

FORCE FOR
GOOD

Enabling people to live
and work well

Plugged Inn



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES
REPORT 2021/22

WHITBREAD PLC



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Foreword

Alison Brittain
Chief Executive

I am proud to introduce Whitbread's first report under the recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD).

Climate change is one of the most significant issues the world is facing today with global warming posing a significant risk to the worldwide economy, of which we are of course a part.

As a responsible business, it is important that we also play a part in tackling these risks.

We have been working hard to reduce our environmental impact for a number of years, helping drive positive change. We have recently set an industry-leading science-based carbon intensity reduction target of net zero carbon by 2040, bringing our original target forward by a decade, with an interim target to reduce emissions by 80% by 2030. We have also set Scope 3 targets and committed to SBTi.

“

We have recently set an industry leading science-based carbon intensity reduction target of net zero carbon by 2040”

Our Scope 1 and 2 Carbon Journey

Starting point
2016/17
0%

Now
2022
50.1%

Interim target
2030
80%
(1.5°C)

Net zero target
2040
100%

Scope 1 & 2 emissions at
115,000tn CO₂

Scope 1 & 2 emissions at
69,730T CO₂e

We have done this through a series of actions including committing to buy 100% renewable electricity, energy efficiency programmes, developing buildings to Building Research Establishment's Environmental Assessment Method (BREEAM) Excellent standards and solar PV installation.

We will continue to trial electric alternatives, taking gas out of our business and continuing to roll out our energy efficiency programmes across the estate.

Through regular materiality assessments, we ensure that our core sustainability strategy, Force for Good, addresses the most important sustainability risks and opportunities for our organisation and stakeholders. Force for Good is structured around three pillars: Opportunity; Community; and, Responsibility.

OPPORTUNITY

A team where everyone can reach their potential. No barriers to entry and no limitations to ambition

We will be for everyone, championing inclusivity across the organisation and improving diversity

We will have industry-leading training and development schemes

Team member wellbeing will be considered in everything we do

COMMUNITY

Making a meaningful contribution to the customers and communities we serve

We will make a positive contribution to the communities we serve

Working collaboratively with our teams and supply chain, we will support our charity partner to meet their mission

We will support the wellbeing of our guests and customers

RESPONSIBILITY

Making a meaningful contribution to the customers and communities we serve

We will source responsibly and with integrity

We will reduce our environmental impact

We will always do business in the right way

Our **Responsibility pillar** addresses our most material environmental impacts, including those of our value chain.

2040 SBTi carbon target

We are committed under the SBTi with a carbon target of net zero by 2040, a full decade earlier than originally planned, and we have set an interim target of an 80% reduction by 2030, all aligned with 1.5°C.

Scope 3

We have set Scope 3 carbon targets with our supply chain, reducing emissions by 50% by 2035 and 64% by 2050.

RESPONSIBILITY

2025

We have committed to eliminating unnecessary single-use plastic by 2025.

50%

We have committed to reduce our food waste by 50% by 2030.

Foreword continued

We have made good progress against many of these targets already, and more information on our targets and progress can be found on our website and in our most recent Environmental, Social and Governance (ESG) report.

While climate change poses risks to current business models, it also creates opportunities for companies that act decisively in a competitive environment, and we are working to lead our industry towards a sustainable future, while transparently reporting our progress.

Whitbread has been addressing the issues of climate change for some time and we have developed a good understanding of the climate-related financial risks and opportunities in our business. These are set out in more detail in this report.

We understand that clear and comprehensive reports on the impact of climate change on our business are critical for our shareholders and for the wider investment community. We already have a mature programme of work in place to mitigate our own impact on climate change, and as a result of preparing this report, we now also have a transparent and comprehensive understanding of the main climate-related financial risks. We have also now further embedded our existing mitigating activities and environmental management programmes across our core functions, policies and processes.

In this report, we have identified the main climate-related financial risks by reference to three core global warming scenarios: an 'Orderly Transition'

(1.5-2°C) warming, a 'Disorderly Transition' (1.5-3°C), and a 'Hot House World' (3-5°C). Key risks and opportunities have been identified by reference to these scenarios, and include those set out below. Later in the report we set out how we are mitigating and managing these risks. Later in the report we set out when those risks may manifest and how we are mitigating and managing these risks.

Predicting the financial impact of climate change on our business is not straightforward. There are of course risks, but there are also opportunities. We are focused on both. Our overall assessment is that the impacts of climate change are not likely to be material for our business in the short (0 to 2 years) to medium term (2 to 5 years), in part helped by the high level of mitigating actions and opportunities that are available.

In line with our ongoing commitment to honest and transparent reporting, our aim is to develop this disclosure year-on-year as we build on the granularity of our data and processes in line with the TCFD. Our goal is to ensure that this report remains meaningful and valuable to our stakeholders, enabling an engaging dialogue around climate change within the hospitality sector, including what can be done to mitigate the risks and maximise the opportunities we face.

We know that delivering on our commitments is a huge task, but it is one that is vitally important for our business and the battle against global climate change. By seeking to continually build our knowledge, working in the most impactful way and nurturing our strong partnerships with stakeholders and suppliers, we aspire to make a meaningful impact on our climate change journey.



Alison Brittain
Chief Executive
19 April



Transition risk

- Policy, regulatory and legal changes
- Technology shifts
- Changing market demand



Policy

-  Costs from climate legislation
-  Low carbon technology

Market

-  Less customer business travel
-  Severe weather



Buildings

-  Brand climate awareness
-  Brand and changing trends

Physical risk

- Acute: event driven, e.g. extreme weather; flood risk
- Chronic: longer-term shifts in climate patterns, e.g. sustained higher temperatures



Operations

-  Energy costs
-  Water costs/availability

Supply chain

-  Sourcing goods
-  Logistics problems

Buildings

-  Building costs
-  Building damage

Connected risk

- Second order risks arising from transition or physical risk impacts, e.g. economic or recessionary impacts

Policy

-  Recessionary impacts






TCFD recommendations and where our report addresses them

Whitbread PLC has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures **consistent with the TCFD recommendations and recommended disclosures**. This table outlines where in the body of the report the specific detail can be found in response to each recommendation.

Recommendation	Where we have covered the recommendation	Pages
Governance: Disclose the organisation's governance around climate-related risks and opportunities.		
Describe the board's oversight of climate-related risks and opportunities.	The Governance section describes the Board's oversight of climate-related issues including the frequency by which the Board and other forums meet to consider these issues; and how it considers and implements, and monitors progress against goals and targets.	20
Describe management's role in assessing and managing climate-related risks and opportunities.	The Governance and Risk Management sections describe management's role in the assessment and management of climate-related issues including assignment of climate-related responsibilities; the associated organisational structure(s); processes by which management is informed about climate-related issues; and how management monitors climate-related issues.	20-22
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	<p>The Strategy section sets out what Whitbread considers to be the relevant short, medium, and long-term time horizons, together with a description of the specific climate-related issues potentially arising and associated potential financial impact on the organisation. A description of the principal risks and opportunities is also set out in the Strategy section.</p> <p>The process(es) used to determine which risks and opportunities could have a material financial impact on the organisation are set out in the Risk Management section.</p>	5
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	<p>Within the Strategy section, Whitbread describes how climate-related issues serve as an input to its financial planning process, the time period(s) used, and how these risks and opportunities are prioritised.</p> <p>Climate-related scenarios were used to inform the strategy and financial planning, and such scenarios have been described in the Risk Management section.</p>	6-18
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	In the Strategy section, Whitbread has described how resilient its strategies are to climate-related risks and opportunities.	6-18
Describe the organisation's processes for identifying and assessing climate-related risks.	In the Risk Management section, Whitbread describes its risk management processes for identifying and assessing climate-related risks, including how it determines the relative significance of climate-related risks.	6-18



TCFD recommendations and where our report addresses them continued

Recommendation	Where we have covered the recommendation	Pages
Risk Management: Disclose how the organisation identifies, assesses, and manages climate-related risks.		
Describe the organisation's processes for managing climate-related risks.	In the Risk Management section, Whitbread describes its processes for managing climate-related risks, including how it makes decisions to mitigate, transfer, accept, or control those risks.	 23-26
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	In the Risk Management section, Whitbread sets out how its processes for identifying, assessing and managing climate-related risks are integrated into its overall risk management.	 23-26
Metrics & Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Within the Metrics & Targets section, Whitbread has disclosed the key metrics it uses to measure and manage climate-related risks and opportunities.	 27-30
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Within the Metrics & Targets section, Whitbread has provided its Scope 1, Scope 2 and Scope 3 GHG emissions and the related risks.	 27
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Within the Metrics & Targets section, Whitbread has described its key climate-related targets, in line with anticipated regulatory requirements, market constraints and/or other goals.	 27-30

Strategy

The **actual** and **potential impacts** of the principal climate-related risks and opportunities on Whitbread's business, strategy and financial planning

While changes associated with transition to a lower carbon economy present risks, they also create significant opportunities for those organisations that focus on climate change mitigation and adaptation solutions.

We believe that, alongside our detailed assessment and structured management of climate-related risks, we can make a significant contribution to tackling climate change and help accelerate transition to a low carbon economy. We have already committed to be net zero carbon by 2040.

How we assess future implications of potential climate change

To properly assess future implications of potential climate change, scenario analysis is extremely important. It is a key part of the TCFD's recommendation on strategy, guiding organisations to assess their resilience to climate-related issues under a range of uncertainties and future states of global warming.

We categorise climate risks into three types: transition risk; physical risk; and connected risk. Within each, we identify a number of factors arising from climate change which we monitor over the short (0 to 2 years), medium (2 to 5 years) and long term (over 5 years).

Transition risk

- Policy, regulatory and legal changes
- Technology shifts
- Changing market demand

Physical risk

- Acute: event driven, e.g. extreme weather; flood risk
- Chronic: longer-term shifts in climate patterns, e.g. sustained higher temperatures

Connected risk

- Second order risks arising from transition or physical risk impacts, e.g. recessionary pressure

When considering climate-related risks, Whitbread has categorised short, medium and long term to mean the following time frames:

Short term: 0 to 2 years

Medium term: 2 to 5 years

Long term: Over 5 years

Network for Greening the Financial System (NGFS)	Orderly Transition	Disorderly Transition	Hot House World
Approx. temperature increase	1.5-2°C	1.5-3°C	3-5°C+
Summary	Decisive global policy action is taken to limit global warming from early 2020s.	Policy measures are delayed until late 2020s/ early 2030s meaning increased costs, e.g. higher carbon prices.	No new policies are introduced, leading to increasing physical impacts.

Details as to how Whitbread identifies, assesses and manages climate-related risks are set out in the Risk Management section of the report.

Whitbread has identified the principal climate-related issues which have affected and will potentially affect our businesses, strategy and financial planning. This included assessment on the following areas:



Whitbread is aligned to the Network for Greening the Financial System (NGFS), a consortium of central

banks that have developed climate scenario analysis tools, including the Bank of England. While developed primarily for use by central banks and supervisors, NGFS recognises it is useful more broadly to the corporate community as a common starting point. Whitbread has analysed its risks using three NGFS reference scenarios, analysing risks across the Orderly Transition, Disorderly Transition and Hot House World scenarios. Whitbread has used each to identify principal risks over the short, medium and long term and, where it can, quantify such risks. As part of this process, Whitbread has assessed strategies which may be affected by climate-related risks and opportunities, how those strategies may change as a result and associated impact on financial performance.



On an annual basis, the Executive Committee sets out its five-year financial business plan for approval by the Board. As part of this, it utilises the Whitbread risk framework which sets out the material risks and opportunities, including those related to climate. This holistic picture of risk is therefore incorporated in the financial planning process. During annual financial planning and budget processes, the TCFD Steering Group will, going forward, feed in to formally include principal climate-related risks and opportunities into decision making processes.

Principal climate-related risks

The most material climate-related risks identified over a **short (0-2 years), medium (2-5 years) and long term (over 5 years)**



The following risks were identified as our most material climate-related risks over a short, medium and long-term time horizon. They were each assessed and analysed against the climate scenarios, with risk modelled wherever feasible, and our existing and planned mitigating activity was reviewed. We are working to enable financial quantification of overall climate-related risk representative of the business's position when both the quantified risk and opportunity are modelled.

The risk assessment and mitigating activity already in place has enabled us to review the resilience of our strategies and demonstrated that there is no immediate material concern but this will be continually reviewed, measured and reported on. Overall, in the short and medium term, we do not believe the impact of climate change will be material for our business.

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
 Physical risks			
Operations			
 Increase in energy costs, e.g. from heating and cooling due to changing temperatures and temperature extremes.	Acute/ Chronic	<p>Risk has been assessed through modelling energy-related variables using NGFS data for UK gas price and electricity price. For each NGFS variable, all available model outputs under the three climate scenarios were used to calculate mean and 1 projections from present-day to 2031 (to align with the existing financial model forecasting used by Whitbread). Where possible, projections of price were used and post-processed to provide year-on-year percentage increases in cost.</p> <p>Short medium and long term impacts: Whilst further work is required to more accurately quantify the risk impact, from our current assessment we believe that:</p> <p>(i) the most material impact for this risk will likely flow through in the medium term and long term Orderly Transition scenario;</p> <p>(ii) there is more limited risk in the short term Orderly Transition scenario, medium and long term Disorderly Transition scenarios; and</p> <p>(iii) there is minimal impact across remaining timeframes and scenarios.</p>	<p>We are trialling new technology to reduce energy usage to understand application and operating cost impacts. As part of our carbon reduction program we are continually trialling and rolling out technology to reduce energy usage, and under application and operating cost impacts. For example, in 2021 we added an energy saving additive to boilers across 400 of our restaurant sites with year-on-year savings in some sites already demonstrating 10% reduction on gas use over winter. We also installed 150 new energy efficient grills across 103 sites, which provided a 50% gas reduction in our chargrills.</p> <p>Work with suppliers continues on enhanced technology to reduce energy costs.</p> <p>Continue to construct energy efficient buildings (BREEAM Excellent or above). For example 45 sites were constructed to high environmental standards using proceeds from our Green Bond as outlined in our Green Bond Framework.</p> <p>Competitive increase in price where possible and/or an increase in accommodation sales.</p>

Principal climate-related risks

continued

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
<p> Physical risks</p> <p> Risk of increased cost of water/ reduced availability due to climate induced water scarcity.</p>	<p>Chronic</p>	<p>Risk has been assessed through modelling water demand variables using data from the UK Environment Agency.</p> <p>Water cost increases are included as part of inflation modelling across utilities, including through using NGFS data. Projections of water availability are not available. We have utilised the Environment Agency’s national-scale assessment of future water needs in the UK to support water availability projections. Additional water need was calculated as year-on-year percentage increases from 2020.</p> <p>Short medium and long term impacts: Whilst further work is required to more accurately quantify the risk impact, from our current assessment we believe that:</p> <p>(i) the most material impact for this risk will likely flow through in the long term Orderly Transition scenario;</p> <p>(ii) there is more limited risk in the short term for all of the scenarios (Orderly, Transition, Disorderly Transition and Hot House World).</p>	<p>A water stewardship strategy is planned for 22/23 roll out which will target high water stressed areas as determined by the Environment Agency.</p> <p>We continue to focus on operational efficiencies. In 2021, over 62000m³ water was saved through leak detection and fixing.</p> <p>Work with suppliers continues on enhanced technology to reduce water consumption.</p>



Principal climate-related risks

continued

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
Physical risks			
Supply chain			
<p>Challenges with sourcing goods and services potentially leading to increase in costs or reduced ability to operate at high standards. This is particularly true for agricultural items sourced from high-risk areas or if crops/ingredients are particularly susceptible to temperature variations and extremes. Climate change has potential to reduce crop yields.</p> <p>Potential for climate change to negatively affect livestock leading to scarcity or increased prices (due to increased prevalence of disease due to climate change, requirements to stop using land for livestock feed leading to increased prices). Similarly, higher welfare standards may lead to increased prices.</p>	<p>Acute</p>	<p>Risk has been assessed through modelling a basket of relevant crop-related variables using NGFS crop price data.</p> <p>Short medium and long term impacts: Whilst further work is required to more accurately quantify the risk impact, from our current assessment we believe that:</p> <p>(i) the most material impact for this risk will likely flow through in the long term Orderly Transition scenario;</p> <p>(ii) there is more limited risk in the medium term Orderly Transition scenario and long term Disorderly Transition scenario;</p> <p>(iii) there is minimal impact across the short term Orderly Transition scenario and the short term and medium term Disorderly Transition scenario; and</p> <p>(i) there is no impact in the short medium and long term under the Hot House World scenario.</p>	<p>We source our key commodities to internationally recognised sustainability standards. Our Annual Report sets out progress against our responsible sourcing target which includes sourcing of key commodities (including cotton, timber, palm oil, fish, beef) to internationally recognised sustainability accreditations.</p> <p>Potential for further mitigation could include strategic review to include: localised sourcing; menu development/re-design; and potential increase in price to mitigate food and beverage inflation.</p> <p>Sustainable and healthy menu strategy is being developed during 2022. Our Food Safety and Integrity Steering Board is overseeing development and roll out.</p> <p>We believe a greater sustainability position in industry will drive more customers who prioritise sustainability credentials (both business and leisure), particularly as businesses focus on Scope 3 targets.</p>

Principal climate-related risks

continued

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
 Physical risks			
Buildings			
 <p>Risk of increased building/equipment costs due to higher specification requirements, e.g. increased cost/complexity/time frames involved in the planning process such as BREEAM requirement for Excellent, zero emissions at point of use legislation for new space being introduced (e.g. no gas, no F-gas), biodiversity requirements.</p>	<p>Chronic</p>	<p>We have been unable to fully assess the impact of this risk due to the uncertain nature of the risk, even in the short term due to uncertainty of future legislative changes which will drive impact here.</p> <p>In respect of the remaining risks, we have ascertained that risk can be assessed by modelling cement and steel-related variables as a proxy for changes to construction costs.</p> <p>In addition, construction materials availability as a function of the global production rate of materials is considered.</p> <p>Development to BREEAM Excellent standards or above is already embedded – we are unable to calculate medium and long-term impacts at this time due to uncertainty on future legislative requirements which will drive impacts here.</p>	<p>Development to BREEAM Excellent standards or above is already embedded within our policies and systems. 45 sites were constructed to high environmental standards using proceeds from our Green Bond as outlined in our Green Bond Framework.</p> <p>We monitor and will continue to monitor through our subject matter experts (internal and external) emerging regulations to proactively react and work with suppliers to benefit from scale and technological innovation.</p>

Principal climate-related risks

continued

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
<div data-bbox="626 277 1052 333"> Physical risks </div>			
<div data-bbox="626 352 803 395"> Buildings </div>			
<div data-bbox="626 408 719 493"> </div> <p data-bbox="743 399 1329 771"> Physical damage to owned buildings due to increased frequency and intensity of extreme weather leading to increased maintenance costs, delays in repairs and in the worst-case scenario leading to inability to operate business, e.g. after a flood, frozen pipes bursting leading to water supply disruption. </p>	<p data-bbox="1336 399 1529 484"> Acute/ Chronic </p>	<p data-bbox="1536 399 2329 574"> Risk has been assessed by modelling flood damages using data from the IPCC (2019) Special Report on the Ocean and Cryosphere in a Changing Climate and UKCP18 (2018) Land Projections: Science Report. </p> <p data-bbox="1536 602 2329 733"> When we quantify, we will consider both the capital cost to repair from flood damage and loss of earnings due to site closures. </p> <p data-bbox="1536 761 2329 892"> Short medium and long term impacts: Whilst further work is required to more accurately quantify the risk impact, from our current assessment we believe that: </p> <p data-bbox="1536 921 2329 1095"> (i) the most material impact for this risk will likely flow through in the long term under each of the Orderly Transition, Disorderly Transition and Hot House World scenarios; and </p> <p data-bbox="1536 1123 2329 1255"> (ii) there is more limited risk in the short and medium term in each of the Orderly Transition, Disorderly Transition and Hot House World scenarios. </p>	<p data-bbox="2335 399 3245 530"> An insurance review of associated flood damage risk is reflected in our financial planning and network plan, and is part of climate change risk in our risk register. </p> <p data-bbox="2335 559 3245 643"> Network plan picks up particular flood risks, so we avoid building new hotels in high-risk areas. </p> <p data-bbox="2335 671 3245 846"> Insurer relationships are maintained and enhanced; construction is undertaken with flood defences being put in place where relevant, both before damage occurs or adding flood defences after flooding incidents as required. </p> <p data-bbox="2335 874 3245 958"> Work with suppliers continues on enhanced technology to mitigate physical damage risk. </p> <p data-bbox="2335 986 3245 1071"> We have enhanced and will continue to enhance proactive and reactive maintenance from supplier base. </p>

Principal climate-related risks

continued

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
Physical risks			
Supply chain			
Logistics problems for goods/manufacturing materials in supply chain which are unavailable or delayed as a result of climate impacts leading to increase in costs or reduced ability to operate at high standards.	Acute	Transport cost-related variables have been modelled using NGFS data to provide a proxy for increased supply chain costs. Short medium and long term impacts: Whilst further work is required to more accurately quantify the risk impact, from our current assessment we believe that: (i) the most material impact for this risk will likely flow through in the medium and long term under the Orderly Transition scenario; and (ii) there is more limited risk in the short term Orderly Transition scenario and the short term, medium term and long term Disorderly Transition scenario; and (iii) risk is minimal in the short, medium and long term under the Hot House World scenario.	We have explored and continue to explore alternative supply chain options such as sea freight and rail. We will work on developing climate risk views into supply chain planning and supplier locations. We will continue to review changes in sourcing location including localised sourcing.

Principal climate-related risks

continued

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
Transition risks			
Policy			
New and emerging climate legislation which increases costs around energy, waste reduction and packaging, including greater requirement for recycling.	Policy	GHG regulation increased energy costs are currently modelled in Carbon Disclosure Project (CDP) 2021. Short term impacts, with medium and long term impacts not calculable: Further work is required to more accurately quantify the risk impact. From our current assessment we believe that impact is minimal in the short term for each of the Orderly Transition, Disorderly Transition and Hot House World scenarios. We are unable to calculate medium and long term impacts at this time for each of the Orderly Transition, Disorderly Transition and Hot House World scenarios due to uncertainty on future legislative requirements which will drive impacts here.	Whitbread will continue to monitor regulations in the countries in which it operates. We undertake periodic materiality assessments to ensure our programme proactively addresses key issues and emerging trends. Our most recent materiality assessment including methodology and concluding matrix is included in our ESG report. Materiality assessment ensures our programme proactively addresses key issues and emerging trends. We monitor, and will continue to monitor through our subject matter experts (internal and external), climate related legislation to proactively react and work with suppliers to benefit from scale and technological innovation.

Principal climate-related risks

continued

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
Transition risks			
Policy			
Risk that hotels are required to invest more in low carbon technologies (e.g. new boilers, targets for efficient buildings, new cooking systems, remove F-gas when doing a refurbishment, resilience measures etc.).	Policy	<p>Expenditure costs are modelled with assumptions made about the need to replace gas boilers with electric boilers and to replace gas cooking equipment with electric equivalents. Models assumed replacement in line with requirements under Whitbread's net zero carbon emissions target by 2040.</p> <p>Medium and long term impacts: Whilst further work is required to more accurately quantify the risk impact, from our current assessment we believe that:</p> <p>(i) impacts are minimal and limited to the medium term and long term of each of the Orderly Transition and Disorderly Transition scenarios;</p> <p>(ii) there is no impact in the short term for each of the Orderly Transition, Disorderly Transition and Hot House World scenarios, and no impact in the medium term and long terms under the Hot House World scenario.</p>	<p>As above.</p> <p>Our net zero carbon programme 'including energy efficiency, new technology roll out and removal of gas from our business addresses this proactively in line with our SBTi committed target, ahead of the UK government's target of net zero carbon by 2050.</p> <p>There is potential for lower servicing costs from electric replacements as we move away from gas boilers.</p> <p>We undertake ongoing monitoring of climate-related legislation to proactively react and work with suppliers to benefit from scale and technological innovation.</p>
Market			
Less consumer business travel/in-person conferences due to increased use of videoconferencing and desire by businesses to reduce carbon emissions associated with travel.	Market	<p>We have been unable to fully assess the impact of this risk due to the uncertain nature of the risk, even in the short term due to uncertainty of developing changes in business travel patterns.</p> <p>To assess risk, we have and continue to track developments in business and leisure travel noting risks and significant opportunities in this area.</p>	<p>Mitigations will include enhancing our B2B experience, ensuring our Force for Good programme positions us as leading our sector from a sustainability perspective (also see opportunities table below).</p> <p>We can also enhance multiple night stay proposition to reduce carbon emissions and our leisure proposition to continue to offset impact of residual B2B impacts.</p> <p>Greater sustainability position in industry will drive more customers who prioritise sustainability credentials (both business and leisure), particularly as businesses focus on Scope 3 targets.</p>



Principal climate-related risks

continued

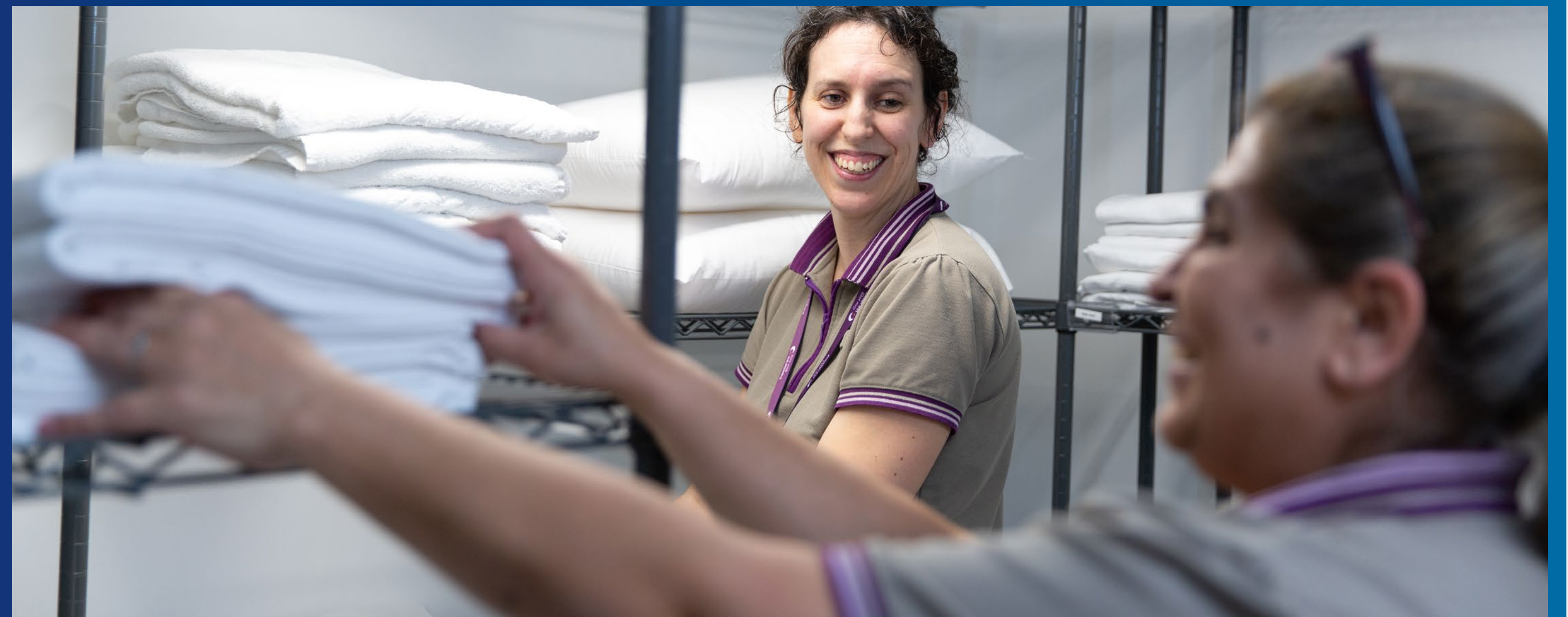
Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
Transition risks			
Policy			
Severe weather impacting guest visits/stays leading to cancellations.	Market	<p>This was not modelled this year as quantification is not possible at this stage. We continue to work on trying to quantify this. For this year Whitbread has focused on the impact of physical damage linked to climate change on its hotels.</p> <p>We believe this risk could be assessed in the future by reviewing the impact of physical damage linked to climate change on our hotels. We will continue to review this to identify a means for measurement.</p>	<p>Product ranges to drive postponed trips rather than cancellations.</p>
Reputation			
Risk brand is not aligned with increased awareness of climate impacts. For example our Beefeater brand's core product is associated with high carbon emissions.	Reputation	<p>This was not modelled this year as quantification is not possible at this stage. We continue to work on trying to quantify this.</p> <p>We continue to review ways of assessing and quantifying this risk.</p>	<p>This has and will continue to be mitigated through some diversification of menus introducing vegetarian and vegan options, marketing review of customer trends and through ensuring our beef supply chain is sourced responsibly with possible review of localised sourcing to reduce emissions impact of supply chain.</p> <p>Our Scope 3 carbon reduction target will also support the mitigation of this impact as we move to reduce wider carbon emissions of our supply chain.</p> <p>Potential rebrand to reflect climate awareness.</p>
Risk that our brands fail to align with changing trends. For example: vegetarian/vegan food preferences, preference for locally sourced food, sustainable management.	Reputation	<p>This was not modelled this year as quantification is not possible at this stage. We continue to work on trying to quantify this.</p> <p>We continue to review ways of assessing and quantifying this risk.</p>	<p>We undertake regular review of external trends and customer preference through insights, marketing and materiality analyses which feed into our sustainability strategy.</p> <p>Potential rebrand to reflect climate awareness.</p>

Principal climate-related risks

continued

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
<p> Connected risks</p>			
<p>Policy</p>			
<p> Recessionary impacts arising from the impact of climate change.</p>	<p>Market</p>	<p>This was not modelled this year as quantification is not possible at this stage. We continue to work on trying to quantify this.</p> <p>We continue to review ways of assessing and quantifying this risk.</p>	<p>Whitbread's commercial team has a track record of successfully navigating recessionary impacts, mitigating overall impact on Whitbread.</p> <p>Whitbread's scale and financial strength supports navigation through recessionary periods better than more fragmented competition and scale of supply chain also brings benefits to preserve commercial proposition.</p> <p>Sustainability position key differentiator against competitors, and preserved during recessionary and recovery periods due to committed targets.</p>

The risk assessment and mitigating activity already in place has enabled us to review the resilience of our strategies and demonstrated that there is no immediate material concern but this will be continually reviewed, measured and reported on through our governance structure as detailed in the Governance section of this report. Overall, in the short and medium term, on the basis of our current assessments we do not believe the impact of climate change will be material for our business.



Principal climate-related opportunities

Whitbread has been actively and successfully engaged in climate initiatives for a number of years. Our programme is now **integrated and embedded** into our organisation so that acting sustainably and responsibly is just part of how we operate. This has included:

We also recognise the transitional opportunity that comes with the changing market demand as guests, customers and also employees begin to place more value on a company's sustainability performance. We are working to position our sustainability credentials more centrally within the brand proposition in the coming year in recognition of this opportunity.

Whitbread has identified principal climate change opportunities but is working on quantifying and further exploring the financial benefits associated with these opportunities (listed in the table on the following pages). In some cases we believe they will fully or partially mitigate the risks identified.



The issuance of a £550m Green Bond to finance and/or refinance, in whole or in part, eligible Green Projects. This includes construction, operation and sustainable procurement. The green nature of the bonds and oversubscription demonstrated the demand for and pricing advantage of a robust green programme.



Contracting building standards to align with strong sustainability credentials through BREEAM standards (Excellent and above), Leadership in Energy and Environmental Design (LEED) (Platinum or above) and Energy Performance Certificate (EPC) (B or above). Building management acts as a lever to unlock sustainability credentials and performance of our estate.



Trialling new technology to support meeting our carbon targets, and fulfilling efficiency gains leading to lower cost of operation, e.g. creating the first battery powered hotel in Edinburgh and installing air source heat pumps in over 50 of our hotels.



Purchasing 100% renewable electricity across our estate.



Rolling out an extensive efficiency programme across our hotels and restaurants.



Sourcing our products to internationally recognised sustainability standards (including The Roundtable on Sustainable Palm Oil (RSPO) for palm oil, Marine Stewardship Council (MSC) for fish, Better Cotton Initiative (BCI) for cotton, Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) for timber), mitigating the risk of reputational damage through poor practice while also securing sustainable supply..

Principal climate-related opportunities continued

Opportunity description	Contextualisation	Current initiatives and future enablers
Market Increase in non-business customers who are choosing to holiday locally, either because of climate concerns or because of increased costs associated with overseas travel.	Short, medium and long term opportunity: Continued increase in consumer 'staycation' trend. 55% of consumers planning a domestic holiday in 2022 and 67% concerned or very concerned about travel impact on climate change. ¹	Dynamic marketing strategy in place and will continue to be in place responds to changes in customer demand (Rest Easy campaign).
Ability to capitalise on trend towards veganism/vegetarianism by further expanding menu options to cater to this growing segment of the market.	Short, medium and long term opportunity: Continued increase in number of vegan consumers; 350,000 consumers signed up to 'Veganuary' in 2020, up from 250,000 in 2019. (According to VeganuaryUK). ²	Inclusive menu development continues in order to cater for all customer needs. Proportion of burgers sold are meat free. Potential rebrand to reflect climate awareness.
Attract more customers who are focused on climate change - align brand proposition to climate friendly offering to maintain and grow market share, e.g. 'net negative carbon rooms', 'net negative carbon beds', eco-friendly hotels etc. Travel Management Companies and Corporates are increasingly asking about climate change programmes including to support their own Scope 3 targets.	Short, medium and long term opportunity: 81% of travellers surveyed in Booking.com's Sustainable Travel Report 2021 claimed they want to stay in sustainable accommodation in the coming year, with research showing this to be an increasing consumer trend year on year. ³	We are working to position our sustainability credentials more centrally within the brand proposition. As part of this we are working on embedding sustainability progress and messages with B2B marketing and embedding within core brand marketing campaigns.
Opportunity to utilise enhanced position within the market due to quality and sustainability position to mitigate against higher operating costs.	Short, medium and long term opportunity: Whitbread has a leading science-based carbon intensity reduction target of net zero carbon by 2040. It has combined responsible sourcing with award-winning hotels and leading restaurant brands.	We are working to position our sustainability credentials more centrally within the brand proposition. As part of this we are working on embedding sustainability messaging and progress with our guests as guests increasingly look for high-quality sustainable stays.
Addition of electric vehicle (EV) charging points in car parks to attract more customers and increase on-site renewable energy generation capacity, both of which have potential to generate additional revenue.	Short, medium and long term opportunity: Whitbread receives rental income for each site with a charging point. Its large network of sites with car parking will enhance network recognition and bring further revenue opportunities.	Whitbread has 10 EV chargers in place (to end of Jan 2022) with an agreement to roll out an additional 270 in total over the next 2 years for sites with over 50 parking spaces. Whitbread continues to review further opportunities to enhance EV charging across its estate.

1 Travel Weekly Insight Annual Report (produced in association with Deloitte) 21/22
www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-travel-weekly-insight-annual-report-2021-22.pdf#page=1

2 www.economist.com/graphic-detail/2020/01/29/interest-in-veganism-is-surging

3 https://5bf1d946-e0b5-464d-82d0-45068b566389.usrfiles.com/ugd/5bf1d9_e7b24b53f6df44a2b8532854af292c18.pdf

Principal climate-related opportunities continued

Opportunity description	Contextualisation	Current initiatives and future enablers
Operations		
Cost reduction by investing in low carbon technologies and energy efficiency/implementing energy saving measures.	Short, medium and long term opportunity: Energy efficiency programmes deliver reduction in both carbon and energy bill.	Scope 1 and 2 carbon reduction programme to net zero.
Attract and retain staff by being seen as a sustainability leader.	Short, medium and long term opportunity: Recent employee survey results indicate that Whitbread being a Force for Good is important to over 90% of respondents.	We are working to position our sustainability credentials more centrally within the brand proposition. As part of this we are working on embedding sustainability messaging and progress with the recruitment brand team.
Opportunity to use scale to drive suppliers to sustainability at scale.	Short, medium and long term opportunity: Whitbread has significant scale with over 1,200 Premier Inn hotels and restaurants across the UK, and serving over 5m customers every month.	Whitbread has a track record of working with suppliers to drive sustainability and innovation, and operate with enhanced efficiencies.
Reputation		
Opportunity to source local food and other input materials, which may have a positive marketing benefit and be viewed favourably by customers.	Short, medium and long term opportunity: 30% of consumers would be prepared to pay more to stay with a hotel brand that minimises CO ₂ emissions.	We are working to position our sustainability credentials more centrally within the brand proposition. As part of this we are working on embedding sustainability progress and messages with B2B marketing and embedding within core brand marketing campaigns.

Resilience of strategies

The TCFD disclosure process has provided Whitbread with further opportunities to test the robustness of its climate change strategies with extensive cross functional input and evolve, identifying the potential impacts of climate-related issues on financial performance and financial position, and continue to monitor the same as part of its governance structure to ensure the strategies remain resilient. Please see the Governance section for further details. Through this process Whitbread believes that it is well placed to manage the risks associated with

the transition to a low carbon economy and to take advantage of the significant opportunities it creates.

Whitbread, though has a good understanding of climate-related risks in each scenario, in particular the transition to a lower carbon economy consistent with a 2°C or lower scenario (Orderly Transition), and with our approach to risk management continuing to identify new and emerging risks within our risk management framework (as set out in the Risk Management section), we believe those strategies are resilient and can therefore be delivered. With the structure adopted, required changes

can be readily identified as circumstances, technology or knowledge change. Mitigants have already been identified and this will in some cases require a change in strategy as and when those mitigants need to come into effect. Where required, strategies have already been adapted to ensure resilience.

Governance

Embedding climate change in our governance structure – **how Whitbread identifies, assesses and manages climate-related risks and opportunities**

Effective corporate governance is critical to executing our strategy and delivering for all of our stakeholders. Whitbread’s governance of climate and sustainability-related matters reflects our commitment to strong leadership and oversight at the senior management and Board of Directors levels, and ensuring that there are strategies in place which are resilient to climate related risks.

Governance structure

Governance of climate and sustainability-related matters is overseen by the Whitbread PLC Board (the ‘Board’) and is embedded throughout the organisation at multiple levels helping ensure that responsibility for delivery sits where it makes the most difference.

Governance structure

Whitbread PLC Board

- Ultimate decision making body sets strategy, approves targets
- Audit Committee aids Board in overseeing risks including ESG risks, with a focus on the risk process and the control environment
- Nomination Committee ensures the Board composition has the necessary balance of skills, knowledge and experience including those related to ESG issues
- Remuneration Committee aids the Board in ensuring that ESG is appropriately reflected

Executive Committee

- Whitbread’s day-to-day leadership team; oversees sustainability delivery
- General Counsel is accountable for sustainability

Corporate Sustainability Team

- Sets the strategy and oversees the incorporation of sustainability into Whitbread’s business practices
- Ensures that through the business lines climate change risk is tracked and tested, to ensure strategies remain resilient to climate change
- Collects and reports on ESG and climate-related disclosures, working closely with relevant departments across the business

TCFD Steering Group

- Cross-functional senior representation
- Provides oversight and drives implementation of the TCFD recommendations and wider climate strategy
- Development of climate risk governance, stress testing methodologies and carbon modelling

Delivery throughout all the business lines – making the most difference

HR and Reward

- Oversight of people strategy
- Assessment for reward

Internal Audit

- Monitors and reports to Audit Committee on risks including climate risk

Finance

- Sustainable Finance Committee
- Financial targets

Sustainability

- ESG direction and support
- Delivery, reporting and assurance of targets

Property & Construction and Repairs & Maintenance

- Green buildings

Procurement

- Renewable energy
- Gas
- Supplier innovation
- Scope 3

Supply Chain

- Logistic, climate and sustainability considerations
- Scope 3

Operations

- Site energy management
- Scope 1 and 2

Network Planning

- Location, climate and sustainability considerations

Governance continued

Board oversight of climate-related issues

Whitbread PLC Board

The primary objective of the Board is to create and maintain the long-term prosperity of the Group for the benefit of all its stakeholders. The Board sets the strategic direction and risk appetite of the Group and is the ultimate decision making body for matters of strategic, financial, regulatory and/or reputational significance. This includes oversight of ESG matters and ensuring that strategies are resilient to climate related risk.

Sustainability, including climate-related issues, is an important consideration for the Board when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets and business plans as well as setting the organisation's performance objectives. Sustainability is included in the objectives of senior management.

The Board holds eight scheduled meetings per year during which the Board's committees also meet. At each meeting, the General Counsel delivers an update to the Board, including, where relevant, progress against goals and targets for addressing climate-related issues. Key developments are also highlighted for discussion at upcoming Board meetings. The Board receives periodic presentations on the sustainability strategy of the Group, approves the key targets which have been set and monitors performance against those targets.

The Audit Committee

The Audit Committee monitors and recommends Whitbread's controls and financial, operational and legal risk appetite. It also oversees conduct and compliance. Sustainability, including climate-related issues, is an important component of this.

In FY22, the Audit Committee received presentations on and discussed regulatory risk relating to sustainability and the integration of ESG factors into the Company's risk management processes. ESG was included in the Group risk management process, formally reviewed twice each year by the Audit Committee at full year and half year end.

The Audit Committee is also responsible for reviewing and approving this TCFD report, and for reviewing the process of assurance over the financial and non-financial information disclosures in respect of ESG.

The Nomination Committee

The Nomination Committee ensures that the Board composition reflects the necessary balance of skills, knowledge and experience including those relevant for ESG matters. Six out of ten Directors have ESG experience. Experience of managing ESG issues is now one of our Board member considerations.

The Remuneration Committee

The Remuneration Committee ensures that ESG is adequately reflected and monitors performance of senior management against these key performance indicators (KPIs).

ESG has been part of our incentive programme for some time, and in 2021 featured as part of the CEO's (and others') strategic growth objectives, and part of the annual incentive scheme for other Whitbread employees. ESG measures can be incentivised both through individual objectives and through the Whitbread WINcard (Whitbread In Numbers - a balanced scorecard to measure progress against key performance targets). The WINcard applies to all Whitbread employees, thereby ensuring a focus on specified ESG matters throughout the Company and has historically focused on energy reduction targets. The WINcard for FY23 includes KPIs related to Whitbread's carbon reduction target from both an operational level and support centre level. The new remuneration policy to be voted on by shareholders of the AGM in June, is structured so that 10% of Annual Incentive Scheme 'entitlement' is set aside for ESG matters. They will be a mix of Force for Good targets (carbon and Diversity and Inclusion related) and team and customer measures.

Management oversight and functional groups

The Executive Committee

The Executive Committee is Whitbread's day-to-day leadership body and is accountable to the Board. These meetings are attended by the Whitbread CEO, General Counsel, MD Premier Inn and Restaurants UK and Global Commercial Director, MD UK Hotels and Restaurants, Group Operations Director, Chief Financial Officer, Chief People Officer and MD International and Property.

It meets on a fortnightly basis and is chaired by Whitbread's CEO, Alison Brittain. It has authority to manage the day-to-day operations of the Group's businesses, with the exception of those matters reserved for the Board, within the financial limits set by the Board. The Committee's responsibilities include formulation of strategy for recommendation to the Board; ensuring those strategies remain resilient to climate related risks; risk management; and sustainability.

Sustainability, including climate-related issues, is an important component of the role of the Executive Committee, including when formulating, implementing and monitoring strategy (including resilience to climate related risks), major plans of action, risk management policies, annual budgets and business plans as well as setting the organisation's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions and divestitures.

Governance continued

Sustainability is included in the objectives of senior management, over which the Board has oversight.

Chris Vaughan, General Counsel, is a member of the Executive Committee and has responsibility for the Group's sustainability programme, Force for Good. The Corporate Sustainability Team (below) reports into the General Counsel ensuring accurate and timely monitoring of climate-related issues.

The Executive Committee's meetings include a review of climate strategy and progress against stated targets. This review forms part of the General Counsel's report to the Board on sustainability matters.

Each year, a materiality assessment is completed across Whitbread's businesses, and key external trends affecting those businesses are identified. The climate strategy is then revised and proposed to the Executive Committee, together with goals and targets, designed to deliver progress against the strategy, together with the action plans to deliver on these strategies. This is reflected in financial planning. Outside of this cycle, periodic updates are provided to the Executive Committee, and specific issues discussed as required including to ensure strategies are resilient to climate related risks. In 2021, the net zero target for Scope 1 and 2 emissions was brought forward by ten years, Scope 3 targets were set, each in line with 1.5°C of global warming, and a plan has been approved to deliver against those targets.

The Corporate Sustainability Team

The Corporate Sustainability Team is led by the Head of Sustainability, Rosana Elias, and is responsible for setting the overarching sustainability strategy, designing the framework to deliver our ESG programme, embedding processes across the business where it can make the most difference and supporting internal stakeholders to deliver against these targets. Whitbread's sustainability strategy covers a wide range of issues and delivers against stretching targets. Responsibility for delivery against those targets is managed day to day by the departments most aligned with the core impact measures.

The team oversees efforts across the business to incorporate sustainability into Whitbread's business practices and the recommendation of environmental sustainability objectives and strategy to the Executive Committee. The team also oversees the development of Whitbread's corporate sustainability disclosures, including this TCFD report, and monitors climate-related issues.

The Head of Sustainability reports directly to the General Counsel, forming part of the Whitbread governance structure ensuring consistency with how we apply our climate programme across the individual brands and ensuring accurate and timely monitoring of climate-related issues. The Head of Sustainability presents directly to the Board on the Force for Good programme, including climate targets and plans, and meets regularly with the CEO and other business leaders. The Head of Sustainability also advises on the development of climate risk governance, stress testing methodologies and carbon modelling.

Environment

Delivered by central team

- Property team leads on the energy efficiency and environmental performance of our estate, including construction to BREEAM Excellent and above standards
- Property team also manages our energy efficiency and carbon reduction delivery programmes as well as our water and waste management (supported by core sustainability team)
- Operation and restaurant teams manage the food waste reduction programme

Sourcing and supply chain

Delivered by Procurement

- Core sustainability team manages the sustainability strategy and policy for suppliers (including human rights, environmental impact, packaging and carbon reduction)
- Procurement and supply chain oversees the day-to-day management and implementation of those policies and strategies
- Material commodities (including cotton, meat, palm oil and timber) are sourced to internationally recognised sustainable certification standards

Charity fundraising

Delivered by the line

- Team members and operational managers are responsible for the day-to-day fundraising activity
- Whitbread has a Raise and Match scheme to bolster and support site-level fundraising
- Our customers support fundraising goals through booking platforms and site-level payments, e.g. Pennies

Social programmes

Delivered by HR

- HR department is responsible for the Opportunity pillar of Whitbread's Force for Good programme which covers, amongst other focus areas:
 - Training and development including apprenticeships
 - Wellbeing
 - Diversity and Inclusion

Governance continued

TCFD Steering Group

This group is chaired by the Head of Sustainability with representation across various functions in the business. It provides oversight and drives implementation of the TCFD recommendations and wider climate strategy. Outputs form part of the Head of Sustainability's reporting into the General Counsel of climate-related issues.

The Steering Group has established a number of working groups to identify risks and opportunities associated with climate change, and perform climate scenario analysis in line with the TCFD recommendations. These groups will also oversee the development and implementation of required mitigating activities and planning against those risks and opportunities.

Risk Working Group

The Risk Working Group supports the Executive Committee through reviewing the approach to the identification and assessment of the emerging and principal risks facing the Group, including climate-related risks, and reporting on the approved position. The General Counsel and Head of Sustainability are members of this group. The Operation Risk Committee also reports into this group.

Functional delivery of our sustainability programmes

Responsibility for delivering Whitbread's sustainability strategy is also embedded into functions across Whitbread. Whitbread sustainability targets and requirements are embedded through clear and timely communications across relevant business functions as outlined in the following table, and the involvement of the Corporate Sustainability Team. This ensures that responsibility for delivering our sustainability strategy is in the parts of the organisation which can make the most difference.

HR and Rewards	Sustainability and climate-related issues form part of reward and assessment within Whitbread. The HR and Rewards functions work with the Corporate Sustainability Team to ensure that the Board's strategy in this area is translated into clear and measurable targets.
Finance department	Has a Sustainable Finance Committee which is chaired by the Chief Financial Officer. Other members of this Committee will be the General Counsel, the Group Commercial Director and MD Premier Inn and Restaurants UK, and the Group Operations Director. The Committee is supported by members of the Sustainability team, the Finance team, the Property & Construction team and the Procurement team, as appropriate. The Committee meets not less than every six months and is responsible for overseeing the management and allocation of funds associated with Whitbread's Green Bond. The Finance department also sets financial targets which reflect the implementation of climate-related initiatives including energy efficiency measures and approves and sponsors capital expenditure to reduce energy consumption.
Procurement team	Has responsibility for procuring gas and renewable energy. It engages with suppliers on innovation to address efficiencies and climate change issues, e.g. more efficient grills in our restaurants driving down both emissions and cost. It works closely with the Corporate Sustainability Team to address Scope 3 targets and ensure sustainability requirements in tendering and purchasing are set, monitored and addressed.
Supply Chain team	Is responsible for procuring and managing logistics, engaging with suppliers on innovation to address efficiencies and climate change issues. It works closely with the Procurement team and Corporate Sustainability Team to address Scope 3 targets and ensure sustainability requirements in tendering and purchasing are set, monitored and addressed.
Operations team	Covers day-to-day operations throughout our hotel and restaurant portfolio. It is responsible for energy management in sites, operating the energy efficient measures put in place by other teams and developing on further energy saving measures.
Construction team	Manages a broad range of construction issues, including sustainability compliance and opportunities both in new builds and refurbishments, including 'green builds' designed to increase energy efficiency.
Repairs & Maintenance team	Is responsible for keeping our estate in good condition. Sustainability compliance and opportunities are a key element to ensure maximum energy efficiency and sponsors the capital expenditure for energy efficiency projects.
Internal Audit	Monitors risk including climate-related risks, reporting into the Audit Committee.
Network Planning	Looks at the hotel network plan to ensure we have hotels in the right locations in consideration of a number of factors including climate change impacts, such as flood risks.
Food Safety & Integrity Steering Board	Looks at sustainable menu strategy as well as other core elements of food safety and integrity.

Risk Management

The processes Whitbread uses to **identify, assess** and **manage** climate-related risks and opportunities

Climate risk management framework

Whitbread recognises the importance of effective identification, assessment and management of climate-related risks and opportunities.

Whitbread deals with risk on a daily basis. The ability to identify, understand and manage risk has always been critical to Whitbread's long-term strength and stability.

Whitbread's risk management framework sets out:

(i) the processes we have in place to identify and assess climate-related risks;

(ii) how we monitor and manage those climate-related risks; and

(iii) how these processes are integrated into Whitbread's overall risk management.

The processes we have in place to identify and assess climate-related risks

Climate-related risks, along with other risks associated with our core sustainability strategy, are monitored and managed through the sustainability risk register. The risk register identifies both inherent risk and residual risk levels whilst considering any mitigating activity that is in place across the business. Each risk is allocated a clear business owner who, together with the Head of Sustainability, works to ensure existing mitigating activity is maintained. Progress is monitored and reported to the internal audit team on a regular basis. The potential for further mitigation and responses to opportunities emerging from each risk are also identified by both the risk owner and Head of Sustainability and are then built into annual objectives and strategy.

The Sustainability team considers existing and emerging climate change regulatory requirements, using both the team's expertise and external advisers.

In 2021 Whitbread performed a detailed climate change risk and opportunity analysis, supported by external climate change experts, SLR-Corporate Citizenship. Internal workshops were organised with key stakeholders to identify climate risks and opportunities, including the potential size and scope of these.

Scores of likelihood versus impact were attributed to each risk, then reviewed and re-scored by external climate change experts. Short, medium and long-term horizons were also considered. This produced a list of the principal risks to the business, which are included within the Strategy section of this report.

Climate scenario analysis of key risks

Climate scenario analysis is a useful tool for informing strategy and planning in response to potential impacts from climate-related risks, as well as supporting financial planning under different climate futures.

Scenario analysis relies on pre-defining a range of plausible future pathways that are driven by climate-related physical and socioeconomic impacts. As the range of potential future scenarios is almost infinite, it is important to align scenario development with industry standards and best practice. To support our decision making in the context of a changing climate, Whitbread undertook a climate scenario analysis exercise aligned to the TCFD recommendations and also aligning to a set of reference climate scenarios defined by the NGFS. The NGFS is a network of over 100 central banks (including the Bank of England) and supervisors, covering all major economies, offering best practice guidance for climate risk management in the financial sector. NGFS also recognises that while developed primarily for use by central banks and supervisors they may also be useful to the broader financial, academic and corporate communities.

The climate scenario analysis approach taken by Whitbread followed a five-stage process:

Stage 1

Define three climate scenarios that provide a range of plausible and relevant climate futures.

Stage 2

Develop projections of key climate-related variables under the three climate scenarios.

Stage 3

Compare projections of the key climate-related variables against real world observations to track the most probable climate future and inform decision making.

Stage 4

Use a shortlist of most material risks to identify and model projections of key socioeconomic variables relevant to the business.

Stage 5

Incorporate modelled projections of key socioeconomic variables into the Company's forward-looking financial model to model the financial impacts of climate change on the business against the different scenarios and timelines.

Risk Management continued

Stage 1

The three climate scenarios considered by Whitbread were developed from the NGFS scenarios framework.

The first scenario (Orderly Transition): taken from the set of Orderly Transition NGFS scenarios and represents a rapid and orderly transition towards a low carbon global economy (Net Zero 2050), with warming limited to 1.5°C through stringent climate policy action and innovation.

The second scenario (Disorderly Transition): an amalgamation of the two NGFS sub-scenarios (Divergent Net Zero and Delayed Transition) and represents delayed and/or inconsistent uptake of climate policy action across sectors, followed by aggressive emissions reduction strategies after 2030. By amalgamating the two sub-scenarios in this central scenario, it was possible to reduce the assumptions being made about future climate pathways.

The third scenario (Hot House World): is taken from the set of Hot House World NGFS scenarios where only currently implemented policies are preserved, leading to high warming of 3°C or more by the end of the century.

Stage 2

To help assess which climate scenario is most probable, a subset of climate variables was selected to explore which climate scenario present-day observations most closely correlated with. Variables considered were the concentrations of the greenhouse gases carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O), global CO₂ emissions, and global mean temperature, which together capture the key drivers of global warming. Projections of each variable were modelled under the three defined climate scenarios using the range of integrated assessment models available under the NGFS framework (Bertram et al., 2021).

Stage 3

Modelled ranges of the climate variables were compared against present-day observations (either 2019 or 2020 depending on data availability) of each variable taken from climate science sources (World Meteorological Organization, Met Office, National Oceanic and Atmospheric Administration, Global Carbon Project) to estimate which climate scenario was most probable. Currently, CO₂ emissions and CO₂ concentrations are tracking on or below modelled ranges in the climate scenarios, whereas CH₄ and N₂O concentrations and global temperature are all tracking above all modelled scenario ranges.

The analysis shows that there is less than 40% probability that these observations are currently tracking a Net Zero 2050 or Disorderly Transition scenario, and over 75% probability that they are currently tracking a Hot House World scenario or higher.

Stage 4

To integrate the TCFD-aligned risk and climate scenario analyses, principal climate-related risks to the business were reviewed through a climate scenario lens. Value drivers for key risks were identified for forward modelling under the different climate scenarios. The analysis considered, for example, the effects of changing macroeconomic conditions, energy and supply chain prices, and transport and fuel costs on the business. The analysis further considered the potential effects of key physical climate risks such as fluvial and coastal flood damage costs under different scenarios.

Stage 5

The final stage in the climate scenario analysis involved integrating the forward modelling of key risk value drivers into the financial business model for Whitbread. Costs and prices associated with each value driver were modelled (including uncertainty estimates based on projection ranges under each scenario) and converted to year-on-year percentage changes to provide granularity under different scenario conditions and facilitate integration into the Company's financial model.

Results of the stages analysis

The results of the analysis indicate that highest short-term price and cost changes can be expected under the Orderly Transition climate scenario in association with a near-term transition to a low carbon global economy. Conversely, highest damage costs are expected under the Hot House World climate scenario as global warming increases the frequency of physical climate risks occurring. Although the scenario tracker tool indicates that at the global scale a high-end warming scenario is currently most probable, increasing climate policy action is being undertaken at national and regional scales, which will increase the potential for transition risk occurrence.

Climate scenario analysis has become a valuable component of the TCFD recommendations and has been used to better understand the financial implications of key climate-related physical and transition risks under a range of climate scenarios. However, there are several limitations to scenario analyses. It is impossible to encapsulate all potential future pathways with a limited suite of defined scenarios, and the true pathway may unfold outside the ranges considered. In addition, at the time of analysis not all value drivers identified for individual risks could be modelled robustly using existing datasets.

Whitbread is committed to reviewing and improving its TCFD-aligned climate scenario analysis work over time.

Risk Management continued

How we categorise climate risks, and monitor and manage them

We categorise climate risks into three types and identify a number of factors arising from climate change which we monitor over the short, medium and long term. Details as to how we manage these through our governance framework is set out in the Governance section.

Transition risk

- Policy, regulatory and legal changes
- Changing technology
- Changing market demand

Typically managed by:

- Sustainability team monitors legislative landscape and emerging trends and advises
- Proposition, brand and property teams manage our response
- Supply Chain, Operations and other departments implement requisite changes

Physical risk

- Acute: event driven, e.g. extreme weather; flood risk
- Chronic: longer-term shifts in climate patterns, e.g. sustained higher temperatures

Typically managed by:

- Safety and Security team and the Repairs & Maintenance team manage this with support from Operations
- Network Planning and Property & Construction team for future proofing our estate and also into Supply Chain and Procurement for managing the impact on global supply chains

Connected risk

- Second order risks arising from transition or physical risk impacts, e.g. recessionary pressures

Typically managed by:

- Commercial team will react to second order risks such as recession with the support of operations
- Sustainability team identifies emerging connected risks and also works with Internal Audit and Risk teams to identify and manage these as appropriate

When considering climate-related risks, Whitbread has categorised short, medium and long term to mean the following time frames:

Short term: 0 to 2 years

Medium term: 2 to 5 years

Long term: Over 5 years

Risk Management continued

How these processes are integrated into Whitbread's overall risk management

Climate-related matters are considered as part of the Group's risk management process and included in the sustainability risk matrix, which feeds through to the different risk committees. Climate-related risks are prioritised through this process and it is decided how to mitigate, transfer, accept or control those risks. Also set out are the processes for prioritising climate-related risks, including how materiality determinations are made within Whitbread organisations.

The Board has ultimate responsibility for risk management and the risks that Whitbread is willing to accept to achieve its objectives, including risks related to climate change. The risk management framework and the processes in place to manage risks are overseen by the Audit Committee. In assessing the Group's risk appetite, the Board reviews the three-year business plan and the associated strategic risks. Risk appetite for specific risks, mainly of a financial nature and related to capital risks, are determined within specific Board-approved policies, including and the delegation of authority. Climate-related risks are discussed in these forums.

The Board reviews the risk profile of the Group and discusses risk appetite twice annually, which is reported and disclosed in the Annual Report and in the half-year Interim Statement mapping the Group's principal risks to the relevant mitigating actions in order to generate a matrix that summarises the overall risk profile.

TCFD reports are reviewed by the Audit Committee. Specific risks are then discussed with either the Board or the Audit Committee. Further details are set out in the Governance section of this report.

Whitbread's risk management team forms part of the internal TCFD Steering Group and as such is closely involved in the work Whitbread has been undertaking to identify and assess exposure to physical and transition risks over the short, medium and long term. In 2021 and 2022 the process has been expanded to include the above climate scenario analysis, supported by external climate change experts.

Key risks and mitigations, highlighted through functional risk registers, are reviewed and categorised as either risks to the successful delivery of strategic goals or key operational risks at least biannually, and the Executive Committee completes deep dives on specific risks. Principal risks are disclosed within our Annual Report.

As part of this risk assessment process, the potential financial impact on the business income statement and balance sheet is evaluated. We also consider the potential for brand or reputational damage, legal repercussions and operational disruption or loss of service.

Evolving our approach

We continue to evolve our approach to climate-related issues, ensuring that our strategy is robust and resilient in ever-changing environments.

Our risk management processes continue to identify new and emerging risks and these are included as they arise within our risk management framework.

We believe that Whitbread is well placed to manage the risks associated with the transition to a low carbon economy and to take advantage of the significant opportunities it creates. We will continue to monitor scientific developments around climate change to help us adapt our response.

Metrics & Targets

How Whitbread manages performance against climate-related targets and the key performance indicators used to assess progress

Whitbread has been measuring and reporting performance against its ambitious sustainability targets for many years. Historical performance can be viewed in our Annual Reports and more detail on our current climate-related targets can be found in Whitbread's ESG report www.whitbread.co.uk/governance/reports-policies/.

Whitbread utilises a number of climate-related metrics for measuring performance against key risks and targets. These targets have been developed through materiality assessment and stakeholder engagement to ensure they are addressing our most material issues, risks and opportunities. These are linked to both the corporate operation and supply chain, as well as publicly stated long-term targets, Whitbread sets annual internal targets in order to set a delivery plan and ensure that progress against longer-term goals is tracked. These annual targets are then incorporated by the Board into both individual and Company-wide annual objectives, which, in turn, are also incorporated into remuneration policies. Progress against targets and goals is reported annually to the Board and through the Annual Report.

Reporting through the CDP, our carbon emissions are measured each year enabling performance against our emissions reduction target to be monitored and reported.

Metrics, targets and methodology to calculate/estimate	Historical position (where available)	Progress this year	Future plans
<p>Carbon emissions</p> <p>We will reduce our Scope 1 and 2 carbon emissions intensity by 80% by 2030 and will be net zero carbon by 2040.</p> <p>Our reduction targets were developed in line with a 1.5°C of warming scenario and was set based on physical intensity (floor area), per the Science Based Targets standards.</p> <p>Our targets are based on a reduction of tonnes per metre squared (intensity). They are set against a 2016 base line and we report our emissions in our end-of-year reporting and publish this in our Annual Report; this includes reporting against Sustainability Accounting Standards Board (SASB) guidelines.</p> <p>This target covers all UK&I, Channel Islands and Germany carbon emissions and is independently assured to the ISAE 3000 standard. Our carbon target and annual progress is independently assured to the ISAE 3000 standard.</p>	<p>61% reduction by FY20/21 (with COVID-19 impact included).</p>	<p>In 2021/22 we met 50.1% reduction in carbon emissions against our target of net zero by 2040.</p>	<p>Validate our science-based carbon targets by the SBTi following commitment to the Business Ambition for 1.5°C in October 2021 (deadline October 2023).</p> <p>Complete trials of electric alternatives across selection of sites. Continue with energy efficiency programmes, rollout of EV charging points, renewable electricity use and construction to high environmental standards.</p>
<p>Target</p> <p>We will reduce our Scope 3 carbon emissions intensity by 50% by 2035 and 64% by 2050 from a 2018/19 baseline year.</p> <p>Methodology</p> <p>Scope 3 emissions baseline was calculated using environmental extended input/output and Life Cycle Assessment (LCA) factors and was set based on physical intensity to align with our Scope 1 and 2 target. The target is relevant for 8 of the Scope 3 categories, including: Purchased goods and services; Capital goods; Fuel and energy related activities; Upstream transportation and distribution; Waste generated in operations; Business travel; Employee commuting; and, Investments.</p>	<p>Not available as this is a new target set in 2021/22.</p>	<p>This target was newly set in 2021/22 - too early to report progress.</p>	<p>We are developing our Scope 3 strategy in FY 2022/23 which will involve engaging suppliers of highest emitting products and services as this represents 66% of our Scope 3 target to identify and measure opportunities for reduction.</p>

Metrics & Targets

continued

Metrics, targets and methodology to calculate/estimate	Historical position (where available)	Progress this year	Future plans
<p>Waste</p> <p>We will not send any waste to landfill with an annual target to divert 100% of all waste from landfill.</p> <p>We work with our waste collection supplier, Veolia, which supplies us with the end-of-year data on total waste which we use to calculate waste diverted from landfill. Our waste target and annual progress is independently assured to the ISAE 3000 standard.</p> <p>Waste data includes the UK & I.</p>	<p>99.96% of our total operational waste diverted from landfill.</p>	<p>99.91% operational waste diverted from landfill.</p>	<p>Continuation of programme.</p>
<p>We will cut food waste by 50% by 2030. This target is from a 2018 baseline year and calculated by weight in tonnes</p> <p>We calculate food waste through our waste partner, Veolia, and the tonnage data it supplies on food waste taken from our sites. We also include food waste from our depots and food which never makes it to the sites; this tonnage data is sent by our supply partner GXO.</p> <p>Our food waste target and annual progress is independently assured to the ISAE 3000 standard.</p> <p>This data is for the UK & I.</p>	<p>63.4% reduction from a 2018 base year.</p>	<p>32.3% reduction in food waste since base year. NB there is a COVID-19 impact associated with this figure.</p>	<p>Continuation of programme.</p>

Metrics & Targets

continued

We continue to build upon our existing metrics and drive our performance against these targets as we work towards our position of net zero carbon by 2040. Building on our strong performance measuring and reducing our own emissions, we are focusing this year on collaborating with our suppliers to support them on their own journey to achieve our Scope 3 targets. We will be investigating new ways of using analytics, automation and artificial intelligence to enhance data capture, decision making and transparency.

Metrics, targets and methodology to calculate/estimate	Historical position (where available)	Progress this year	Future plans
<p>Plastics</p> <p>We will eliminate unnecessary single-use plastic by 2025.</p> <p>‘Single-use plastic is defined as plastic that is used instantaneously (i.e. a one-off application, for example single milk portion carton) and is unnecessary (either for: food safety purposes; to allow extended shelf life/ protect product leading to reduced food waste; or, as removing does not lead to unintended consequences such as increased food waste, increased carbon emissions from increased transportation).</p> <p>The target is based on weight of plastic removed from the business.</p> <p>We have mapped our single-use plastic across our organisation and will be capturing reductions on this figure going forward.</p> <p>This target covers the UK & I operation.</p>	<p>Not available – too new.</p>	<p>While this target has been impacted by the COVID-19 pandemic due to the introduction of personal protective equipment (PPE) and single-use items to protect team member, guest and customer health and safety, we have managed some progress including removal of single-use sauce sachets in restaurants.</p>	<p>Recalculation of plastics baseline following COVID-19 impact and review of plastics strategy to prioritise areas of focus.</p>

Targets in Development

Our sustainability strategy addresses water reduction and sustainable sourcing of products and commodities which are addressed in the following two commitment areas. We are working to define clear, time-bound metrics for both these areas.

Metrics, targets and methodology to calculate/estimate	Historical position (where available)	Progress this year	Future plans
<p>Water use</p> <p>Our water target is focused on water stewardship with an objective to minimise water usage across our business and we will minimise water use across our business and champion water stewardship in water stressed areas.</p> <p>Water usage is primarily measured through regular meter readings. Quarterly readings are taken as standard across our estate. Larger using sites have Automatic Meter Reading (AMR) devices installed, capturing 15-minute flow data.</p> <p>This data is for the UK & I.</p>	<p>Through leak detection we saved 27,609m³ of water.</p>	<p>Through leak detection we saved 62,665m³ of water in FY 2021/22. We have also identified sites that are in water stressed areas and are working to implement trials of innovative technology and hardware that will reduce our water use.</p>	<p>We are developing a water stewardship strategy in FY 2022/23 to roll out across our estate, prioritising sites in water stressed regions.</p>
<p>Sustainable supply chains</p> <p>We will source to internationally recognised sustainability accreditations.</p> <p>This includes but is not limited to: Better Cotton (BCI) cotton; MSC, ASC or equivalent fish; FSC or PEFC timber; RSPO palm oil.</p> <p>Where certification bodies allow, we calculate the proportion of certified commodity quantities from total amount sourced by volume and/or supplier, on a volume basis.</p> <p>This target covers our UK & I and Germany operation where German supply chain is managed through the UK Procurement team.</p> <p>Our responsible sourcing target and annual progress is independently assured to the ISAE 3000 standard.</p> <p>Where individual accreditation standards are used, for example RSPO palm oil and MSC fish, we undertake specific, independent Chain of Custody audits which are reported in our ARA and ESG reports.</p>	<p>100% of fish, whole shell eggs and beef accredited against robust standards.</p> <p>100% of our suppliers risk assessed against Force for Good criteria.</p>	<p>We continue to source our timber to FSC and PEFC standard, became the first budget hotel chain to join Better Cotton Initiative (BCI) to support sustainable cotton farming, continue to source MSC certified fish and became RSPO Chain of Custody certified for sustainable palm oil.</p>	<p>Continuation of responsible sourcing strategy.</p>

Important notice – Basis of preparation

The reader should be aware that this report, and the information contained within it, is prepared on the following basis:

- i. The preparation of this report requires the application of a number of key judgements and also requires assumptions and estimates to be made. There is a risk that the judgement exercised, or the estimates or assumptions used, may subsequently turn out to be incorrect. These judgements and resulting data presented in this report are not a substitute for judgements and analysis made independently by the reader.
- ii. Reported numbers reflect best estimates and judgements at the given point in time.
- iii. This report uses models, external data and other sources/methodologies, each of which are subject to ongoing adjustment and modifications beyond our control.
- iv. The outputs of these models, external data and other sources/methodologies can be materially affected by the quality of the underlying data used. They may be subject to uncertainties affecting the accuracy of their outputs. There is a risk that the outputs may be misinterpreted or misused when dealing with developing themes, such as climate-related disclosures and other environmental, social and governance (ESG) data points, due to the lack of market standards, historical reference points and benchmark data, as well as the inability to rely

on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution.

- v. In general, the quality of the data relied upon in ESG reporting is often not yet of the same standard as more traditional financial reporting and therefore presents an inherent limitation to the performance reported in this report.
- vi. ESG reporting across the industry as a whole is not yet subject to the same accounting rigour or globally accepted principles and rules as financial reporting. Accordingly, there is a lack of commonly accepted reporting practices to follow or align to. We will continue to review available data sources and enhance our methodology and processes to improve the robustness of the performance disclosed over time.
- vii. This report and the information contained within it is unaudited.
- viii. Further development of accounting and/or reporting standards could materially impact the performance metrics, data points and targets contained in this report.
- ix. As standards and practices continue to evolve, it may mean subsequent reports do not allow a reader to compare performance metrics, data points or targets from one reporting period to another, on a direct like-by-like basis.

Forward-looking statements

This report contains certain forward-looking statements with respect to Whitbread. Whitbread cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. The forward-looking statements speak only as at the date on which they are made. Forward-looking statements may be affected by: changes in legislation; the development of standards and interpretations including evolving practices in ESG reporting with regard to the interpretation and application of accounting, industry and regulatory standards; Whitbread's ability along with government and other stakeholders to manage and mitigate the impacts of climate change effectively; and environmental, social and geopolitical risks. A number of these influences and factors are beyond Whitbread's control.

These statements are based on the current beliefs and expectations of Whitbread's management and are subject to significant risks and uncertainties. Actual outcomes may differ materially from those expressed in the forward-looking statements. Factors that could impact Whitbread's future financial condition and performance are identified in Whitbread PLC's 2020/21 Annual Report, which is available on www.whitbread.com.

Subject to our obligations under the applicable laws and regulations of any relevant jurisdiction (including, without limitation, the UK), in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.