

WHITBREAD PLC

# Net Zero Transition Plan 2022/23

Strategy for meeting our  
2040 net zero target



What's inside the report

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## Introduction

## Foreword



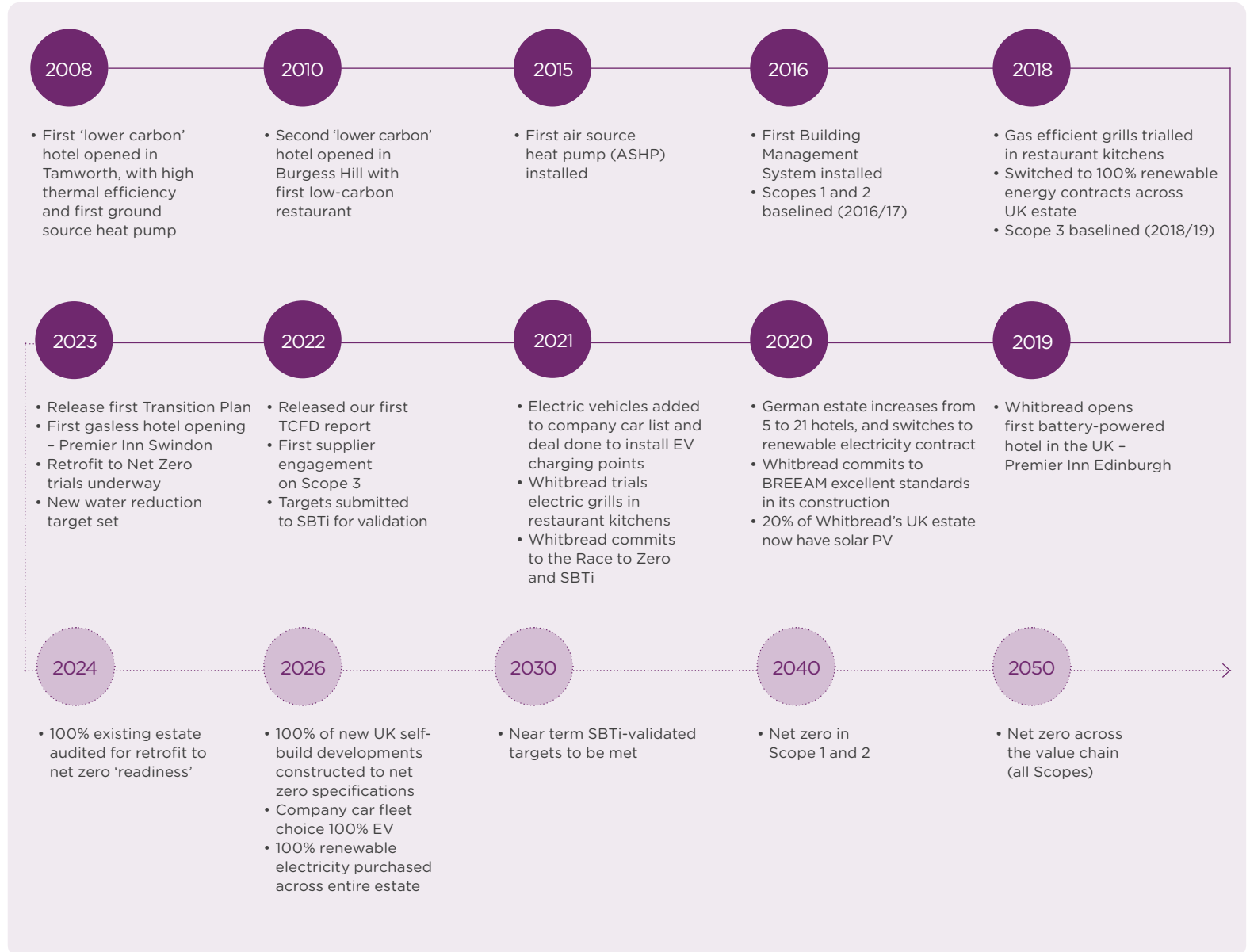
"

We have been on our carbon reduction journey for a long time now. This diagram outlines how far we have come, how far we still need to go and the actions we need to take to get there.

Naturally, there are many learnings we can take forward and there will be new activity required. This Whitbread Net Zero Transition Plan (NZTP) outlines how we will do this as we work to meet our interim 2030 target and ultimately our net zero Scope 1 and 2 target by 2040.

We are clear on what our Scope 3 footprint is, where we need to focus to meet our reduction target, and our plan for working with our main suppliers. The decarbonisation plans are now embedded across our organisation and supported by the Board.

Our NZTP will be iterative over time, and evolve as the technology and policies we rely on for success develop, and we look forward to sharing our progress in our regular reporting."



## Introduction

## Whitbread's commitment to net zero

## Our Scope 1 and 2 carbon reduction journey

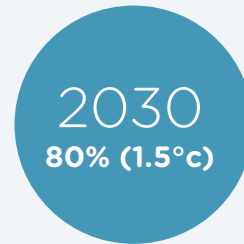
Starting point



Now



Interim target



Net zero target



Whitbread's commitment to sustainability, proven by our industry-leading Force for Good programme, paves the way for our net zero ambitions.

In 2016/17<sup>1</sup>, we baselined our operational carbon emissions, shortly followed by a baseline of emissions across our value chain. This allowed us to take immediate action to reduce our emissions, leading to our commitment to be net zero across Scope 1 and 2 by 2040, and to sign up to the Race to Zero across the value chain by 2050. This aligned our climate mitigation targets with the most ambitious aim of the Paris Agreement – reaching science-based net zero emissions by 2050, and doing our part to limit global warming to 1.5°C.

This Whitbread Net Zero Transition Plan (NZTP) is the next step in our journey, outlining our objectives, priorities, detailed plans and projects to reach our science-based targets, which have been submitted to SBTi for validation. Progress against these targets

is reported annually and independently assured to the ISAE 3000 standard.

This plan is linked to our overall business strategy through our Force for Good programme and, in this document, we highlight the enabling mechanisms needed to leverage action across our estate and team members, such as our governance structures, internal culture and behaviour change, and industry collaborations.

The NZTP draws on and cross-references information contained within our Annual Report, ESG Report, and TCFD Report. The following icons outline where you can find out more.

The NZTP is not an exhaustive guide for implementation, rather it is intended as a high-level, 'living' document to be adapted and applied flexibly according to business need, guest trends, government legislation, and advancing technologies. We expect significant changes in the energy markets over the coming years, which will impact this plan and its implementation. While the high-level objectives of the plan apply to our estate both

in the UK and in Germany, its implementation will of course vary in line with differing regulation, opportunities and challenges in the two countries. The NZTP will be formally updated at least every three years in line with the guidance of the Transition Plan Taskforce, with material updates being fed into our TCFD and ESG Reports annually. We will update internal strategies and implementation plans annually. We are really excited to be sharing where we are on this journey, what more we have to do and how we hope to collaborate with our peers as we address some of the challenges that we come up against.



This year we have enhanced our ESG reporting, you can find the full suite of reports below and also on our website, click the front cover of the reports or use our QR code

## ESG Report



## TCFD Report



## Annual Report



## The NZTP serves two primary audiences:

1 To inform shareholders and potential investors how we will decarbonise under a 1.5°C aligned pathway, including how our approach links to Whitbread's overarching business and growth ambitions.

2 A high-level guide for internal stakeholders and team members to understand how we will meet our target, and how this links through to their own roles in the organisation.

<sup>1</sup> For simplicity, we will sometimes refer to baseline years as 2016 for Scopes 1 and 2, and 2018 for Scope 3.

## Introduction

## Our ambitions

Having worked to reduce our environmental impact and ensure our business operations are a 'force for good' over a number of years already, we are incredibly proud to have submitted our targets to the Science Based Targets initiative for validation. This includes a near term and net zero target for both Scopes 1 and 2, and for Scope 3.

**Carbon targets:**

Whitbread PLC commits to reduce Scope 1 and 2 GHG emissions by **80% per m2** by 2030 from a 2016 baseline, **and to be net zero carbon for Scopes 1 and 2 by 2040 from a 2016 baseline.**

Whitbread PLC commits to reduce Scope 3 GHG emissions by **43% per m2** by 2030 from a 2018 baseline, **and to reduce Scope 3 by 64% by 2050 from a 2018 baseline.**

These targets are going through SBTi validation at the moment and so may change slightly in line with our net zero commitments.

Climate action supports our Force for Good (FFG) programme, with interdependencies across the three FFG pillars of opportunity, community, and responsibility, and beyond into our wider business model. The commitments contained in each of the three pillars are

backed up with stretching and measurable targets, which will deliver the change we need. The figure below shows the three pillars of the programme and our commitments within each of them.

[➔ Find out more about our FFG programme here - ESG report](#)



## Introduction

## How decarbonisation is embedded across our core strategy

Our decarbonisation journey will have a positive impact on the stakeholders across all three pillars of our Force for Good programme.

For example, through working directly with suppliers to reduce our Scope 3 emissions, we can have a positive impact in our supply chain, supporting a just transition. Our training and development schemes will include information on reducing our Scope 1 and 2 emissions through energy efficiencies such as heating and lighting management, and we will support our team members to use such knowledge and skills in saving energy and reducing emissions at home too. Reducing the carbon footprint across our estate will have a beneficial impact on the communities in which we operate. As more travellers become conscious of their travel emissions footprint, we will provide sustainable and affordable accommodation and dining options, allowing our guests to make sustainable choices that align with their values.

Actions taken by responsible businesses need to be delivered in an integrated and holistic way. For example, at Whitbread, we are investigating whether our biodiversity enhancement programme can also provide the opportunity to capture carbon emissions, as well as enhancing the nature in our estate to benefit guests, team members and the wider community. Reducing water consumption also reduces energy consumption, as we need to heat less water.

**Decarbonising is therefore directly aligned with our business strategy of growing sustainably.**

Setting ambitious carbon reduction targets across the whole business supports the recruitment and retention of our staff, attracts more customers to our brands, particularly business customers, has a positive impact on the communities around us, is beneficial for our suppliers and is financially attractive by saving money. It is not just the right thing to do for the planet, it aligns directly with strategy and the interests of shareholders and other stakeholders.



**Shareholder interest is growing, with more specialist understanding within shareholders themselves and higher expectations of companies. Indices and analyst ratings raise the bar year on year.**



**94%**

**of our operational employees claim it is important to work for a brand that makes responsible social and environmental choices.**



**92%**

**of our Support Centre employees claim it is important to them that our company is a 'force for good'.**



**92%**

**of our B2B customers say it is important to work with like-minded environmentally responsible companies for business travel.**

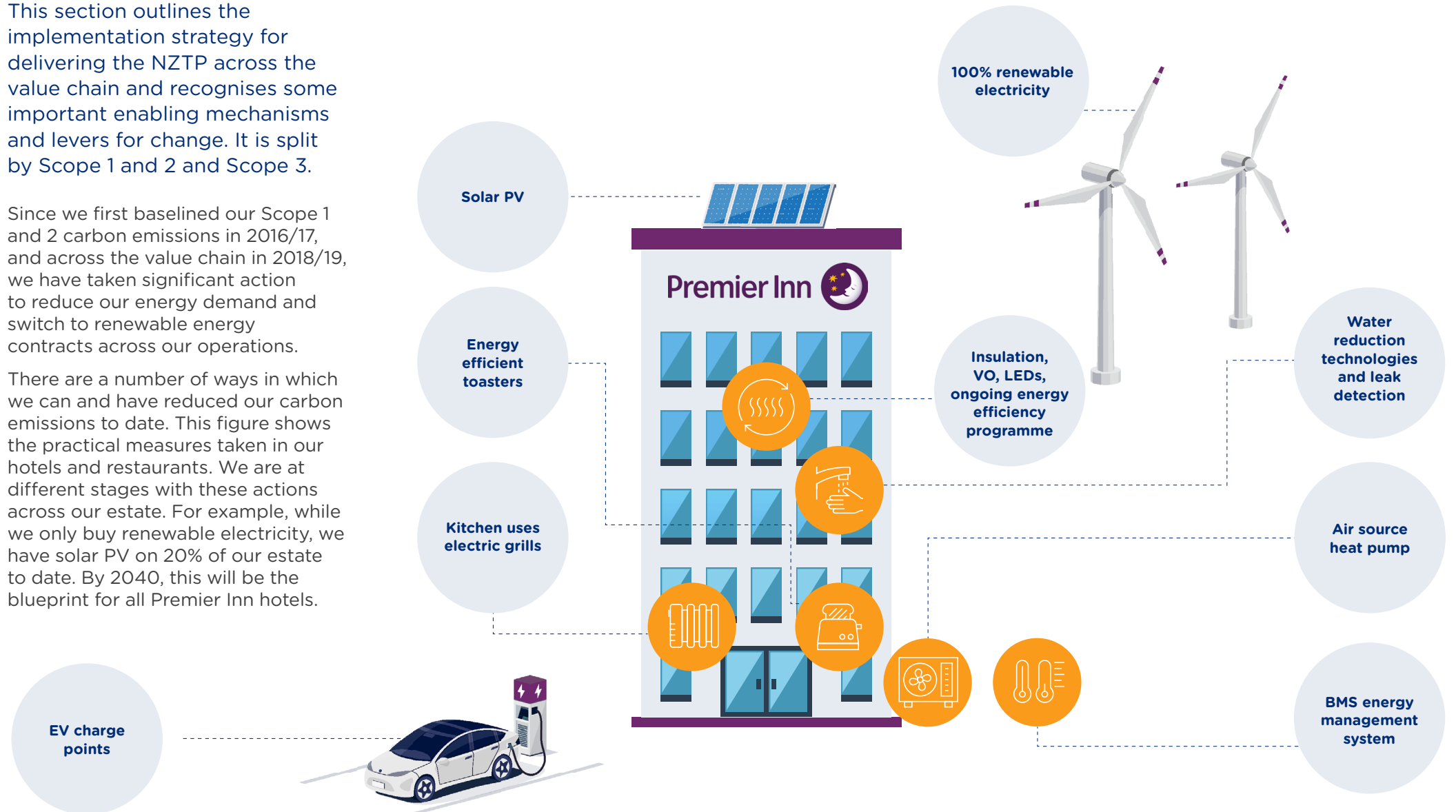
## Our approach

## Our approach to decarbonisation

This section outlines the implementation strategy for delivering the NZTP across the value chain and recognises some important enabling mechanisms and levers for change. It is split by Scope 1 and 2 and Scope 3.

Since we first baselined our Scope 1 and 2 carbon emissions in 2016/17, and across the value chain in 2018/19, we have taken significant action to reduce our energy demand and switch to renewable energy contracts across our operations.

There are a number of ways in which we can and have reduced our carbon emissions to date. This figure shows the practical measures taken in our hotels and restaurants. We are at different stages with these actions across our estate. For example, while we only buy renewable electricity, we have solar PV on 20% of our estate to date. By 2040, this will be the blueprint for all Premier Inn hotels.





Our approach

## Our approach in Germany

Whitbread's German business is aligned to the Group net zero goals and Germany's emissions are included in our annual reporting, with independent assurance to the ISAE 3000 standard.

It is, however, worth noting that the business developed recently and more than half of the portfolio is the result of different acquisitions, for example from Foremost Hotels and from Centro Hotels. The first phase of the German path to net zero was focused on integrating the various portfolios and refurbishing the sites to allow for our brand standards and, at the same time, improve insulation to reduce energy loss. The second phase of the German integration and transition work included the implementation of a standardised and systematic energy measurement system across the whole estate, including the recently acquired portfolios.

The current state-of-the-art metering/measurement system is able to access quality usage data and forms the basis of our energy saving strategy. At the same time, we confirmed our commitment to electrical solutions, together with a green electricity contract (sourcing electricity from renewable sources).

In addition, sustainable buildings are key to our net zero strategy in Germany and we continue to include sustainable buildings certifications in our specifications for both freehold and leasehold new sites. In parallel, seven of our existing sites received a BREEAM or DGNB certification.

It is also important to recognise the different context in Germany, which will lead to a different approach and different measures being taken to decarbonise the estate. For example, the business will continue to partially rely on district heating, together with ASHPs. Measures in Germany will therefore also be influenced by the German government's progress in decarbonising district heating.



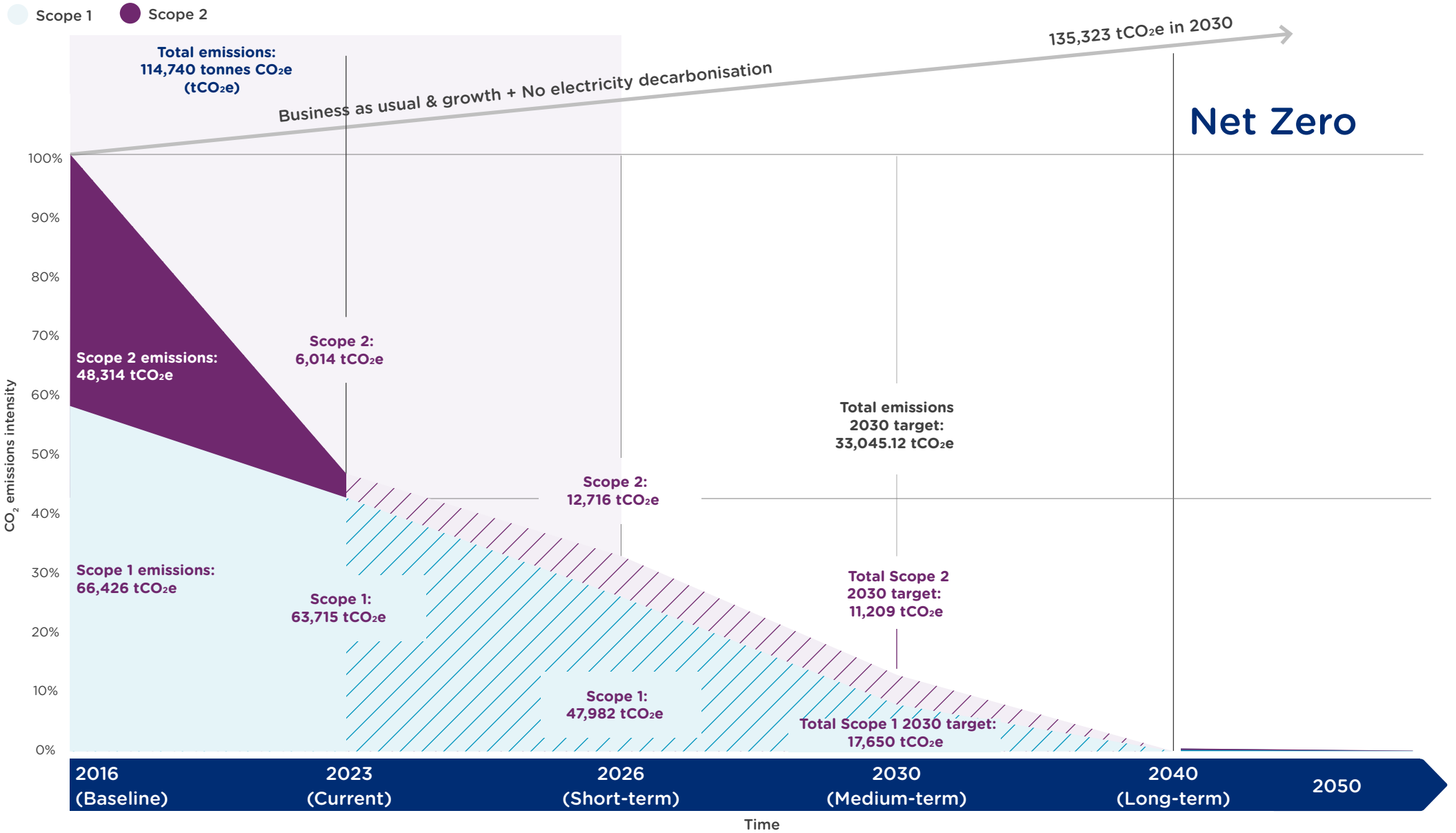




Our approach

# Operational glide path to net zero

Through these measures we will reach net zero by 2040 across our operational Scope 1 and 2 emissions:

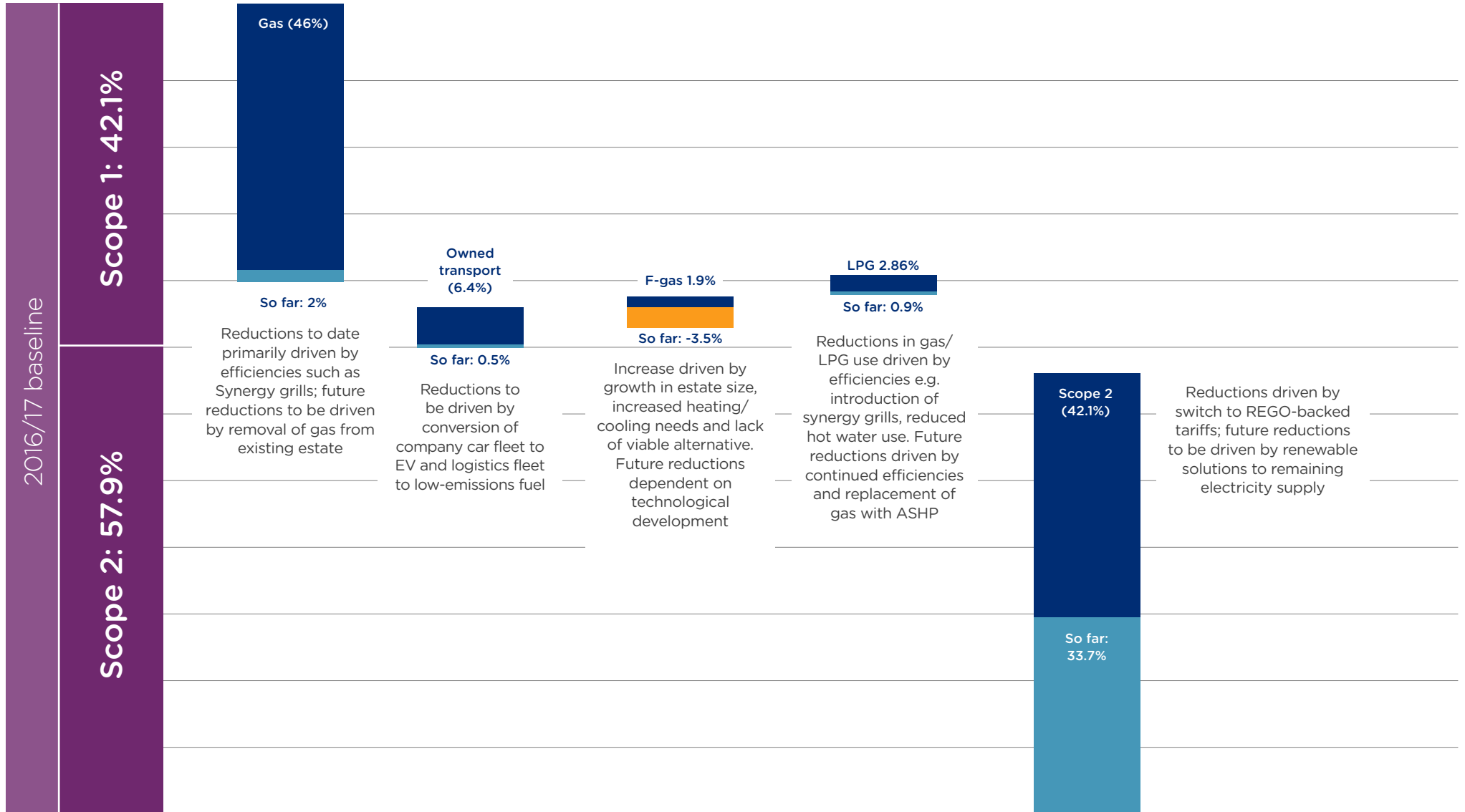




Our approach

# Emissions reductions required and progress to date

● Remaining until net zero target ● Achieved so far ● Increase since baseline

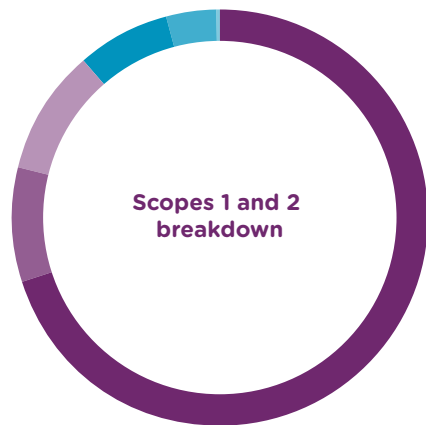




## Our approach

## Scope 1 and 2: Implementation strategy

Our ESG report contains the most up-to-date information on our emissions, which are categorised by where the emissions come from.

**Scope 1**

- Gas and LPG **70%** (50,149 TCO<sub>2</sub>e)
- F-gas **9%** (6,222 TCO<sub>2</sub>e)
- Company cars and logistics fleet **10%** (7,003 TCO<sub>2</sub>e)

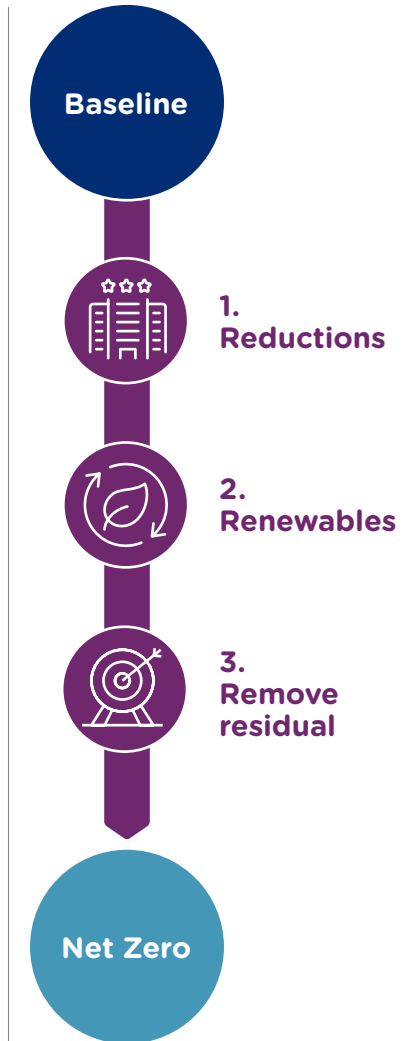
**Scope 2**

- Non-renewable electricity **7%** (5,229 TCO<sub>2</sub>e)
- District heating **4%** (2,789 TCO<sub>2</sub>e)
- Electric car charging **0%** (20 TCO<sub>2</sub>e)

Our Scope 1 emissions come from a range of sources. **Gas** is currently used in the majority of our hotels and restaurants for heating, cooking and hot water. The main source of emissions is gas boilers and grills, which are powered by gas from the mains supply in UK and Germany. **Liquefied petroleum gas (LPG)** is a form of off-grid gas used for heating and hot water in sites which are not connected to a UK gas supply. **Fluorinated gases (F-gas)** are man-made greenhouse gases used in refrigeration equipment and air-conditioning units. Leakages of F-gas from refrigerators and air-conditioners create the most material emissions. Emissions from **owned transport** comprise of two elements: emissions from our logistics fleet delivering our supplies to hotels and restaurants. This is managed by our logistics partner GXO (95%); and emissions from our company car fleet, managed by Zenith (5%). For Scope 2, this includes emissions from our **purchased electricity or heat**. In the UK, almost all our electricity is renewable, and is purchased using renewable energy

contracts (REGOs). Only non-REGO backed electricity is available at some of our locations such as Jersey, Guernsey, the Isle of Man and Ireland. District heating is a form of centralised heat generation and distribution where many buildings buy heat or hot water from a central source rather than generating it themselves on site. This is common in our German estate, although we do have several schemes in the UK as well, and expect more of them in the coming years. These systems can be more efficient but are sometimes compulsory, meaning we are not in full control of decarbonisation options and will rely on the scheme operators. Finally, **EV charging** falls under Scope 2 and accounts for when company cars use chargers on a network not controlled by Whitbread and therefore the electricity is assumed to be from non-renewable sources.

To achieve operational Scope 1 and 2 net zero in these areas, we are following a three-stage approach:





## Our approach

## What we have already done

**1. Reductions**

Our priority is to operate highly efficient hotels and restaurants which use targeted efficiency measures and behaviour change programmes to drive down carbon emissions. We have been working on this for a while already and now have a well-established and embedded energy management and reduction strategy, which includes efficiency measures such as voltage optimisation, switching to LED lighting and using an additive to make our boilers operate more efficiently. As our hotels are now constructed to BREEAM Excellent or above, energy savings are built into our assets from day one. In Germany, a new systematic measurement system has now been finalised, to allow for enhanced consumption monitoring and to drive reduction initiatives within the entire estate, including recently acquired portfolios. In the UK, we started installing building management systems (BMS) into our estate in 2015 to give us control of our major energy consuming assets. BMS have now been retrofitted into all of our air-conditioned estate, offering significant energy savings and strong commercial returns, and is included in all new build projects.

**Optimising boiler efficiency**

Working on a project with Endo Enterprises, we added energy saving additives to 502 boilers across 400 of our restaurant sites. The additives increase the surface area of heat transfer, making the system more efficient. Some sites have already shown up to 10% reduction in gas use over winter.

**2. Renewables**

We source 98% of our electricity in the UK from renewable energy. We will continue to increase our capacity to use renewable energy in our hotels and restaurants, and decarbonise our estate through phasing out gas equipment for heating, cooking and hot water in operations and switching to more efficient renewable-powered alternatives.

We have also successfully trialled the installation of air source heat pumps in 40 of our hotels, and already include solar photovoltaic (PV) for renewable energy generation across 20% of our estate. Decarbonising our existing estate remains a significant challenge, and we are facing this head-on by investing in 'retrofit to net zero' trials at one of our gas-powered sites. This site has been selected following a 'Net Zero Audit' of all sites currently supplied by liquefied petroleum gas (LPG) and will include a full removal of all gas equipment in the hotel and restaurant, to be replaced by Q-ton heat pumps and an upgrade of the buildings to higher energy efficiency standards. Our German business includes 11 sites which use gas for heating and hot water. Gas continues to be very common in Germany both for historic reasons as well as due to persistent cost advantage in comparison with electrical solutions. Our German business is working on mitigation plans to achieve our net zero target while maintaining control of our energy costs.

**Synergy grills**

We have trialled the innovative 'Synergy' grill in our restaurants, which is powered by renewable electricity rather than gas, without sacrificing the great taste delivered by our chefs. Following initial trials in 2018, we have continued rolling out the replacements, installing 150 new grills across 103 sites this year. This brings the total of new grills to 756 grills.

Since starting the project in 2018, we have driven a 50% gas usage reduction in our chargrills.

**3. Remove residual**

As demonstrated by the emissions reduction targets that we have recently submitted for validation by SBTi, we are committed to reducing our emissions to as close to zero as possible. Where it is not possible to completely eliminate emissions, we commit to sourcing credible and legitimate carbon credits to neutralise residual emissions through high-quality permanent removals. We have started trialling the use of a shadow cost of carbon for investment decisions.



Our approach

# What we have planned



## 1. Reductions

**Low emissions fuels:** Over the next year, we will be rolling out an exciting trial of low emissions fuel with our logistics partner, GXO.

**Efficiencies:** As part of our ongoing team member training programme, we will focus on driving energy efficiencies in our hotels and restaurants (see Culture section). Further energy efficiency measures will continue, as we stay up to date on technology and innovation through our continued partnerships (see Partnerships section) and as we continue rolling out other efficiency programmes (such as Synergy grills). These efficiencies not only reduce operational costs, but also – where energy comes from non-renewable sources – reduce emissions.

**F-gas:** The phasing out of F-gas assets in our estate is challenging; therefore, we plan to start by first undertaking a detailed survey to identify exactly where these assets are located, their age and condition. Currently, the lack of viable alternatives presents a challenge, particularly when coupled with the extreme temperatures being experienced more regularly due to climate change. As such, we are looking at other heating and cooling innovations, alongside existing and emerging technology. This will inform a strategic replacement/upgrade of F-gas assets.

**Water reduction:** Our plans to meet our water reduction target will drive further reductions in emissions through requiring less heated water.

**Energy management systems:** We will continue to install BMS into all new builds, and to retrofit these into our existing estate when opportunities arise.



## 2. Renewables

**Energy efficient, renewably powered new builds:** In 2023, we are taking the air source heat pump trials even further by constructing our first all-electric hotel in Swindon. This five-storey, 195-bedroom hotel is the first Premier Inn to be designed without a connection to a natural gas supply. Instead, this hotel will be heated and powered fully by grid energy generated from renewable sources and by on-site PV. Additionally, a suite of energy and heat recovery systems – including air source heat pumps and a new water-heating technology from Mitsubishi Heavy Industries (Q-ton) – will also be included in the thermally efficient hotel building.

**Decarbonising our existing estate:** Moving from gas to renewably-sourced electricity remains a significant challenge, and we are facing this head-on by investing in 'retrofit to net zero' trials at gas-powered sites. These sites have been selected following a 'Net Zero Audit' of all sites currently supplied by liquefied petroleum gas (LPG) and the retrofit will include a full removal of all gas equipment in the hotel and restaurant, to be replaced by Q-ton heat pumps and an upgrade of the buildings to higher energy efficiency standards. We will learn as much as possible through these trials.

**Net Zero Audit:** We will roll out the Net Zero Audit, trialled so far on our LPG sites, to the rest of the estate over 2023/24, which, combined with learnings from the LPG trials, will inform a strategic retrofit programme which decarbonises our priority assets to reach our Scope 1 and 2 net zero by 2040 goal.



## 3. Remove residual

We will make every effort to decarbonise and reduce our emissions to as close to zero as possible, exploiting all available opportunity to achieve this. However, should some residual emissions remain as we approach our 2040 net zero goal, we have committed, through our science-based targets, to neutralise these by taking appropriate measures to remove these from the atmosphere and permanently store them.

**Carbon credits:** Whitbread plans to carefully and thoroughly research the most relevant carbon credit schemes relevant for our business, including the possibility of inseting within our own estate and value chain, creating opportunities for multiple benefits for the environment and communities in which we operate and beyond.

**Shadow cost of carbon:** We also plan on building a shadow cost of carbon into investment decisions on a trial basis, and are running a case study to understand potential cost of carbon and applicability internally.



## Our approach

## Removing the gas from our existing estate to reach net zero

We know that, to reach net zero, we will need to systematically remove the gas boilers from our hotels and restaurants, and replace them with electric alternatives, powered by renewables.

This programme may take various forms and will be delivered strategically over time, aligned with wider commercial and existing refurbishment plans.

This will be determined through a detailed 'Net Zero Audit' of all sites, in conjunction with a review of ongoing business strategy and likely churn over the next approximately 10 years. The audit will identify the sites that will offer the greatest emissions reduction value, as well as those which will prove simplest to retrofit.

As such, the reduction of emissions through conversion of hotels to all-renewable sources of energy may be delivered through three approaches, all of which will be built in as part of our ongoing refurbishment strategy and estate management programme. They are not mutually exclusive and it is likely that a combination of all three will be used:





## Our approach

## Action plan to Net Zero

Category	Short term (next 3 years)		Medium term (to 2030)		Long term (to 2040)		KPIs	Lead business function
	Actions	Targets	Actions	Targets	Actions	Targets		
				80% reduction in emissions from baseline by 2030		Net zero by 2040	% emissions reduction per year from baseline	
<b>Scope 1</b>								
Gas & LPG (e.g. boilers for heating and hot water, grills for cooking, etc.)	REDUCE: Energy efficiency programmes continue	Continued investment in energy efficiency programmes YoY						
	REDUCE/RENEWABLES: Amend UK New Build Turnkey specification for net zero	100% of new UK self-build developments to net zero specifications from end 2027	Continue to include innovative net zero technology in trials and roll out to Turnkey specifications	100% of all developments to net zero specifications			% new build 'net zero' sites in FY	Property: Construction
	REDUCE: Create and roll out Net Zero Audit for all existing gas sites in estate	100% existing estate audited by 2024					# surveys completed	Property: Estates
	RENEWABLES: Trial and roll out 'retrofit to net zero' in viable sites	Strategic roll-out of retrofit to net zero programme across estate, informed by results of Net Zero Audit				All sites complete by 2039	# retrofit to net zero sites complete	Property: Estates
F-gas (e.g. refrigerants in chillers, etc.)	Survey all F-gas assets by site and prioritise replacement of older equipment	100% existing estate surveyed by 2024	Monitoring technological developments and available alternative options	New technologies trialled for roll-out		Low emissions F-gas assets in place	# surveys completed	Property: Facilities and Energy
Owned transport (e.g. logistics and company car fleet)	REDUCE: Trial low emissions fuel with GXO	20% of fleet transitioned to low emissions fuel by 2026	Increase low emissions fleet	100% fleet using low emissions fuel by 2030 (5% reduction on total baseline by 2030)			% fleet using low emissions fuel	Supply chain
	REDUCE: Continue to add EV options to company car ordering system	Fleet choice 100% EVs by 2026*		100% EV company car fleet by 2030*			% EV in fleet	HR Rewards
	REDUCE: Cost of carbon in business decisions	Testing shadow cost of carbon in selected investment decisions		Shadow cost of carbon included in all investment decisions over £5m	Shadow cost of carbon included in all investment decisions	Residual emissions offset by 2040	# investment decisions including shadow cost of carbon	Finance
<b>Scope 2</b>								
	RENEWABLES: All UK and Germany sites use renewable electricity where available	100% renewable electricity by 2026						General Counsel / Property
	RENEWABLES: Continue to purchase REGOs / renewables through PPA	Achieved - continue					% renewable energy purchased	Procurement
	RENEWABLES: District heating Germany		Monitor decarbonisation of district heating in Germany		Monitor decarbonisation of district heating in Germany	Residual emissions offset by 2040		Germany

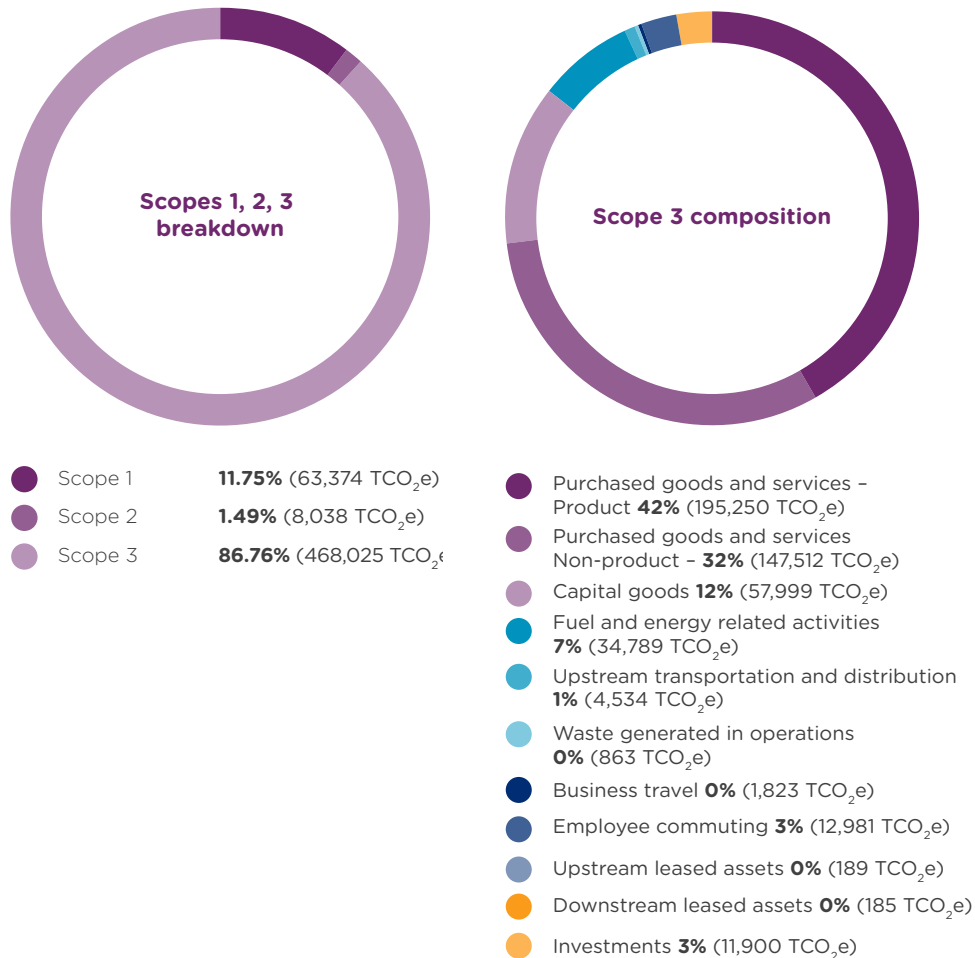
\*subject to Company Car Review being undertaken in 2023/24



## Our approach

## Scope 3

We have already made great progress in both understanding and reducing our Scope 1 and 2 emissions. However, as the graph below illustrates, Scope 3 makes up the vast majority of our total emissions. Our Scope 3 reduction strategy consists of three steps: measure, prioritise and act.

**1. Measure**

Scope 3 encompasses emissions that are not produced directly by the company, or from assets owned or controlled by it. Therefore, Scope 3 includes emissions for which the company is indirectly responsible within the value chain.

In order of materiality, based on FY 18/19 baseline figures, our relevant categories for Scope 3 are as follows:

- Whitbread's Scope 3 emissions are predominantly driven by the category of purchased goods and services, which includes all our operational and capitalised expenditure across our hotel and restaurant business, from beef burgers to bed linen.
- Upstream transportation and distribution accounts for the emissions associated with the delivery of goods and services from tier 1 suppliers into the business.
- Fuel and energy-related activities are the carbon emissions associated with the transportation and distribution of energy to our operations.
- Employee commuting and business travel account for the associated emissions

regarding both employees travelling to their place of work and for travel associated with the general management of the company.

- Investment emissions account for our business investments in our Middle East joint venture and investment in Pure, a food-to-go chain.
- Waste generated in operations accounts for the emissions associated with the various processing routes of our operational waste. This includes waste generated in our German operation, due to absence of data.
- Embedded carbon within buildings is a specific issue we need to work to better understand and account for, particularly when existing buildings are demolished.

We recognise that customer travel adds to our Scope 3 emissions; as such, we have so far added 140 EV charging points across nearly 60 sites, with over 40 additional sites planned in the next few months. We will continue this roll-out across our estate to encourage and support EV uptake and use.





## Our approach

### Scope 3 continued

Working with the consultancy Carbon Trust, we will recalculate our carbon footprint from our most recent financial period using emissions factors, whilst continuing to explore solutions that can access actual emissions data from our supply chain.

Data is key to this assessment, and we recognise the significant challenge in gathering actual emissions data from a supply chain with a diverse set of global suppliers. We expect this strategy to continue developing year on year as our systems mature, suppliers better understand our requirements and technology evolves. This has already been evident in the current process as we have utilised data from our first Scope 3 assessment to create a baseline for our emissions. Using this alongside our most recent assessment will allow us to track, measure and target our Scope 3 strategy year on year. Our most recent Scope 3 data is published in our most recent ESG report. [Find out more online](#). For FY 22/23 we had reduced our Scope 3 carbon emissions by 28.1% intensity from our baseline year of 2018/19.

In conjunction with an annual Scope 3 emissions calculation, we believe it is also important to measure the

decarbonisation trajectory of our suppliers. This data will help us continue to develop our Scope 3 strategy and supplier engagement plans. It is important that we take our suppliers with us on the journey towards net zero; a newly implemented supplier questionnaire will gather insight on suppliers' net zero targets and performance. With this, we foresee each supplier being classified into one of three groups:

#### Group 1

The supplier has a net zero target that matches or exceeds Whitbread's commitments

#### Group 2

The supplier has a net zero target which is behind Whitbread's commitments

#### Group 3

The supplier does not have a net zero target in place

### 2. Prioritise

Due to the scope of the supply chain and often having reduced control over Scope 3 emissions, we will have to prioritise investment in reducing carbon in our most material areas of the business, for example food and construction. We will leverage

One example we have started already is our project focused on embedded soy. Of the 340 million tonnes of soy produced globally in 2019/2020, around 75% was used as animal feed<sup>2</sup>. Consequently, the average European consumes 60.6kg of soy per year – this indirect consumption of soy is known as embedded soy. Working with 3keel, a consultancy, we are measuring the impact of embedded soy within our supply chain. By working with suppliers to understand the importance of sustainable sourcing of animal feed, we could have a substantial, measurable impact on both Scope 3 emissions and deforestation. This holistic approach to sustainability is one we want to continue throughout our Force of Good strategy.

external expertise in these areas to help us develop innovative and data-driven strategies to decarbonise.

Food and beverage (F&B) will not be the only sector of focus as we progress towards our Scope 3 targets. Construction is the second-largest component of our Scope 3 emissions and is intrinsically linked to the growth

of our business. We have instructed a third-party consultancy to support us in understanding in greater detail the carbon footprint of our new building projects and where opportunities are available for carbon reduction.

### 3. Tackle other sources

In the coming years, we will review other carbon categories under Scope 3, including emissions associated with waste generated in operations, business travel, investments and employee commuting. Whilst these areas contribute a smaller percentage to estimated Scope 3 emissions, Whitbread has a greater level of direct control, and therefore impact could be easier to achieve.

We will take action to reduce our Scope 3 emissions in numerous ways, and this strategy will continue to evolve.

<sup>2</sup> Kuepper, B. and M. Stravens (January 2022), 'Mapping the European Soy Supply Chain - Embedded Soy in Animal Products Consumed in the EU27+UK'. Profundo, Amsterdam, The Netherlands. WWF (May 2021)



## Our approach

## Scope 3 continued

We will utilise sector expertise in F&B and construction to develop deeper product carbon analysis, and review and assess opportunities for reduction in their carbon intensity. By testing different options, we can find optimal products and services that offer a reduced carbon footprint for the business. We can then aim to implement trials to measure the impact of proposed changes before

deciding on the optimal strategy and implementing a full scale roll-out.

We recognise that, in parallel, we must start to engage with our suppliers to ensure they are committed to their own decarbonisation plans. We have already seen progress in this area with a key supplier's most recent contract including a net zero clause at the request of the Whitbread Procurement team.



Category	Actions	Targets
		43% reduction in physical emissions intensity from baseline by 2030 64% reduction in physical emissions intensity from baseline by 2050
<b>Scope 3</b>		
Purchased goods and services (product and non-product)	<b>Menu analysis to identify decarbonisation options</b>	
	<b>All suppliers (of value &gt;£50k) complete net zero questionnaire as part of onboarding</b>	% of suppliers contracted with net zero plans in place / SBTi assurance
	<b>Set timebound commodity targets for zero deforestation</b>	100% own brand product contains certified palm - 2025
Capital goods	<b>Detailed analysis of construction specifications for decarbonisation opportunities</b>	
Embedded carbon		
Fuel and energy-related activities		
Upstream transportation and distribution		
Waste generated in operations	<b>Develop plans for these areas in the next three years</b>	Identify targets as part of plan development
Business travel		
Employee commuting		
Investments		



Embedding decarbonisation throughout the business

# Enabling mechanisms and governance

## Board oversight and reporting

Through our TCFD reporting and Green Bond work, Whitbread already utilises robust governance structures for sustainability actions. In addition to these existing groups, Whitbread has a Net Zero Working Group, comprised of representation across business functions and focused on effective delivery of the Net Zero Transition Plan.

## Governance structure

### Whitbread PLC Board

Ultimate decision-making body sets strategy, approves targets – deep dives twice a year, and monthly updates  
 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 included in remuneration schemes (currently 10% of annual incentive scheme is specifically allocated to ESG of which carbon reduction is a key metric)

### Executive Committee

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

### 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

### Risk Working Group

Supports the Executive Committee through reviewing the approach to 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 the group  
 The Operation Risk Committee also reports into this group

### Sustainability Steering Committee

Oversight, coordination and delivery of key programmes, and initiatives against key FFG targets, as approved by the Executive Committee  
 Cross-functional so all the key people are represented  
 Developing recommendations for Whitbread's response to emerging risks, opportunities and legislation, for review by the Executive Committee  
 Quarterly consolidation of decisions and actions to report to Board  
 Horizon scanning – bringing department-specific emerging issues to the Committee for review and FFG impact analysis.  
 Sponsorship of effective communication and reporting on FFG across the organisation and external stakeholder audiences  
 Signing off on annual sustainability reporting and assurance including materiality assessments

### Net Zero Working Group

A multidisciplinary group supporting the Sustainability Team in achieving our Scope 1, 2 and 3 net zero carbon emissions targets  
 Up-to-date tracking of carbon emissions through mobilisation of relevant and timely data  
 Identification of innovative and credible solutions to reduce or remove carbon emissions, including horizon submissions to the Sustainability Steering Committee and/or the Executive Committee  
 Pipeline of business project proposals and trials with regular submissions to SSC and/or Ex-co  
 Efficient management of appropriate and relevant emissions reduction projects and trials  
 Ongoing monitoring and communication of project effectiveness, both internally and externally

### Responsible Sourcing Committee – Scope 3

Group formed of the procurement function and the Force for Good Team  
 Oversight, development and coordination of Scope 3 emissions reduction strategy and associated projects / initiatives  
 Up-to-date progress reporting of Scope 3 activity  
 Ongoing review of supplier performance  
 Identification of innovative and credible solutions to monitor and reduce carbon emissions, including horizon scanning



Embedding decarbonisation throughout the business

# Roles, responsibilities and accountability

Every single Whitbread team member can have a role to play in achieving operational net zero by 2040.

From using more energy efficient cooking methods and speaking to our guests about how we are a Force for Good, through to consideration of multi-million-pound refurbishment projects and key strategic decisions on how we power our estate.

Team	Roles and responsibilities
<b>HR and Rewards</b>	Work with the Sustainability Team to ensure reward and assessment reflects net zero ambitions, and that incentive schemes drive emissions reductions (such as the company car scheme, executive remuneration, etc.).
<b>Finance Department</b>	Financial planning and change management required for our transition to net zero, including setting financial targets which reflect the implementation of NZTP initiatives such as energy efficiency measures and sponsoring capex for emissions reduction and removal projects.
<b>Procurement team</b>	Has responsibility for procuring gas and renewable energy. Engages with suppliers on innovation to address efficiencies and climate change issues. Has responsibility for procuring all our products and services which make up our Scope 3 emissions. Works closely with the Sustainability Team to address Scope 3 targets and ensure sustainability requirements in tendering and purchasing are set in the future and are monitored and addressed by suppliers. Members of the function also have responsibility for procuring gas and renewable energy. Engages with suppliers on innovation to address efficiencies and climate change issues.
<b>Supply Chain team</b>	Is responsible for procuring and managing logistics, engaging with suppliers on innovation to address efficiencies and climate change issues. Manages our relationship with our logistics partner GXO. Works closely with the Procurement team and Sustainability Team to address Scope 3 targets and ensure sustainability requirements in tendering and purchasing are set, monitored and addressed.
<b>Operations team</b>	Covers day-to-day operations throughout our hotel and restaurant portfolio. Is responsible for energy management in sites, operating the energy efficient measures put in place by other teams and developing further energy saving measures.
<b>Product team</b>	Manages the development of existing and new products within our Premier Inn sites and restaurants. Net zero impact will need to be embedded at the point of product development.
<b>Property team</b>	Manages a broad range of property and construction issues, including sustainability compliance and opportunities both in new builds and refurbishments, and the updating of our Turnkey specification to net zero ready, acquiring energy efficient buildings, working with landlords, optimising asset portfolios, extending leases on green terms, etc. Also has responsibility for reducing embodied carbon in development activities.
<b>Repairs and Maintenance team</b>	Responsible for keeping our estate in good condition. Sustainability compliance and opportunities are a key element to ensure maximum energy efficiency and the team sponsors the capital expenditure for energy efficiency projects.
<b>Refurbishment team</b>	Manages the refurbishment cycle of our hotels and restaurants, including future incorporation of our 'retrofit to net zero' programme.
<b>Energy team</b>	Has responsibility for managing energy use across our estate, including driving efficiency measures and modelling future energy demand.
<b>Network planning</b>	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.
<b>IT, Innovation and Architecture team</b>	Develops innovations to drive emissions reductions by trialling new technologies and maintaining comms with key technology partners.
<b>Legal team</b>	Ensures contractual terms contain suitable environmental protection e.g. green clauses in leases, supplier contracts etc.



## Embedding decarbonisation throughout the business

# Culture

Along with the clear, time-bound technical information required to achieve our sustainability targets (e.g. the Net Zero Transition Plan), we also foster behaviour and culture change, and build the confidence of team members to factor environmental sustainability and wider Force for Good targets into their day-to-day decisions.

Our programme to build confidence, create ownership and foster behaviour/culture change in our teams is:

### 1. Incentivising impact

We set detailed objectives per team/individual which speak to our sustainability targets directly, while being realistic and without adding extra pressure on team members. We embed our carbon emissions reduction target into executive remuneration and other company-wide incentives with progress towards our net zero target, for example the operational WINCARD.

### 2. Communication

Communication is fundamental to setting out the vision for net zero and encouraging participation in the programme. It has become embedded in all communication internally and externally with all stakeholders, including capital markets presentations, internal communications, etc.

### 3. Informing and innovating

We have delivered tailored team-by-team training and awareness-raising programmes on sustainability and action to net zero. For example, we held bespoke training events with senior leadership in Finance and Operations, the Business Analyst team, B2B team, and the Procurement and Supply Chain team on the fundamentals of net zero, the Whitbread approach and our NZTP. Wider Board and executive-level training is planned for FY23/24, with a complete training package cascaded to all team members within 12 months.

Board and Executive Committee

Property team (Construction, Repairs and Maintenance, Energy, Asset Management)

Procurement and Supply Chain

Operational Directors, Regional Operations Managers, Hotel Managers, etc.

### 4. Integrating and inspiring

Use the expertise of the FFG team to support and guide decision making at critical moments through increasing our visibility across teams, enhancing our understanding of opportunities to innovate, and providing technical information for justifying action. We are also working to engage team members across operations to share best practice and understand our challenges and opportunities to reaching net zero.



Embedding decarbonisation throughout the business

## Policies and processes

Whitbread's business, financial and operational planning and actions are guided by our underlying policies and processes.

What we are already doing:

- **Our New Build Turnkey specification** is being modified to ensure that all proposed developments are undertaken in line with Whitbread's carbon reduction targets. This incorporates a rating of BREEAM Excellent or above, includes the use of technology such as air source heat pumps, solar PV etc., and follows the 'Be lean, Be clean, Be green' methodology:

**Be Lean** – Use of high insulation levels to the building fabric, high efficiency glazing and a reduced air permeability rating shall be considered first in line with the Whitbread standard model specification.

**Be Clean** – Utilisation of energy efficient plant and equipment such as LED lighting, high efficiency heating and cooling, heat recovery ventilation and efficient fan motors.

**Be Green** – Use of some form of low or zero carbon (LZC) technology.

- Whitbread has designed a **Net Zero Audit** and tested this across our LPG-powered sites. This audit is a comprehensive data-gathering exercise to be rolled out across our entire estate, giving us detailed information on the energy efficiency status of each hotel and restaurant, and what exactly will be required to decarbonise at scale.
- **ESOS reporting:** identifies energy efficiency actions
- **Energy monitoring:** ability to obtain energy information on a half-hourly basis, informing energy efficiency projects
- **Germany's electric first policy**
- **Energy, Environmental and Water Policy updates**

Some examples of policies and processes which can also be incorporated and/or further adapted include:

- A '**Net zero acquisitions checklist**' for our Acquisition managers to use in assessing key barriers and opportunities for acquiring and building a net zero ready asset.

- **'Green' leasehold agreements** which could include renewable energy and energy efficiency rating clauses
- Incorporating a **shadow cost of carbon** into all investment proposals – TRIAL
- A **nature and biodiversity strategy**. Whitbread will set its first biodiversity target early in FY 23/24 and over the next financial year will set out its full biodiversity strategy, incorporating plans to promote positive impacts, and mitigate any negative impacts, on ecological systems and the natural environment. This will include impacts on our GHG emissions and actions towards a net zero transition.
- Introducing contractual clauses with suppliers regarding net zero targets and performance



Embedding decarbonisation throughout the business

# Information management

Enabling the capture and reporting of real-time energy and emissions data across our estate will allow Whitbread to take pre-emptive and adaptive action towards net zero.

While our current monitoring and reporting processes are robust and transparent, continuing to enhance our capabilities in information management is crucial.

We are working with our Strategy, Innovation and Digital teams to identify tools such as dashboards and updated energy management systems in our hotels and restaurants. Together with this, the use of KPIs for each emissions category will give us further insight into our progress to 2040.

## Partnerships

Staying informed of current and future trends in decarbonisation on a regional and national scale requires keeping a finger on the pulse of government action. To facilitate this, we have joined forces with various groups and forums to accelerate our learning and share experiences, giving us the foresight to remain adaptable to incorporation of new technologies and shifting economic and political conditions.



Sustainable Hospitality Alliance



UK Hospitality Sustainability Expert Group



Scope 3 Peer Group



Procurement Leaders



Transition Plan Taskforce



Embedding decarbonisation throughout the business

# How the NZTP supports our Business and Force for Good Strategies



The NZTP is designed to align with and support our overarching business strategy in the following ways:

## Whitbread Business Ambition

Be the world's best budget hotel, with best-in-class F&B

## Whitbread Business Strategy

Be the world's best budget hotel, with best-in-class F&B

Grow and innovate in the core UK markets

Focus on our strengths to grow internationally

Enhancing the capability to support long-term growth

## Net Zero Transition Plan - Principles

1

Leverage control of our assets

2

Drive sustainable and responsible growth

3

Future-proof our estate

4

Be industry leading

5

People centred for a just transition





## Embedding decarbonisation throughout the business

## How the NZTP supports our Business and Force for Good Strategies continued

**1. Leverage control of our assets**

Use our unique vertically integrated business model to our advantage by controlling our rate of change and trialling practical solutions for a transition to net zero. If we choose to invest behind a particular programme, we can be confident of delivering it, unlike our asset light competitors. And we can harness data capture within our operations to drive decisions and priorities.

- Water reduction target per sleeper
- Retrofit to net zero roll-out (see page 13)
- Energy efficient management systems, heating and lighting
- Installation of solar panels
- Trials of air source heat pumps

**2. Drive sustainable and responsible growth**

Expand our reach and grow responsibly, with honest and transparent reporting. Achieving real long-term change through up-to-date technologies, nature-based solutions, and minimising the use of offsets. Ensure cost-effective deployment of net zero solutions to remain competitive in the market.

- Water reduction target per sleeper
- Biodiversity target and biodiversity net gain
- New net zero hotel under construction

**3. Future-proofing our estate/risk management**

Building the business case for net zero actions by incorporating the shadow cost of carbon. Using our TCFD risk and opportunity analysis and climate scenarios to mitigate climate change risk to our business operations. Tracking the latest scientific evidence and technological advancements. Horizon scanning to stay well prepared for government regulatory and legislative change, and adaptive to market conditions.

- TCFD / TNFD
- Materiality - refer to ESG report

**4. Be industry leading**

Leading the hospitality industry from the front with action to net zero, placing ahead of our competitors and exceeding guest expectations in sustainability. Working together in industry collaborations to reach net zero through sharing experiences and trialling innovative technologies.

- Partnerships section (page 22)
- Net Zero Turnkey spec target
- Industry ratings

**5. People centred for a just transition**

Sustainability is rising in the public agenda and guests' expectations are growing in terms of the actions they expect brands to take towards net zero. Our team members across operations are an essential part of this journey, and our network of suppliers will be supported to accelerate action at a rate which is sustainable for them, leaving no one behind. Shareholder interest in solid ESG commitments is also gathering pace; therefore this Transition Plan is geared towards delivering results for people as well as the planet.

- Scope 3 and responsible sourcing
- Community section of Force for Good Programme (see page 5)
- Sector leading D&I programmes - Stonewall Index Gold Award, #1 in sector



Embedding decarbonisation throughout the business

# How does our Transition Plan address our material risks and opportunities?

Our material risks and opportunities are detailed in our TCFD report [Find out more online](#), and the mitigating activities in the table on page 12 of that report show how we are addressing these through targeted action. This NZTP is designed to draw on information in that report and further detail the implementation plan and engagement strategy to achieve a net zero transition which considers the risks and opportunities of a changing climate.

By way of example, a principal physical risk identified in our TCFD report is an increase in energy costs, e.g. from heating and cooling due to changing temperatures and temperature extremes. The NZTP leverages our unique business model to continuously trial new and innovative technologies to decarbonise and reduce energy usage across our estate, from building to BREEAM Excellent energy efficiency standards to using air source heat pumps instead of gas boilers for heating and hot water, and the latest electric-only grills in our kitchens.

## Challenges and Uncertainties

While the climate emergency is accelerating at pace, actions taken between now and 2050 are subject to various challenges and uncertainties. The table below details how Whitbread is responding to these challenges and planning for the uncertainty ahead.

Challenge	Our approach
<p><b>Energy</b></p> <p>Current global energy challenges have created difficulties in ensuring a financially and operationally stable energy supply. This is a particular issue for our growing estate in Germany, which relies on district heating networks.</p>	<p>Through our well-established energy efficiency programmes, we are already well-placed to handle these uncertainties in the near term. By continuing to decarbonise our estate, including installation of solar PV for renewable energy generation, we hope to keep pace with government targets and use our vertical business model advantage to full effect. Innovation in energy solutions is key to decarbonisation; therefore, it is essential we maintain our commitment to trialling new technologies as they increase in efficiency and decrease in cost over time. Our current renewable strategy includes the use of REGOs which we recognise may in time bring their own challenges. We are therefore working across business functions to identify the best possible route to renewables through a PPA which would secure our requirement for stable and sustainable supply of renewable electricity.</p>
<p><b>Costs</b></p> <p>The economic situation is a critical issue not only for our business, but for our team members and their families.</p>	<p>In 2022, we invested £15m to raise pay for our hourly-paid staff and salaried staff in operations. This included a one-off payment to help with rising costs. Whitbread is committed to ensuring that investments in reaching net zero are based on a strong business case and, by including the Finance team in our NZTP governance structure, we can build these together.</p>
<p><b>Supply chain issues</b></p> <p>As we accelerate towards our target year, demand for net zero technology will also ramp up. Products such as air source heat pumps and electric vehicles may be subject to supply chain issues, meaning that our Transition Plan is delayed.</p>	<p>By working closely with our Procurement and Supply Chain teams, we can ensure a healthy pipeline of the most critical assets, including careful forward planning and ordering to maintain our trajectory as planned.</p>
<p><b>Technology</b></p> <p>While many solutions exist for a net zero transition, the technological landscape is changing rapidly.</p>	<p>To stay ahead of these technology changes, Whitbread must work with key suppliers to continue to trial the best solutions and adopt them into our estate as necessary. Additionally, data accuracy regarding Scope 3 emissions of our value chain will remain a challenge for us. Like most organisations, we currently rely on emissions factors to assess our footprint. We will continue to review technological platforms and solutions which may suit our diverse supply chain, recognising this is a key pillar to delivering and measuring our Scope 3 targets.</p>



## Embedding decarbonisation throughout the business

## How does our transition plan address our material Risks and Opportunities? continued

Challenge	Our approach
<p><b>Climate change impacts</b></p> <p>Climate change presents great uncertainty and a wide range of material risks. These climatic shifts will also affect the viability of our net zero transition.</p>	<p>Our TCFD report details the scenario planning and the risks and opportunities of a changing climate. We will continually evaluate how temperature changes will affect estate development through adapting our Turnkey specification for new builds, and incorporating investment in pro-active maintenance as part of our retrofit programme.</p>
<p><b>Workforce skills</b></p> <p>As Whitbread adopts new technologies and efficiency measures, it is imperative that our team members are adequately up-skilled.</p>	<p>As we have completed successful trials of air source heat pumps and electric Synergy grills, our Repairs &amp; Maintenance teams are already trained on keeping them running to schedule. As our retrofit programme accelerates, our Refurbishment team will need further support to implement the plans, and our Finance teams will be trained in the planning and analysis required to transition our business to net zero.</p>
<p><b>Policy &amp; regulation</b></p> <p>To reach net zero across the globe, political tailwinds are urgently needed, and it is expected that government policy and regulation will tighten towards 2050.</p>	<p>Whitbread's emissions targets and pro-active Transition Plan give us the headroom to stay ahead of these changes. Our involvement with various groups such as the CBI Decarbonisation Working Group and UK Hospitality Sustainability Expert Group ensure we are kept up to date with requirements.</p>

**Concluding remarks**

Transitioning to net zero is a significant challenge, and, despite setting science-based targets and detailed transition plans, many uncertainties remain. Whitbread has proven that we are committed to the journey and that we will continue to invest in trialling solutions which drive emissions reductions. Through these trials, we continue to learn and adapt, keeping pace with the trajectory needed to ensure a safe and healthy planet for the next generations of Premier Inn and restaurant guests.



## Annex 1

## Transition Plan Taskforce disclosure framework alignment

Disclosure elements	Current section addressed	Page number
<b>1. Foundation</b>		
1.1 Objectives and priorities	Our ambitions Our approach – how the NZTP supports our business strategy See TCFD report <a href="#">Find out more online.</a>	05 07
1.2 Business model implications	Our approach – how the NZTP supports our business strategy	07
<b>2. Implementation strategy</b>		
2.1 Business planning and operations	Scope 1 and 2: Implementation strategy	11
2.2 Products and services	See TCFD report <a href="#">Find out more online.</a>	
2.3 Policies and conditions	Enabling mechanisms: Policies	22
2.4 Financial planning	Enabling mechanisms: Governance	19
2.5 Sensitivity analysis	Challenges and uncertainties	27
<b>3. Engagement strategy</b>		
3.1 Engagement with value chains	Scope 3 Engagement strategy	16
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3.3 Engagement with government, public sector and civil society	Enabling mechanisms: Partnerships	23
<b>4. Metrics and targets</b>		
4.1 Governance, business and operational metrics and targets	Operational Glide Path / decarbonisation pathway	09
4.2 Financial metrics and targets	Operational Glide Path / decarbonisation pathway	09
4.3 GHG emissions metrics and targets	Operational Glide Path / decarbonisation pathway	09
4.4 Carbon credits	Scope 1 and 2: Implementation strategy	11
<b>5. Governance</b>		
5.1 Board oversight and reporting	Enabling mechanisms: Governance	19
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