



Advancing Net Zero Innovation

***2022 Task Force on Climate Related
Financial Disclosures Report***

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Forward Looking Statement

This report contains forward-looking statements about, among other things, the company’s environmental, social and governance goals, business opportunities, future events, anticipated growth, industry prospects and expected capital expenditures. The achievement or success of the matters covered by such forward-looking statements involves risks, uncertainties and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, the company’s results could differ materially from the results expressed or implied by these forward-looking statements. Words such as “anticipate,” “believe,” “could,” “driving,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “project,” “seek,” “should,” “will,” “would,” “considering,” and similar expressions are intended to help identify forward-looking statements. Forward-looking statements reflect management’s current expectations, are based on judgments, are inherently uncertain and are subject to risks, uncertainties and other factors, which could cause our actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in those forward-looking statements. Examples of these risks, uncertainties and other factors include, but are not limited to, the following: the impact of contagious illnesses on economic conditions and the travel industry in general and the financial position and operating results of our Company in particular, such as: governmental and self-imposed travel restrictions and guest cancellations; our ability to obtain sufficient financing, capital or revenues to satisfy liquidity needs, capital expenditures, debt repayments and other financing needs; the effectiveness of the actions we have taken to improve and address our liquidity needs; the impact of the economic and geopolitical environment on key aspects of our business such as the demand for cruises, passenger spending, and operating costs; incidents or adverse publicity concerning our ships, port facilities, land destinations and/or passengers or the cruise vacation industry in general; concerns over safety, health and security of guests and crew; further impairments of our goodwill, long-lived assets, equity investments and notes receivable; an inability to source our crew or our provisions and supplies from certain places; an increase in concern about the risk of illness on our ships or when travelling to or from our ships, all of which reduces demand; unavailability of ports of call; growing anti-tourism sentiments and environmental concerns; changes in U.S. foreign travel policy; the uncertainties of conducting business internationally and expanding into

new markets and new ventures; our ability to recruit, develop and retain high quality personnel; changes in operating and financing costs; our indebtedness, any additional indebtedness we may incur and restrictions in the agreements governing our indebtedness that limit our flexibility in operating our business; the impact of foreign currency exchange rates, the impact of higher interest rate and food and fuel prices; the settlement of conversions of our convertible notes, if any, in shares of our common stock or a combination of cash and shares of our common stock, which may result in substantial dilution for our existing shareholders; our expectation that we will not declare or pay dividends on our common stock for the near future; vacation industry competition and changes in industry capacity and overcapacity; the risks and costs related to cyber security attacks, data breaches, protecting our systems and maintaining integrity and security of our business information, as well as personal data of our guests, employees and others; the impact of new or changing legislation and regulations (including environmental regulations) or governmental orders on our business; pending or threatened litigation, investigations and enforcement actions; the effects of weather, natural disasters and seasonality on our business; the impact of issues at shipyards, including ship delivery delays, ship cancellations or ship construction cost increases; shipyard unavailability; the unavailability or cost of air service; and uncertainties of a foreign legal system as we are not incorporated in the United States.

Further information on these and other factors that could affect the company’s performance is included under the caption “Risk Factors” in our most recent annual and quarterly reports Forms 10-K and 10-Q, respectively, and in other filings it makes with the Securities and Exchange Commission from time to time. These documents are available by visiting our Investor Relations website at www.rclinvestor.com or the SEC’s website at www.sec.gov. Undue reliance should not be placed on the forward-looking statements in this report, which are based on information available to us on the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Note the inclusion of information contained in this report should not be construed as a characterization regarding the materiality of such information to our financial results or for purposes of the U.S. securities laws. For a discussion of information that is material, please see our Annual Report on Form 10-K, filed with the SEC on February 23, 2023. Given the inherent uncertainty in predicting and modeling future conditions, caution should be exercised when interpreting the information provided.



About Us

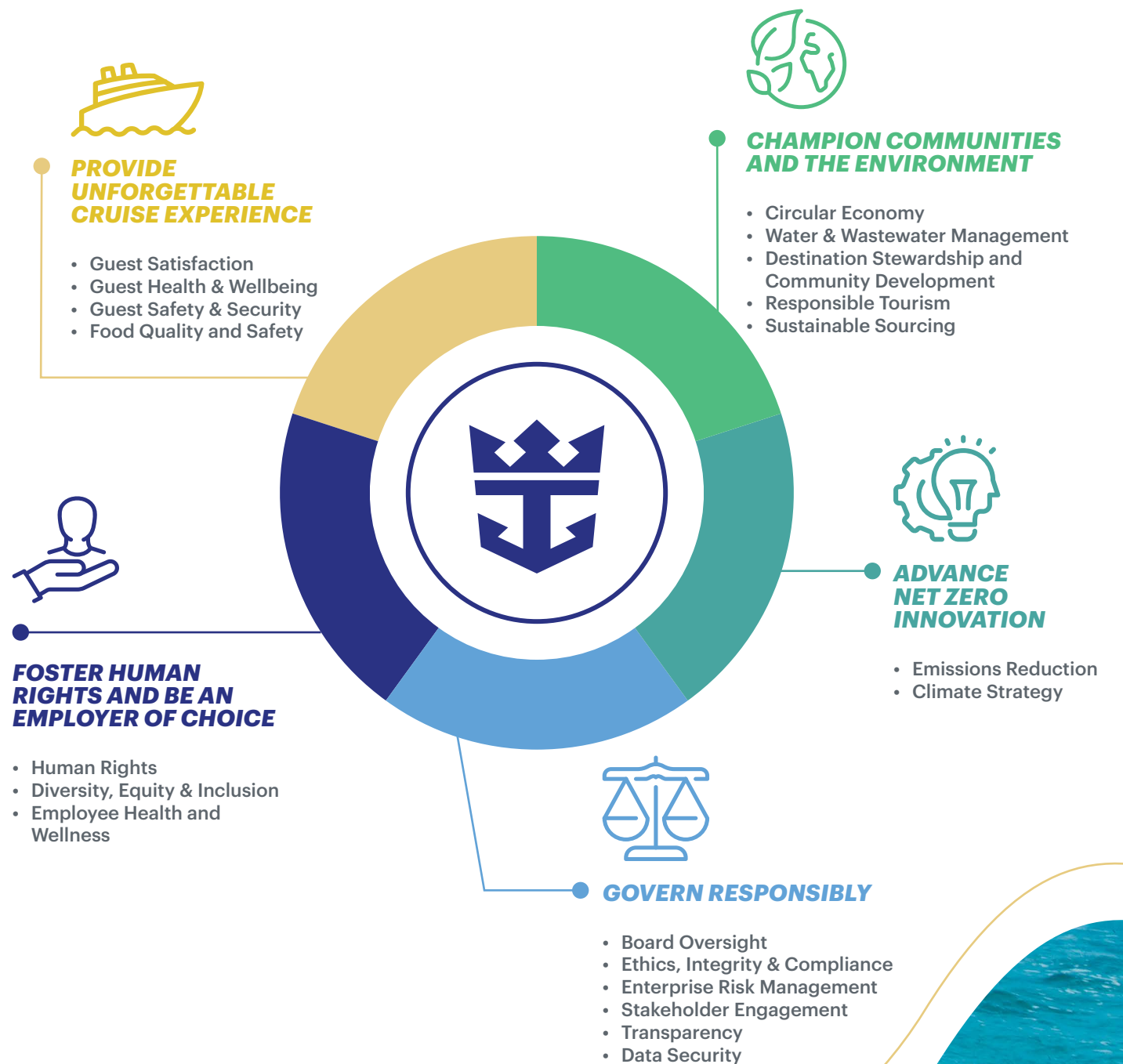
Royal Caribbean Group (RCG) is committed to decarbonizing through meaningful innovation, partnerships, and action. The company aims to develop and deploy energy solutions that meet the needs of its business and its stakeholders in a financially and environmentally responsible manner.

This report highlights our governance, risk management, strategy, metrics, and targets related to climate-related risks and opportunities. Reducing our emissions is a core focus area of our ESG strategy. Our mantra has always been “continuous improvement” which has been achieved through our long-standing commitment to innovation, compliance above and beyond what is required and through the culture of our organization.

Our focus on decarbonization is the next chapter of our stewardship story. In October 2021, we announced our Destination Net Zero (DNZ) our initiative to achieve net-zero carbon emissions by 2050. Key milestones include: by 2025, reducing our carbon intensity by double digits from a 2019 baseline; by 2035, we will deliver a net-zero-emissions cruise ship; by 2050, we will achieve net-zero emissions. These targets will help guide our decision-making, amplify our focus on long-term emissions reduction and influence our deployment, destinations, supply chain and operations. Addressing the risks and opportunities of climate change at scale requires partnerships and collaboration across all sectors of our global economy. This is a responsibility and a journey that we gladly accept.

Our Framework

In 2021, we developed our ESG framework to better reflect our innovation and leadership in building a more sustainable cruise industry. Our ESG framework is centered on our mission to deliver the best vacations, responsibly. We activate our framework through five core strategies which we intend to deliver through a number of initiatives at the corporate and brand levels. One of our strategies – “Advancing Net Zero Innovation” guides our commitment to decarbonize our operations through innovation, collaborative partnerships, and a transition to cleaner fuels, smarter technologies and improved energy efficiencies.



Governance

Our governance framework advances involvement across areas of the business which impact our transition to a low-carbon economy to meet our decarbonization strategy, goals and targets.

RCG's Board of Directors oversees management and recognizes that the long-term interests of shareholders are advanced by responsibly addressing the concerns of key stakeholders, including, among others, our employees, guests, suppliers, communities, investors and the public at large. The Board's four standing committees support the Board's efforts, including with respect to potential climate-related risks and opportunities, as described further below.

In addition, management addresses potential climate change-related risks and opportunities in relation to RCG's day-to-day business operations and strategic planning, which are driven and overseen directly by a Destination Net Zero Steering Committee and an ESG Steering Committee. Those committees, which consist of the CEO and representatives from Newbuild, Marine Operations, Supply Chain, Corporate Strategy, Human Resources, Environmental Stewardship, Legal, Audit and Advisory Services, Risk Management and Accounting, meet on a monthly basis and regularly report to the Board and/or its committees.

The ESG VP position oversees a companywide strategic ESG framework, monitors our ESG risk landscape, develops our long-term strategy to support our core business objectives, and coordinates with our leadership team on the integration of environmental and social issues (including climate-related topics) into the company's governance and enterprise risk management.

To advance our ESG strategies, assess climate risks and optimize climate opportunities, we have established a governance framework that involves the participation of various levels, functions and committees across the company.



BOARD OVERSIGHT

RCG's Board oversees the company's strategic planning and risk management, both of which take into account potential climate-related risks and opportunities. The Board has access to external experts and the company's internal subject matter experts who report on climate-related issues, including regulatory and policy developments, availability of technology, investments and supply chain management considerations. In addition, appropriate committees of the Board review, monitor, and provide feedback on our decarbonization strategy and targets and receive updates on progress or risks on a regular basis.

BOARD COMMITTEES

The Board has four standing committees: (i) Audit Committee, (ii) Safety, Environment, Sustainability and Health Committee, (iii) Nominating and Corporate Governance Committee and (iv) Talent and Compensation Committee. Each committee is composed entirely of independent directors. Each committee regularly reports to the full Board on issues considered during committee meetings.

AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board in the oversight of the quality and integrity of the company’s financial statements and effectiveness of internal controls over financing reporting as well as the compliance by the company with legal and regulatory requirements. The Audit Committee is also responsible for reviewing the company’s guidelines and policies with respect to risk assessment and management, including potential climate-related risks, as part of the company’s ERM process. In addition, the Audit Committee reviews and discusses with management the controls and procedures concerning the company’s environmental, social and governance disclosures.

SAFETY, ENVIRONMENT, SUSTAINABILITY AND HEALTH COMMITTEE

The Safety, Environment, Sustainability and Health Committee reviews and monitors the company’s strategies, policies, and programs that are relevant to the company’s operations, including those related to energy consumption, greenhouse gas, physical and transition risks related to climate change and other criteria pollutant emissions, waste disposal and water use. The Committee also reviews with management legal, regulatory, and compliance developments concerning environmental and sustainability issues and the design and implementation of related initiatives. The Committee also oversees the company’s sustainability reporting, including with respect to ESG performance and climate-related initiatives and goals. All four members of our SESH

Committee possess skills or expertise relevant to sustainability and/or climate related issues. In addition, one of the Committee members is a former Administrator of the U.S. Environmental Protection Agency.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Nominating and Corporate Governance Committee evaluates and recommends prospective Directors and Board refreshment to ensure that the composition of the Board has suitable qualifications, experience, and skills in matters relevant to the business, including climate-related risks and opportunities. More than half of the directors on the Board have relevant industry, environmental and sustainability skills and experience derived from the government and/or business sectors.

TALENT AND COMPENSATION COMMITTEE

The Talent and Compensation Committee oversees the company’s executive compensation programs and relevant human capital management strategies. Commencing in 2022, the company embedded ESG metrics in the annual and long-term metrics upon which it evaluates executive officers for compensation purposes. These metrics take into account performance with respect to the company’s goals on alternative energy sourcing, employee engagement, pay equity and other initiatives.

MANAGEMENT ACCOUNTABILITY

Functional leaders have executive ownership and accountability for the execution of our decarbonization strategy and tracking our progress and investments. A number of working groups are associated with the objectives, programs, research and reporting conducted by the ESG and DNZ Steering Committees.

ESG STEERING COMMITTEE

Functional leaders who are directly involved with the operationalization of our ESG strategy ensure that our commitments and targets have the right level of ambition, priority and relevance to our business and operations and provide guidance on the nature and scope of the company’s voluntary and mandatory ESG and climate-related reporting and disclosures. The Steering Committee holds periodic meetings to review workstreams and deliverables and prepare quarterly reports to the Board, and our CEO.

DESTINATION NET ZERO STEERING COMMITTEE

Functional leaders who are directly involved with the execution of our decarbonization strategy and our ESG framework pillar to “advance net zero innovation” through strong partnerships with experts in technology, fuels and all measures that can produce meaningful reductions in emissions. The Steering Committee holds periodic meetings to review workstreams and deliverables and prepare quarterly reports to Board and our CFO and CEO.

REPORTING AND TRANSPARENCY

The Board and senior management receive regular progress updates including risks. Our external reporting aims to present relevant, complete, balanced, consistent, comparable, verifiable, and timely information to our stakeholders. We have

published a comprehensive sustainability report since 2008, gradually adopting the standards established by the Global Reporting Initiative (GRI) and the Sustainable Accounting Standards Board (SASB) as they emerged. We have also reported the details of our climate related performance and governance to the CDP Climate Change (formerly known as the Carbon Disclosure Project) since 2010 and have been recognized for taking coordinated action on climate issues.

CONTINUOUS IMPROVEMENT

The company periodically reviews, adjusts and updates strategy, metrics and targets.

ASSURANCE

Certain key data in Royal Caribbean Group’s sustainability reporting is subject to independent review through third party assurance.



Strategy

Our actions to transition to a low-carbon economy and meet our targets is aligned with our overall business strategy.

Our ESG Strategy is focused on “Advancing Net Zero Innovation” and setting relevant and measurable goals and targets at the right ambition levels to drive continuous improvement. An overview of our business and ESG strategy can be found in our [Annual Report](#) and [Seasustainability Report](#). Our decarbonization strategy is supported by disciplined and consistent governance, risk management and reporting processes that allow us to monitor our progress and align our efforts with our long-term growth strategy. Teams across RCG are mobilized to advance our decarbonization strategy. Our approach includes:

MODERNIZATION: we are working to modernize our global fleet with the introduction of shore power and alternatively fueled vessels such as LNG and Methanol. We are also investing in hybrid technologies such as fuel cells and batteries.

INVESTMENTS IN EFFICIENCY: we are continuously investing in energy-efficiency programs for our existing fleet, including energy-saving technologies, enhanced data systems, and digitalization to optimize our deployment and routes.

ALTERNATIVE SOLUTIONS: we actively research and assess progress on technologies such as solar and wind power, biofuels, natural gas, fuel cells and biomass, and carbon capture technologies to determine their efficiencies and viability for the future. We’re testing and future-proofing our new builds with fuel flexibility, so we can easily ramp up to the fuels that best meet our needs when they’re available. We are also investigating the potential and feasibility of using carbon offsets.

Climate Related Risks and Opportunities

In 2022 we conducted a qualitative climate-scenario analysis allowing the organization to enhance and inform critical strategic thinking. As a part of it, we considered 1.5 and well below 2-degree scenarios. In addition, we assumed future growth based on our projected fleet and a frozen technology approach under which any improvement in emissions efficiency or other development, such as cleaner fuels, is not considered. Through this analysis, we were able to obtain data on projected emissions to inform our future emissions strategy and target setting. We have developed an internal process to investigate what a science-based target could look like using the SBTi Maritime Sectoral Decarbonization Approach. The focal questions to establish a forward-looking picture of our climate risk exposure covers regulatory, technological, and economic aspects.

As part of our commitment to enhance forward-looking information, we plan to develop a quantitative climate-scenario analysis in the next two years. We are confident it will help keep us on our path of continuous improvement, and allow for better strategic planning, and improved resilience to various future states.

The way we define our time horizons is aligned with our planning for regional, national and international environmental regulations we comply with around the world. Therefore, we define terms in the following table:

Short-Term	0 – 2 yrs.	Concerns our ability to anticipate short-term risks and adjust our operational processes accordingly.
Medium-Term	2 – 5 yrs.	Concerns our ability to anticipate and manage risks that cannot be addressed with short-term operational changes (e.g., retrofitting ships).
Long-Term	5+ yrs.	Concerns our ability to anticipate and manage risk from a strategic perspective (new ships and technologies). For example, our Destination Net Zero strategy sets two targets that are 13 years from now for a net zero cruise ship (2035) and 28 years from now for net zero emissions (2050). The time frame for these targets is driven by the availability of technologies to achieve them.

CLIMATE-RELATED RISKS

CURRENT REGULATION

Time frame: Short-term

Our daily operations are impacted by climate-related regulations that increase our operating costs. Current regulations result in higher operating compliance costs (e.g., installation and operation of advanced emissions purifications systems, increased costs due to ship routes modifications or due to compliance with environmental regulations in certain areas).

EMERGING REGULATION

Time frame: Medium-long-term

We anticipate new climate related regulations in the medium to long-term horizon will result in potential higher compliance costs (carbon taxes, higher cost to build future compliant ships, retrofitting existing fleets), and may increase our exposure, if any, to climate change-related litigation.

MARKET

Time frame: Medium-term

Climate-related weather events and their potential disruptions and uncertainties pose an important risk to our destination markets and operations resulting in travel restrictions, guest cancellations, an inability to source our crew or our provisions and supplies from certain places.

REPUTATION

Time frame: Medium-term

Growing environmental scrutiny of the cruise industry and any related

measures could adversely impact our operations and financial results and may subject us to reputational impacts and costs.

In addition, from time to time, we communicate certain initiatives regarding climate change and other ESG matters such as our financial and climate-related goals for fiscal 2025. We could fail or be perceived to fail to achieve such initiatives, which may negatively affect our reputation.

TECHNOLOGY

Time frame: Medium-long-term

The timing of technology development and deployment that supports the transition to a low-carbon economy, such as fuel consumption and emissions reduction, could affect competitiveness and the customer demand for company services.

ACUTE PHYSICAL

Time frame: Medium-term

The Company can move its assets to avoid acute physical risk, most notably hurricanes and extreme weather events. Extreme weather events can reduce revenue due to lower sales, cancellations, and damage at our destinations. These events could also potentially damage infrastructure essential to our operations. Our principal executive office and principal shoreside operations are in Florida, and we have shoreside offices throughout the world. Increases in the frequency, severity, or duration of these types of events could exacerbate their impact and

disrupt our operations or make certain destinations less desirable or unavailable, impacting our revenues and profitability further.

CHRONIC PHYSICAL

Time frame: Long-term

The availability of ports may be affected by several factors, including environmental and health concerns, longer-term shifts in sea level rise and natural disasters. Any limitations on the availability or feasibility of our ports of call or on the availability of shore excursions and other service providers at such ports could adversely affect our operations and financial results.

We have invested, either directly or indirectly through joint ventures and partnerships, in a growing portfolio of key land-based projects including port and terminal facilities, private destinations and multi-brand destination projects. These investments can increase our exposure to certain key risks depending on the scope, location, and the ownership and management structure of these projects. These risks include susceptibility to weather events. Climate change could pose a chronic physical threat to some of our investments and assets.

CLIMATE-RELATED OPPORTUNITIES

RESOURCE EFFICIENCY

Time frame: Medium-term

This opportunity is driven by a multitude of current and future regulations about emissions. We undertake a proactive approach in mitigating increases in operating costs due to fuel regulations. Our Newbuild department ensures that efficiency regulations and standards are being incorporated into all new ship designs. The department sets efficiency targets for the shipyard that exceed current and future regulatory requirements that are expected to impact our company and which have resulted in reduced operating costs, such as energy efficiency design index (EEDI) and other energy efficiency initiatives. In case our operations fall under an assigned emission cap, we have identified opportunities that can help us meet such requirements with a neutral or even positive impact on our operating costs. Our Destination Net Zero goal is to achieve a net zero emissions target no later than 2050. Finally, our efforts to reduce our GHG emissions and the potential costs associated with emissions is directly correlated to our fuel efficiency. Therefore, our emission reductions effort also represents an opportunity to improve our competitiveness.

ENERGY SOURCE

Time frame: Medium-term

We recognize that fuel efficiency alone is not sufficient to address the risks of climate change. Renewable energy, connecting

to shore power where available and carbon offsets can reduce or offset our emissions and even help power our ships in some circumstances. Although low-carbon fuels are the core of our energy-sourcing strategy, we incorporate renewable power in new and existing projects when feasible. Indeed, modern cruise ships operate much like a power plant. Fuel powers the engines, which produces energy used by the systems that propel the ship through the sea and support hotel operations. Fuel consumed by our ships represents a significant portion of our total GHG emissions. When connected to Shore power in places where available and powered by renewable energy it will also significantly reduce our emissions.

PRODUCTS AND SERVICES

Time frame: Long-term

We believe there is opportunity to improve brand and industry reputation with climate change developments. As climate change developments become more visible in mainstream media consumers are becoming more educated and involved in climate change issues. We are seeing an increase in consumer desire for information pertaining to the Company's environmental initiatives and impacts.

We set ambitious targets in order to better manage risk associated with environmental, social or

governance matters. Our aim is to prevent negative incidents from occurring and develop an image and reputation in harmony with our guest's expectations. Indeed, consumer behavior is expected to be more and more influenced by environmental and social issues. We hope to gain a competitive advantage through our reputation.

MARKETS

Time frame: Long-term

Longer-term shifts in climate patterns could imply both risks and opportunities. For the organization, it could signify the chance to anticipate the identification of new geographies for routes and destinations, and aid in gaining competitive advantages and improving financing conditions to develop the required infrastructures.

RESILIENCE

Time frame: Long-term

With Destination Net Zero, we're looking to make even bigger leaps in our pursuit of a low-carbon future. Our biggest challenge—and our most promising long-term opportunity—is in transitioning to alternative fuels and power solutions. But we're also pursuing a range of energy-efficiency initiatives and advanced technologies that will assist us on our decarbonization journey.

Climate-related risks and opportunities have influenced the Company's strategy concerning the following areas:

Products and services

The main attributes of our products are exceptional customer service provided by our crew, innovative and high-quality ships, a wide variety of itineraries, choice of destination, and price. Our decarbonization strategy is to develop contingency plans that minimize the potential impact of physical climate-related risks. For example, we have the flexibility to adjust our routes and offer alternative itineraries. Additionally, we proactively manage transition risks attributed to climate change regulations to maintain our ships' ability to visit areas impacted by such regulations. Furthermore, our product offerings extend to local destinations where we offer more than 2,000 tours run by tour operators certified to the Global Sustainable Tourism Standard (GSTC). The GSTC includes a set of environmental criteria, including greenhouse gas emissions and actions to address climate related impacts. Since May 2020, the Company has been generating carbon offsets through a Carbon Offset Power Purchase Agreement (PPA), the first of its kind to focus on Verified Carbon Units. Our Company was the first cruise line to sign such an agreement.

Supply chain and/or value chain

We pursue a responsible procurement strategy illustrated by our public sustainable procurement goals. Our responsible procurement strategy also

includes an onboarding screening questionnaire for our suppliers that includes environmental standards for the suppliers' processes, products or services, human rights and labor conditions, ethics, etc. Our supply chain department is investigating the use of a third-party evaluation tool to rate suppliers based on critical environmental, social and governance criteria, and to assess our supply chain risk concerning sustainability topics. A better understanding of the sustainability risk present along our supply chain will improve the Company's current contingency plans that address potential supply chain disruptions. While we are aware that climate change poses a risk to our supply chain, our business is also vulnerable to issues associated with food safety, human rights and data security. Therefore, the most effective approach for us is to use an overall sustainability approach that addresses climate change and other environmental, social and governance issues.

Investment in R&D

Transition risks associated with current and emerging regulations drive investment in proof of concepts and other strategic decisions. We invest in new technologies to mitigate our GHG emissions, to be compliant with current regulations, and to anticipate future regulations, given that our ships have an expected lifespan of 30-35 years. Our "above and beyond" compliance principles

encourage us to invest in technologies that anticipate and exceed possible future regulatory requirements. For example, the Company has invested in air lubrication systems, new hull designs, and ships operating on liquid natural gas (LNG). Our newest ships are designed with SCR (Selective Catalytic Reduction) to reduce NOx.

Operations

Our decarbonization strategy is to manage transition risks at the operational level by developing and implementing innovative solutions that reduce our fuel consumption and GHG emissions. We have developed software that centralizes tens of thousands of key data points annually, allowing our ships to optimize operational parameters (including trim, speed and route using real-time data) in order to reduce fuel consumption. Our hotel operations have also implemented energy efficient measures to reduce our energy consumption and GHG emissions. For example, sea water is used in cold climates to supplement HVAC chemical coolants, which are a source of GHG emissions. We have also retrofitted our lights with LED bulbs. Every critical aspect of our ships' operations is impacted by the transition and physical risks from climate change. The magnitude of the risks and opportunities on our operations is significant. We have already met our 2020 emissions targets and reduced our fuel consumption (one of our largest operational costs) as a result of the improved efficiencies.

An aerial photograph of a large cruise ship and four smaller ships sailing on the ocean. The large ship is in the center, moving towards the viewer, with its white hull and multiple decks visible. It has a blue and yellow stripe along the bottom. Four smaller ships are positioned around it: two to the left and two to the right. The ocean is a deep blue, and the sky is a light blue with some clouds. A yellow curved line separates the image from the text on the right.

Risk Management

Climate risks and opportunities are evaluated on periodic basis and incorporated into our overall ERM process.

Enterprise Risk Management (ERM) function is structurally independent from the business units and the Chief Risk Officer functionally reports to the CFO & the Audit Committee of the Board; however, ERM activities and reports are integrated into the organization's strategy-setting and the business' day-to-day application of carrying out those strategies.

Our Enterprise Risk Management team within our Audit and Advisory Services department performs enterprise-wide risk assessments at least twice per year, or more frequently as needed, and continuously monitors risk drivers and variables that can affect performance and the execution of our corporate strategy. Risk assessments generally begin with research, which includes consideration of internal and externally published risk reports. Risk topics and trends identified are then discussed and further evaluated with business leaders and key stakeholders through dynamic surveys, round-table discussions and interviews. Outreach also includes obtaining input from the Audit Committee and individuals with health, safety, environmental, social and corporate governance responsibilities. Results are reported to management, our head of ESG, our ESG Steering Committee, and the Board of Directors for effective risk oversight.

Furthermore, our enterprise-wide risk assessment results give us an updated and prioritized inventory of risks, sub-risks and risk drivers, including risks related to our ESG and IT security goals. In 2022, we further integrated ESG risk into our enterprise risk management system, starting with mapping our climate risks to various risk owners and developing action plans for mitigation. Our Enterprise Risk Management team leverages these risk assessments to inform and focus our risk monitoring activities. As needed, we conduct topic-specific risk management reviews with teams across the organization and ensure appropriate mitigations are in place or are being implemented. We also perform an annual fraud risk assessment to ensure the company is responsive to recurring and emerging fraud risks.

Finally, our team reviews SEC disclosures to ensure complete and accurate reporting by reconciling risk factors to our internal inventory of risks, risks disclosed by others in the marketplace and emerging risks published in external publications.

Metrics and Targets

RCG sets measurable metrics and targets that are aligned with science and operational goals.

Climate

Our climate-related metrics and targets are designed to be decision-useful for investors and stakeholders, and relevant to the assessment of our company’s climate-related risks and opportunities. RCG’s climate-related metrics are informed by our governance, strategy, and risk management processes.

Our climate-related metrics and targets are an integral part of the Board’s decision-making processes. Through our Destination Net Zero Steering Committee and the ESG Steering Committee, RCG’s Board tracks progress on climate-related strategies, manages risks, and measures the impact of opportunities. Moreover, the adoption of climate-related indicators that illustrate our progress in reducing GHG emissions is aligned with the TCFD’s pillars and principles. Our metrics are developed to be understandable, verifiable, objective, trackable and consistent.

Waste Management

For our waste management metrics, we set a target in 2016 to reduce waste-to-landfill by 85% compared with 2007 levels. We exceeded that goal in 2019, a trend that carried over into 2021 when we resumed operations, when we further reduced our waste-to-landfill by another 2%. The average waste-to-landfill from our guests in 2021 was 0.27 pounds per day, 2.5 pounds less than the average U.S. resident. Additionally, we launched a new five-year WIN on Waste initiative in 2021 to help us reduce food waste on our ships by 50%. Since starting another initiative to draw down our use of single-use plastics, we have reduced our single-use plastics by 60% since 2019’s baseline.

Water

Our water consumption reduction and wastewater treatment indicators are part of our key metrics. Our management is focused on 3 strategies, conserving water as much as possible, producing 90% or more of it onboard and safely treating the water we discharge. Due to our water conservation and freshwater production initiatives, we were able to maintain an average water consumption of our guests in a normal operational year (2019) 66 gallons per day, 34 gallons less than the average U.S. resident, while producing over 90% of water onboard.

Renewables

Since 2020, RCG has been involved in projects and initiatives that aim to increase the use of renewable energy for shore operations, while the ships are at port embarking and disembarking passengers or loading supplies. We plan to develop metrics and targets for use of renewable electricity after the implementation of the initiatives are complete and can be consistently measured. In order to offset part of our operations’ carbon emissions, we have implemented a 62-turbine wind power facility in Reading, Kansas, United States, where approximately 694,000 tons of carbon offsets have been generated. As part of our renewable energy initiatives, the carbon offsetting process will be integrated in our climate-related strategies and guide the definition of additional metrics and targets.

Furthermore, climate-related performance metrics take into account the executive officers’ performances with respect to the company’s goals on alternative energy sourcing and other initiatives. These metrics are overseen by the Talent and Compensation Committee.

For RCG, measuring, assessing and disclosing GHG emissions consistently over time is essential, and guides and determines our strategies to adapt our business to a low carbon economy. Our vision is to chart a feasible and responsible course to a Net Zero Newbuild by 2035 and Net Zero operations by 2050 by building on our culture of innovation and continuous improvement and leveraging our world-leading technology and partnerships.

To this end, we have assessed our GHG emissions by calculating our carbon footprint according to The Greenhouse Gas Protocol. Reducing our emissions and setting meaningful corporate decarbonization targets is part of our Destination Net Zero program. Based on the Scopes 1, 2 and 3 emissions assessment, we defined clear targets and developed a high-level strategy to reduce our carbon emissions. This strategy is currently being expanded by more detailed analysis and implementation planning.

The following table illustrates the GHG-related metrics as presented in our 2022 ESG Report.

GHG EMISSIONS*	2022	2021	2020	2019
Greenhouse Gas (GHG) emissions (metric tonnes CO2e)	4,989,942	2,590,041	2,502,145	4,834,768
Scope 1	4,979,842	2,579,274	2,493,580	4,820,278
Scope 2 (Location Based)	10,100	10,767	8,565	14,490
Emissions intensity in kilograms of CO2e per ALB-km	0.225	0.279	0.334	0.244
Energy consumption non-renewable fuels MWh	8,242,330	4,232,034	3,832,898	6,524,004
Energy intensity per Available Passenger Cruise Days (APCD)	0.199	0.359	0.449	0.157
Emissions intensity per kg/APCD	121.122	220.102	292.912	116.6904

Scope 3, 2019 Baseline (metric tonnes CO2e): 4,800,446

* In 2022, we inventoried our Scope 3 emissions for 2019 to capture pre-pandemic emissions outside of our direct physical footprint. 2019 offers a more accurate representation of our typical emissions than the COVID-affected 2020 and 2021. The result of this work established our baseline, a crucial first step in our commitment to reduce emissions throughout our supply chain. We plan to use the same protocol to calculate Scope 3 emissions for 2023 and beyond.

A thorough analysis of the carbon footprint assessment led to the identification of emission reduction potentials and levers.

In order to achieve the organization's overall climate-related ambition and strategy, we have defined the following set of strategies:

To reduce our Scope 3 emissions, we will engage our largest and most strategic suppliers to align on emissions reduction efforts, shift to lower carbon alternative products, buy more from local suppliers and increase logistical efficiencies.

In the short-to-medium term (until 2030) we intend to reduce our carbon intensity by double digits by 2025 with a view to flatten emissions by 2030 through substantial energy savings and taking steps on shore power, vessel and voyage optimization, hull performance and future-proofing alternative fuels. In the long-term (beyond 2030) as fuels and technologies become available and mature, we will transition newbuilds and a substantial share of our existing fleet to alternative fuels and technologies. Additionally, we will continue to take measurable steps to deliver on our commitment to Net Zero.

Our journey towards Destination Net Zero has been grounded in science and operational achievability from the start. Following the detailed assessment of our Scopes 1, 2, and 3 emissions, we started the journey towards setting our targets based on science, aiming at establishing a meaningful and clearly-defined pathway to reduce our GHG emissions. However, RCG's involvement with the development of targets based on science dates further back.

During 2021, the Science based Targets Initiative

(SBTi) held a month-long public consultation, where experts from the maritime transport industry contributed by providing feedback on the draft sector guidance and target-setting tool. RCG was a member of the Technical Working Group (TWG) and helped to ensure that the criteria and guidance were comprehensive, clear, and practical.

The maritime sector methodology draft played a crucial role in the development of our carbon reduction roadmap. It has informed and guided our decision-making process, and directly influenced our short-term reduction strategy.

In November 2022, the SBTi launched the final version of the maritime transport sector target-setting guidance and tool. To this end, RCG will continue to assess the new methodology and its application to our target setting practices.

Throughout the past years RCG has been committed to decarbonizing its operations reliably and consistently. Progressing this commitment has involved engaging all stakeholders in our organization, including board members, suppliers, our crew and our partners. Our processes are constantly being reviewed and improved, since we are committed to our core mission of leading the way to a low-carbon economy.





Royal Caribbean Group

Advancing Net Zero Innovation

2022 Task Force on Climate Related Financial Disclosures Report