Composition and Tenure

Choice is committed to a Board comprised of diverse individuals and diverse thought. Notably, the Board has three female directors, representing 30% of the Board seats.

Women represent 30%  
of the Choice Hotels  
Board of Director seats.

Choice has an average tenure of approximately 12 years as of December 31, 2020 (excluding Mr. Stewart W. Bainum, Jr., one of the largest Choice shareholders, the average tenure is approximately seven years). In addition, the Company's Board has shown a healthy degree of refreshment, adding six new directors in the previous seven years (five of whom are independent).



Photos from left to right:

[Stewart Bainum, Jr.](#) – Chairman of the Board of Directors

[Pat Pacious](#) - President and Chief Executive Officer, Choice Hotels International

[Barbara Alexander](#) - Independent consultant, former senior advisor to UBS Securities

[Brian Bainum](#), Management Consultant, SunBridge Capital Management, LLC,

[Bill Jews](#) - Former President and CEO of CareFirst Inc.

[Monte J. M. Koch](#) – Retired Partner of BDT & Company

[Liza Landsman](#) - Venture partner with New Enterprise Associates, Inc.

[Ervin Shames](#) - Independent Management Consultant

[Maureen Sullivan](#) -President and Chief Operating Officer, Heyday Skincare

[John Tague](#) - Former President, CEO and Director, Hertz Global Holdings

## Director Nominee Information and Qualifications

The Board requires that its members possess the highest personal and professional integrity and be positioned to contribute to the Board's effectiveness through their experience. The Board values diversity of viewpoint and opinion, and the Board has been, and continues to be, focused on diversity, including diversity of gender, race and ethnicity. The Board, and specifically the Corporate Governance and Nominating Committee, views diverse representation as the best way to represent the interests of all of our shareholders and maximize the Company's success.

## Board's Role in Risk Oversight

The Board administers its risk oversight function through two primary mechanisms:



through the adoption and enforcement of Board policies and procedures intended to require the full Board to discuss, address and approve or disapprove certain items determined by their nature to involve various risks requiring Board consideration; and,



through the efforts of the Board's Audit Committee, which focuses on the particular risks to the Company that arise out of financial reporting and other pertinent areas.

The Board's primary role in risk oversight is to establish and maintain effective policies and procedures that serve to highlight or expose critical risks. For higher degrees of risk than ordinary course transactions, Choice is required to obtain Board approval. These include transactions above certain limits, certain lending arrangements, certain litigation settlements, and certain related party transactions. In addition to the full Board's role in risk oversight, different committees of the Board play a role in overseeing risks attendant to the committee's particular area of focus – compensation, development, governance, diversity, financial reporting, compliance and cybersecurity.

## Corporate Governance Guidelines

The main aspects of Choice's Corporate Governance Guidelines are to:

- Create value for shareholders;
- Focus on the future;
- Duty of loyalty;
- Annual CEO evaluation;
- Annual approval of strategic plans;
- Annual assessment of Board and committee effectiveness;
- Reach and maintain specified ownership;
- Set Directors attendance expectations; and
- Evaluate annual report of succession planning and management development delivered by the CEO.



Hotel Petaluma, Ascend Hotel Collection



Cambria Hotel Dallas

## **Committees of the Board**

The standing committees of the Board are the:

- Audit Committee
- Compensation and Management Development Committee
- Corporate Governance and Nominating Committee
- Diversity Committee

The following is an overview of each committee.

## Compensation and Management Development Committee

Under the terms of its charter, the Compensation and Management Development Committee discharges the Board's responsibilities relating to compensation of Choice's executives through the following functions, among others:

- Overseeing the administration of Choice's equity compensation plans and authorizing equity awards thereunder;
- Establishing and updating the "peer group" used to compare Choice's compensation practices;
- Reviewing and approving the compensation of executive officers, in light of shareholder "Say on Pay" results and other relevant factors;
- Setting the compensation for the non-employee members of the Board;
- Reviewing bonus and incentive plans, pensions and retirement;
- Reviewing other employee benefit plans and programs;
- Reviewing Choice's succession plan and management development;
- Self-evaluating annually;
- Setting criteria and guidelines for performance of the CEO;
- Assessing performance of the CEO against performance objectives; and
- Reviewing and discussing Choice's Compensation Discussion and Analysis and producing the annual Compensation and Management Development Committee report for the Company's proxy statement.



Cambria Hotel St Petersburg-Madeira Beach Marina





Everhome Suites

### **Audit Committee**

The Audit Committee assists the Board to fulfill its oversight responsibilities with respect to the Choice's auditing, accounting and financial reporting processes. The Committee discharges these duties through the following functions, among others:

- Conferring separately with the Choice's independent registered public accounting firm and internal auditors regarding their responsibilities;
- Reviewing reports of Choice's independent registered public accounting firm and internal auditors and annual and quarterly reports for filing with the SEC;
- Reviewing reports of Choice's independent registered public accounting firm concerning financial reporting processes and internal controls, discussing these internal controls with and suggesting improvements to management;
- Establishing and monitoring an anonymous complaint hotline and other complaints procedures regarding accounting and auditing matters;
- Pre-approving all audit and non-audit services provided by Choice's independent registered public accounting firm;

- Self-evaluating annually;
- Determining the selection, compensation and appointment of Choice's independent registered public accounting firm and overseeing their work;
- Reviewing Choice's policies with respect to risk management;
- Reviewing with the CEO and CFO Choice's disclosure controls and procedures; and
- Overseeing Choice's cyber security and data security practices and procedures.

### **Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee identifies individuals qualified to become members of the Board; selects, or recommends that the Board selects the director nominees for election or to fill vacancies; develops and recommends a set of Corporate Governance Guidelines applicable to Choice; and oversees the evaluation of the Board. The Committee also has the following functions, among others:

- Establishing criteria for Board membership;
- Conducting the appropriate and necessary inquiries into the backgrounds and qualifications of proposed Board candidates;
- Reviewing and making recommendations on the size and composition of the Board and its committees;
- Reviewing and making recommendations with respect to directors, if any, who are unable to perform their duties;
- Reviewing and making recommendations with respect to the retirement of directors;
- Reviewing and making recommendations with respect to Choice's policies regarding director or senior executive conflict of interest matters;
- Monitoring and making recommendations concerning matters of corporate governance; and
- Reviewing the outside board service by senior executives.

## Diversity Committee

The Diversity Committee seeks to assist and advise management in developing a workplace culture that values working with diverse groups of people, offering diversity of thought and perspective. The Committee's goals reach beyond workplace culture, also focusing on diverse franchise development, diverse sourcing, inclusive advertising and inclusive community involvement. The Committee seeks to achieve its goals through the following functions, among others:

- Review and evaluate diversity efforts in workforce development, franchise development, vendor relations, marketing and philanthropy;
- Review the efforts by management to increase the diversity of the Company's workforce, including at management levels; and
- Reporting to the Board on diversity matters.



WoodSpring Suites Chicago Tinley Park