WHITBREAD PLC

Task Force on Climate-related Financial Disclosures Report 2022/23

What's inside the report

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Foreword

Dominic Paul
Chief Executive

Our Scope 1 and 2 carbon reduction journey

Starting point	Now	Interim target	Net zero target
2016/17	2022/23	2030	2040
0%	**52.5%**	**80% (1.5°c)**	**100%**

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

Climate change continues to be one of the most significant issues the world is facing today, with global warming posing a significant risk to the worldwide economy, global population, national infrastructure and business models. Climate-related events seem to be getting ever more frequent, and the need to continually assess the impacts of climate change and improve mitigating efforts has never been more important.

We want to play a meaningful part in tackling these risks and ensure that we are clear on those risks which will have the biggest impact on our business, and of course identify opportunities.

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

This year, we also publish our first full Net Zero Transition Plan (NZTP) **Find out more online**, outlining the specific activity we will be following over the short, medium and long term in order to meet this target.

With a 52.5% carbon reduction already met, we are on the right track, but there is still much to do.

We have also set out how we will meet our Scope 3 target, reducing our supply chain emissions aligned to a 1.5°C pathway, set new water targets and started our journey towards being net positive for biodiversity. This is something of which I am incredibly proud as I believe we have a real and unique opportunity for impact in our industry. Details of this can be found in our most recent Environmental, Social and Governance (ESG) report **Find out more online**.

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

Foreword continued

We have reduced our carbon emissions so far through a series of actions including committing to buy 100% renewable electricity, introducing energy efficiency programmes, developing buildings to the Building Research Establishment's Environmental Assessment Method (BREEAM) Excellent standards and through solar PV installation.

We will continue to trial electric alternatives, substituting gas-based appliances, for example grills, for electric ones, thereby taking gas out of our business and continuing to improve our energy efficiency programmes across the estate.

Through regular materiality assessments, we seek to 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. More information about our strategy and progress in FY22/23 can be found in our ESG report **Find out more online**

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

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 its 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.

Responsibility

2040 SBTi committed carbon target

Scope 1 & 2

We are committed under the SBTi to reach 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 to reduce emissions by 43% by 2035 and 64% by 2050.

Plastics

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

Food waste

We have committed to reduce our food waste by 43% by 2030.

Water

We will reduce our water consumption by 20% per sleeper by 2030.

Biodiversity

We have undertaken a baseline of our biodiversity position and are in the process of setting targets to address a nature positive position.

Good progress has already been made against many of these targets. More information on our targets and progress can be found on our website and in our most recent ESG report **Find out more online**

Our approach to climate risk

While climate change poses risks to current business models across our industry and beyond, it also creates opportunities for companies that act decisively in a competitive environment. We are working hard to lead our industry towards a sustainable future, while reporting our progress in a clear and transparent way. Whitbread has been helping to address the issues of climate change for some time, having 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 a range of other stakeholders. We already have a mature programme of work in place to mitigate our own impact on climate change, and as a result of our TCFD reporting, we now also have a transparent and comprehensive understanding of the main climate-related financial risks. We have also 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), 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, when they may transpire, and how we are mitigating and managing them.

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 impact of climate change is unlikely 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.

Following on from our inaugural TCFD analysis and report last year, we reviewed and concluded that the scenario analyses undertaken then will not have materially changed. We note of course that climate-related events appear to be occurring with ever increasing regularity and are mindful that during 2022, we saw record temperatures in the UK, including the hottest day on record, droughts, forest fires, as well as floods, water shortages and rationing, freezing temperatures and storms. The climate is changing around us and we need to be mindful of the potential impact this may have on our business.

Whilst we continue to ensure that we are improving our understanding of climate risk year on year, we will be undertaking a two-year cyclical process to identify our principal risks and opportunities as outlined on pages 11 to 22.

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 helping to tackle climate change.

Dominic Paul
Chief Executive
18 May 2023

Our approach to climate risk continued

Reporting year 2 (and subsequent even reporting years) FY22/23

In line with good practice, we are approaching our climate risk identification, scenario analysis and quantification on a two-yearly cycle. The images below outline the process we follow in relation to initial risk and opportunity identification each year.

Who	What	When
Head of Sustainability	Undertake desk-based analysis of key risks and opportunities to take forward for scenario analysis to identify whether any critical changes should be made. This analysis is informed by ESG materiality, trends and legislative landscape reports	November
Internal Audit	Review and provide independent challenge	December
Functional risk owners	Review and update the TCFD risk and opportunity register for current position	January
Sustainability team	Document responses and any changes made to the TCFD risks and opportunities register	January
TCFD Steering Committee	Sign-off on principal risks and opportunities	January

Reporting year 3 (and subsequent odd reporting years)

1

Internal risk and opportunity workshops held to sense check, identify new risks, and refresh current risks and opportunities posed to our business by climate change

2

Risk ratings to be attributed to each risk, reviewed and re-scored by external climate change experts

3

Sustainability team to document responses and any changes made to the TCFD risks and opportunities register, and circulate this to the TCFD Steering Committee for sign-off.

What's new this year:

Alongside reporting our progress on mitigating activity, metrics and targets, we outline once again the process we have undertaken to understand the scale and impact of each risk on our business. This year, we have set new water reduction targets, published our first Net Zero Transition Plan (NZTP) and begun our journey to understand the impacts our business has on biodiversity. More information on this can be found in our ESG report.

Find out more online

Navigating our report – our response to the 11 TCFD Disclosures

Whitbread PLC has considered our obligations in respect of climate-related disclosure under the Taskforce for Climate-related Financial Disclosures (TCFD) Recommendations and confirm that we have made disclosures consistent with this guidance, save for the following item: Strategy Recommendation disclosure b) relating to quantitative climate-related scenario analysis. We disclose the work we have undertaken to analyse the relevant climate scenarios against each risk, with the data available to us. We have found a breadth of assumptions in much of the base data we rely on to undertake this scenario analysis and quantification. While we continue to improve our understanding and analysis in relation to the quantification of these risks, we look forward to the market also continuing to mature its approach to the data as this will support the evolution of our more comprehensive understanding of the resilience of our business under each climate scenario. The work we have already done is outlined in the Principal Risks table in our full TCFD report

Find out more online

Disclosure	Where we cover this disclosure	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, implements and monitors progress against goals and targets.	24 – 28
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.	25 – 28
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.	The Strategy section sets out what we consider to be the relevant short, medium, and long-term time horizons, together with a description of the specific climate-related issues potentially arising and their associated potential financial impact on our business. A description of the principal risks and opportunities is also set out in the Strategy section. The process(es) used to determine which risks and opportunities could have a material financial impact on our business are set out in the Risk Management section.	11 – 22
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Within the Strategy section, we describe how climate-related issues serve as an input to our financial planning process, the time period(s) used, and how these risks and opportunities are prioritised. Climate-related scenarios were used to inform the strategy and financial planning, and such scenarios have been described in the Risk Management section.	9
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Within the Strategy section, we describe how climate-related issues serve as an input to our financial planning process, the time period(s) used, and how these risks and opportunities are prioritised.	9
Describe the organisation's processes for identifying and assessing climate-related risks.	In the Risk Management section, we describe our risk management processes for identifying and assessing climate-related risks, including how we determine the relative significance of climate-related risks.	33 – 34

Navigating our report – our response to the 11 TCFD Disclosures continued

Disclosure	Where we cover this disclosure	Pages
Risk Management: Disclose how the organisation identifies, assesses, and manages climate-related risks.		
Describe the organisation's process for managing climate-related risks.	In the Risk Management section, we describe our processes for managing climate-related risks, including how we make decisions to mitigate, transfer, accept, or control those risks.	33 – 34
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, we set out how our processes for identifying, assessing and managing climate-related risks are integrated into our overall risk management.	30 – 32
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 and Targets section, we disclose the key metrics we use to measure and manage climate-related risks and opportunities.	35 – 37
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Within the Metrics and Targets section, we provide our Scope 1, Scope 2 and Scope 3 GHG emissions and the related risks.	35 – 37
Describe the targets used by the organisation to manage climate-related risks and opportunities, and performance against targets.	Within the Metrics and Targets section, we describe our key climate-related targets, in line with anticipated regulatory requirements, market constraints and/or other goals.	35 – 37

Strategy

This section sets out the actual and potential impacts of the principal climate-related risks and opportunities on our business, strategy and financial planning.

While changes associated with the 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 reach net zero carbon by 2040 and this year are proud to publish our firstNet Zero Transition Plan (NZTP) **Find out more online**, created in line with the Transition Plan Taskforce for guidance.

There are several core strategies, such as Responsible Sourcing across our Procurement and Construction/ Property functions, where the risks and impact of climate change are already included in the decision-making process, for example:

The devastating floods experienced in Pakistan in 2022 damaged 45% of cotton crops from the region, exposing Whitbread to supply risk for a key source of cotton for our hotels and restaurants. Our Procurement team led a supply risk analysis in collaboration with our cotton suppliers and the Better Cotton Initiative (BCI). We also engaged with Stop the Traffik to monitor these risks and any knock-on effects on human rights and environmental protection.

> "We have already committed to be **net zero carbon by 2040** and this year are proud to publish our first Net Zero Transition Plan.

As part of our net zero transition process, we commissioned built environment and climate change experts Greengage Environmental to produce a policy gap analysis of our environmental policies, and identify opportunities to leverage policy and practice to accelerate our net zero transition. This review led to an update of our key policies, such as our Energy and Water policies, bringing them in line with best practice.

How we assess future implications of potential climate change

To assess future implications of potential climate change properly, 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 pressures

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

Short term:	Medium term:	Long term:
0–2 years	2–5 years	5+ years

Strategy continued

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 we identify, assess and manage climate-related risks are set out in the Risk Management section of the report.

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 and we therefore believe that this continues to be a robust approach for Whitbread. We analysed each identified risk using three NGFS reference scenarios, analysing risks across the Orderly Transition, Disorderly Transition and Hot House World scenarios.

We have used each scenario to identify principal risks over the short, medium and long term, and where we can, quantify such risks. As part of this process, we have 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. This was completed in December 2022. As part of this approval process, the Board approves the Whitbread risk management framework which takes into account the material risks and opportunities, including those related to climate. This holistic picture of risk is therefore incorporated into the financial planning process. Going forward, the TCFD Steering Group will form part of the annual financial planning and budget process, ensuring the principal climate-related risks and opportunities are taken into account. Climate-related risks are considered specifically by the Board as part of its risk management processes twice a year with the full and half-year results, and sits as one of our principal risks in our key sustainability risk matrix.

Whitbread has hotel operations within the UK, Ireland, and Germany, and the three countries are considered to have similar risk profiles, regarding the relevant (environmental) legislative and geographical make-up of these markets. Therefore, the differences are neither material nor relevant when assessing climate-related risks and opportunities.

The Group only has stand-alone restaurants in the UK and we do not believe that climate-related risks and opportunities can or should be broken down by regions within each country. Noting the nature of our hotel and restaurant operations, similar risks exist across both and where there are specific significant risks faced by one of those sectors compared to the other, these are limited and identified in the following risk assessment.

Principal climate-related risks

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

Overall, we do not believe the impact of climate change will be material for our business over the short or medium term. Over the longer term, impacts are harder to identify due to the timeframes and nature of risks, but, at this point, we do not believe the impact of climate change over this period will be material. We have, however, identified the main risks which could have a potential and material impact on the business.

The following risks, outlined on pages 12 to 19, 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. Our existing and planned mitigating activity was also reviewed. We continue to work on quantifying the potential financial impact of climate-related risk, taking both the quantified risk and opportunity into account, and look forward to evolving our disclosure on this in the coming years. However, as highlighted above, overall, we do not expect the results of climate change to be material for the Group in the short to medium term.

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 concern. However, we are not complacent and this will be continually reviewed, measured and updated.

Along with a focus on core risk quantification, which will provide a materiality assessment of each risk, we are focused on understanding the overarching net risk once the corresponding opportunities (where relevant) and mitigating activity are taken into account.

TCFD principal risk and opportunity identification and review process

In 2021, we 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, including the TCFD Steering Group and the Whitbread Risk Working Group, to identify climate risks and opportunities, including the potential size and

scope of each. Through further analysis of each risk this year, we do not believe there are any material changes to the work conducted in 2021. We plan to conduct a more in-depth review of this in the coming year and aim to continue improving our level of quantification against each identified risk.

In line with our risk management framework, risks were assessed and rated (1 to 5) on impact and likelihood. Each risk was externally rated and verified by the external climate change experts to provide additional assurance. Short (0 to 2 years), medium (2 to 5 years) and long term (over 5 years) horizons were also considered. This produced a list of the principal risks[1] and opportunities that then went through scenario analysis and quantification as outlined in the FY21/22 TCFD report.

Moving forward, the TCFD risk review will form part of the annual Whitbread central risk review process, will be applied within the normal two-year cyclical process, and will be coordinated by the Sustainability team as outlined on page 27.

1. Within the scope of this TCFD report, principal risks refer to those risks classified as principal for the purposes of TCFD reporting. These are separate from Whitbread principal risks, which are part of the wider risk analysis of Whitbread PLC.

Principal climate-related risks continued

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	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 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 processed to provide year-on-year percentage increases in cost. **Short, medium and long-term impacts:** Whilst further work is still required to more accurately quantify the risk impact, from our current assessment, we still believe that: i. the most material impact for this risk will likely flow through in the medium-term and long-term Orderly Transition scenario; ii. there is more limited risk in the short-term Orderly Transition scenario, and medium-term and long-term Disorderly Transition scenarios; and iii. there is minimal impact across remaining timeframes and scenarios.	As part of our carbon reduction programme, we are continually trialling and rolling out technology to reduce energy usage, and understand its application and operating cost impacts. See our ESG report and Net Zero Transition Plan for case studies and examples of progress. Find out more online We have the option to pass on any increases in energy costs to customers through rate increases if necessary. **Opportunity link identified** Cost reduction by investing in low carbon technologies and energy efficiency/implementing energy saving measures.
Risk of increased cost of water/reduced availability due to climate induced water scarcity	Chronic	Risk has been assessed through modelling water demand variables using data from the UK Environment Agency. 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. **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 long-term Orderly Transition scenario; ii. there is more limited risk in the short term for all of the scenarios (Orderly, Transition, Disorderly Transition and Hot House World). We will continue to increase the granularity of information we have on extreme weather events.	This year, we commissioned Waterscan to review our water usage and existing and planned water reduction strategies, and also analyse the external market. Waterscan modelled existing trial technology we already have in place to project a tangible and achievable water reduction target. This is based on pre and post intervention data from a water reduction trial in the Affinity Water region. Technology installed and interventions undertaken include: • installation of upgraded WC valves; • installation of water blade flow restrictors on taps; • recommissioning of shower heads to new space specification; • identification and remediation of all water leaks. Following this analysis, we have adopted revised water goals of: 1. minimising water use across the estate; and 2. prioritising water management in high-risk areas. We have also committed to a new water reduction target of 20% per sleeper by 2030. This revised target considers the roll-out of successful trial technologies, and aligns with our net zero targets as it also represents a reduction in gas used to heat water.

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			
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. 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.	Acute	Risk has been assessed through modelling a basket of relevant crop-related variables using NGFS crop price data. **Short, medium and long-term impacts:** Whilst further work is still 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 long-term Orderly Transition scenario; ii. there is more limited risk in the medium-term Orderly Transition scenario and long-term Disorderly Transition scenario; iii. there is minimal impact across the short-term Orderly Transition scenario and the short-term and medium-term Disorderly Transition scenario; and iv. there is no impact in the short, medium and long-term under the Hot House World scenario.	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. We also include climate impact analysis in our responsible sourcing decision-making process. For example, this year, as a result of the floods in Pakistan, noting our laundry supply chain's reliance on this geography for cotton, we undertook a specific analysis as outlined in the case study in our Strategy section. 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. This is being reviewed at the moment through work led by the Restaurants team as we consider how health, nutrition, carbon in the supply chain and climate risk can better align with our core strategy. We aim to publish updates on this in FY23/24. **Opportunity link identified** • Opportunity to utilise enhanced position within the market due to quality and sustainability position to mitigate against higher operating costs. • Opportunity to use scale to drive suppliers to sustainability at scale.

Principal climate-related risks continued

Physical risks

Buildings

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
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.	Chronic	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. However, a cost comparison exercise was completed for a new construction of a gasless hotel in Swindon, to be opened in 2023. The cost comparison demonstrated that ongoing running cost savings and upfront installation cost savings led to a negligible ROCE impact of switching to all-electric technology. 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. In addition, construction materials availability as a function of the global production rate of materials is considered. 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.	Development to BREEAM Excellent standards or above is already embedded within our policies and systems. 53 sites were constructed to high environmental standards using proceeds from our Green Bond as outlined in our Green Bond Framework. 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. We already use air source heat pumps in over 40 of our sites, are building our first gasless hotel in Swindon at the moment and plan to trial a full 'retrofit to net zero' at two LPG sites in 2023/2024.
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	Acute/Chronic	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. We consider both the capital cost to repair from flood damage and loss of earnings due to site closures when assessing this risk. **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 long-term under each of the Orderly Transition, Disorderly Transition and Hot House World scenarios; and 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.	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. Network plan picks up particular flood risks, so we are able to avoid building new hotels in high-risk areas. Insurer relationships are maintained and enhanced; construction is undertaken with flood defences being put in place where relevant, both before damage occurs and/or after flooding incidents as required. Work with suppliers continues on enhanced technology to mitigate physical damage risk. For example, following extensive flooding at the Premier Inn Blackfriars site, additional retention and flood protection works were carried out, including the upgrade of flood chambers, installation of new flood valves, and the design, supply and installation of new free-standing storage chambers, dry well and pumps. We have enhanced and will continue to enhance proactive and reactive maintenance from supplier base.

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 continue to work on developing climate risk views into supply chain planning and supplier locations, in a similar way to the analysis on flood impact on Pakistan cotton supply. As we build out our Scope 3 carbon in the supply chain strategy, we will look to overlay an element of climate risk analysis to critical suppliers. 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) 2022. **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 the 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, ensuring updates are presented internally and to the Board periodically. 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, building in new ways of working and operational cost lines as required, for example, this year preparing for the upcoming Deposit Return Scheme (DRS).
Risk that hotels and/or restaurants 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**	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. **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 impacts are minimal and limited to the medium-term and long-term of each of the Orderly Transition and Disorderly Transition scenarios; 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 term under the Hot House World scenario.	Our net zero carbon programme and Transition Plan outlines the activity that is required to move to a low carbon operation. This is embedded across our business functions and financial planning process. It includes energy efficiency programmes, new technology roll-out and removal of gas from our business, and addresses this proactively in line with our SBTi committed target, ahead of the UK government's target of net zero carbon by 2050. There is potential for lower servicing costs from electric replacements as we move away from gas boilers and gas grills, as well as lower maintenance requirements and safety and security checks. We undertake ongoing monitoring of low carbon technology 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			
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**	It is still unclear whether the changes in working practices, utilising online meeting technology and the resulting reduction in business are a permanent or long-term structural shift. Therefore, 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. To assess risk, we have and continue to track developments in business and leisure travel, noting risks and significant opportunities in this area. We have experienced a fast-changing landscape for a number of years now but have proven we are able to respond to it in an agile way, exemplified by the fact that we have achieved record occupancy levels in the UK in our most recent financial year (FY23).	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 the opportunities table below). We can also enhance the multiple night stay proposition to reduce carbon emissions and our leisure proposition to continue to offset the impact of residual B2B impacts. A greater sustainability position in the industry will drive more customers who prioritise sustainability credentials (both business and leisure), particularly as businesses focus on Scope 3 targets. This is something we have seen a notable change in over the last 12 months as research undertaken with B2B customers showed that 92% of business owners consider it important that the organisations they work with need to be 'like-minded, environmentally responsible companies' for business travel. **Related Opportunities identified** • Attract more customers who are focused on climate change – align brand proposition to climate-friendly offering to maintain and grow market share • 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.
Policy – Severe weather impacting guest visits/stays leading to cancellations.	**Market**	This was not modelled this year as quantification is still not possible at this stage. We do not have enough data currently on extreme weather events to quantify this. We have mitigating activity such that our products guide our guests to postpone trips rather than make outright cancellations. We believe this risk is immaterial in the short term and medium term. We continue to work on trying to quantify this.	A range of rate products are offered to hotel customers, with varying levels of flexibility, which can enable postponement of trips rather than cancellations.

Principal climate-related risks continued

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
Transition risks			
Market			
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**	This was not modelled this year as quantification is not possible at this stage. We will continue to review ways of assessing and quantifying this risk; however, we believe the risk is not material in the short to medium term Medium and long-term consumer behaviour is currently unknown. We'd need to undertake market research to help us understand the commercial impact of changing consumer trends.	This has and will continue to be mitigated through some diversification of menus, introducing vegetarian and vegan options, through marketing review of customer trends and through ensuring our beef supply chain is sourced responsibly, with possible review of localised sourcing to reduce the emissions impact of the supply chain. Our Scope 3 carbon reduction target will also support the mitigation of this impact as we move to reduce the wider carbon emissions of our supply chain.
Reputation – Risk that our brands fail to align with changing trends. For example: vegetarian/ vegan food preferences, preference for locally sourced food, sustainable management – Connected risk.	**Reputation**	This was not modelled this year as quantification is still not possible at this stage. Medium and long-term consumer behaviour is currently unknown. We would need to undertake market research to help us understand the commercial impact of changing consumer trends.	We continue to consider customer choice for all of our menu reviews, specifically vegetarian, vegan and NGCI options, to ensure we are providing guest choice. We consider the sourcing of each ingredient on a case-by-case basis and, as an example, we only source UK and Irish beef for all of our steaks. We do not plan to introduce a more localised sourcing programme at the current time. Customer and industry trends are key inputs to our commercial, marketing and strategic development for our restaurant brands.

Principal climate-related risks continued

Risk type and description	Risk sub-category	Notes on scenario analysis modelling	Existing and identified mitigating activity
Connected risks			
Market			
Policy – Recessionary impacts arising from the impact of climate change.	**Market**	We currently do not have data points to quantify what impact climate change has on the economy. We know, due to our unique operating model, that we are well placed during a recession given we operate in the budget market and our strong balance sheet means we are well placed vs our competitors. We know there is a structural decline in the independent sector, which means Whitbread is well placed to capitalise on demand if supply of UK hotel stock curtails. We continue to review ways of assessing and quantifying this risk.	Whitbread's Commercial team has a track record of successfully navigating recessionary impacts, mitigating the overall impact on Whitbread. Whitbread's scale and financial strength support navigation through recessionary periods better than more fragmented competition, and scale of supply chain also brings benefits to preserve our commercial proposition. Our sustainability position serves as a key differentiating factor against competitors. This position is preserved during recessionary and recovery periods due to our long-term, committed targets.

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 acting sustainably and responsibly is just part of how we operate. Examples include:

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

Whitbread has identified three principal categories of climate change opportunities and 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 three categories are: (i) market-related; (ii) operations-related; and (iii) remuneration-related.

The issuance of a £550m Green Bond to finance and/or refinance, in whole or in part, eligible Green Projects. These include 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. As at 3 March 2023, we had allocated £504m of the proceeds and expect to allocate the balance during FY24.

Trialling new technology to support both meeting our carbon targets and fulfilling efficiency gains leading to lower operating costs, e.g. creating the first battery-powered hotel in Edinburgh, and installing air source heat pumps in over 50 of our hotels to remove emissions from gas use. We have also rolled out a number of energy efficiency programmes such as more efficient toasters and grills, as well as installing solar panels across 20% of our estate. These technologies unlock opportunities to both reduce our carbon footprint and potentially deliver significant cost savings.

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 enhance the performance of our estate.

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), helping to mitigate the risk of reputational damage through poor practice while also securing sustainable supply.

Purchasing 100% renewable electricity across our UK owned and operated estate.

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.	Continued increase in consumer 'staycation' trend, with 52% of consumers planning a domestic holiday in 2023[1] and 67% concerned or very concerned about travel impact on climate change.[2] Overnight domestic trip intentions are above the levels anticipated back in March 2022, with 73% planning a trip in the next 12 months compared to 61% in March 2022. 33% indicated they are more likely to choose a trip in the UK than overseas, compared to pre-pandemic.[3]	Dynamic marketing strategy in place and will continue to be in place in order to respond 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.	Continued increase in number of vegan consumers: 500,000 consumers signed up to 'Veganuary' in 2021, up from 350,000 in 2020, and the number of vegans in the UK has increased by 445,428 people (40%) over the past 12 months. The majority are driven by environmental reasons (According to VeganuaryUK).[4]	Inclusive menu development continues in order to cater for all customer needs. In FY22, 17.8% of F&B sales were vegetarian and vegan dishes, with this increasing to 18.4% in FY23.
Attract more customers who are focused on climate change – align brand proposition to climate-friendly offering to maintain and grow market share. Travel management companies and corporates are increasingly asking about climate change programmes, including to support their own Scope 3 targets.	81% of travellers surveyed in Booking.com's Sustainable Travel Report 2022 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.[5]	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 within core brand marketing campaigns under Rest Easy, activating messaging where relevant across our sites. For example, this year we have our first out-of-home advertisement focused on our use of renewable electricity.
Opportunity to utilise enhanced position within the market due to quality and sustainability position, scale and operational model to mitigate against higher operating costs.	Whitbread has a leading science-based carbon intensity reduction target of net zero carbon by 2040. Through this strategy, we implemented a mature energy efficiency programme which involves rolling out efficient technologies across our hotels and restaurants. Our business model means that we are not only able to do this, but are in the advantaged position of realising the cumulative cost savings that come from these efficiency gains across our estate.	We are also ensuring that we harness the opportunities that are available to us through our owner/operator business model to make the changes that not only have positive environmental impact but commercial too. For example, water reduction targets that deliver both reduced demand on the UK water table and carbon emissions but also reduced water bill and gas bill.

1 https://www.rsmuk.com/ideas-and-insights/travel-and-tourism
2 Travel Weekly Insight Annual Report (produced in association with Deloitte) 21/22 www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uktravel-weekly-insight-annualreport-2021-22.pdf#page=1
3 https://www.visitbritain.org/sites/default/files/vb-corporate/Domestic_Research/domestic_sentiment_tracker_report_-_march_2023_release.pdf
4 https://www.vegansociety.com/news/media/statistics#vegandietintheuk
5 https://www.gstcouncil.org/booking-com-2022-sustainable-travel-report/

Principal climate-related opportunities continued

Opportunity description	Contextualisation	Current initiatives and future enablers
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.	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. 95% of EV car users reported availability of charging points influences their accommodation choices[6] – booking sites are now including EV charging points as key search filters.	Whitbread has 140 EV chargers in place (to end of Jan 2023) with an agreement to roll out an additional 270 in total over the next 2 years for sites with over 50 parking spaces. We continue to review further opportunities to enhance EV charging across our estate.
Operations		
Cost reduction by investing in low carbon technologies and energy efficiency/implementing energy saving measures.	Energy efficiency programmes deliver reductions in both carbon and energy bills, e.g. through our water reduction target, which will also reduce gas usage, saving approx £1m per year on gas bills.	We respond to this opportunity through our Net Zero Transition Plan, including our energy efficiency and water reduction programmes which we have outlined above.
Attract and retain staff by being seen as a sustainability leader.	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 employee brand proposition. As part of this, we are working on embedding sustainability messaging and progress with the Recruitment Brand team. We have implemented an internal communications strategy to ensure we are updating our team members on the sustainability issues they care most about in a meaningful way.
Opportunity to use scale to drive suppliers to sustainability at scale.	Whitbread has significant scale, with over 1,600 Premier Inn hotels and restaurants across the UK, and serving over 5 million customers every month.	Whitbread has a track record of working with suppliers to drive sustainability and innovation, and operate with enhanced efficiencies, more recently working with them to begin implementing our Scope 3 carbon reduction target as outlined in our ESG report and Transition Plan.
Reputation		
Opportunity to source local food and other input materials, which may have a positive marketing benefit and be viewed favourably by customers.	30% of consumers would be prepared to pay more to stay with a hotel brand that minimises CO_2 emissions.[7]	We are working to position our sustainability credentials more centrally within the brand proposition. As part of this, we have embedded sustainability progress and key messages within B2B marketing and core brand marketing campaigns, focusing on the net zero carbon message, as consumer research demonstrated this is important.

6 https://www.virta.global/ev-charging-for-hoteliers
7 https://7e95503b-8435-4319-bd55-3ff9fd8b9d00.filesusr.com/ugd/6b9913_bda34290d24941b6b6aad4279d5a23c7.pdf

Resilience of strategies

The TCFD disclosure process continues to provide Whitbread with further opportunities to test the resilience of its climate change strategies with extensive cross-functional input. It also means we can continue to evolve and identify the potential impacts of climate-related issues on our financial performance and financial position. We will continue to monitor the same as part of our governance structure to ensure the strategies remain resilient. Please see the Governance section for further details. Through this process, we believe we are 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 has a good understanding of climate-related risks in each scenario, in particular under the transition to a lower carbon economy consistent with a 2°C or lower scenario (Orderly Transition). 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 that each of our strategies is resilient and can therefore be delivered. With the structure adopted, required changes can be readily identified as circumstance, technology or knowledge change. Several mitigants have already been identified, some of which will 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 is maintained.

Our annual materiality assessment and trends review gives us confidence that we are addressing the most material sustainability issues for our business. This year, we have maintained a consistent approach to materiality; however, to reflect UK and EU evolving sustainability requirements, we plan to review our approach over the coming year to more formally align with the principles of double materiality, as we consider the issues that impact our business as well as those upon which we have a significant impact.

Governance

Embedding climate change into our governance structure – how we identify, assess and manage climate-related risks and opportunities.

Effective corporate governance is critical to executing our strategy and delivering for all of our stakeholders. Our governance of climate and sustainability-related matters reflects our commitment to strong leadership and oversight by senior management and the Board, 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 to ensure that responsibility for delivery sits where it makes the most difference.

Governance structure

Whitbread PLC Board
Ultimate decision-making body sets strategy and 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 in our reward structure

Executive Committee
Whitbread's day-to-day leadership team oversees sustainability delivery
General Counsel is the Executive Committee member primarily accountable for sustainability

Sustainability Working Group
Day-to-day management of sustainability issues, including climate

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 business lines – making the most difference

HR and Reward
Oversight of people strategy
Assessment for reward and remuneration (including core ESG metrics)

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

Finance
Sustainable Finance Committee
Sets 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

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, as outlined in the Annual Report and Accounts. This includes KPIs linked to delivery against the Net Zero Transition Plan and the food waste target.

The Board holds eight scheduled meetings per year during which the Board's committees also meet. At two of these meetings each year, the Board is taken through the strategy behind the sustainability programme, the associated targets, achievements and key priorities, for discussion and approval. In addition, 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 and presented in reports as required. During this financial year, updates on our sustainability strategy and performance were presented to the 17 May and 19 October Board meetings.

We have also this year appointed two new NEDs to our Board with extensive ESG experience, which was a specific competency considered during the selection process.

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 part of this process.

In FY23, 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 and was formally reviewed twice each year by the Audit Committee as part of its half-year and full-year reviews.

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 composition of the Board 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 within our reward structures 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 FY24, ESG measures account for 10% of the maximum achievable under the CEO's Annual Incentive Scheme. These measures include progress against our carbon reduction target. In the same way, ESG measures also form part of the Annual Incentive Scheme for other senior Whitbread employees, e.g. Executive Committee members. ESG measures are also 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 FY24 includes KPIs related to Whitbread's carbon reduction target from both an operational level and support centre level.

Governance continued

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. Its meetings are attended by the Whitbread CEO, Chief Financial Officer, General Counsel, MD Premier Inn and Restaurants UK and Global Commercial Director, MD UK Hotels and Restaurants, Group Operations Director, Chief People Officer and MD International and Property.

It meets fortnightly and is chaired by Whitbread's CEO. 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; monitoring operational and financial performance; risk management; and sustainability.

Managing our sustainability, including climate-related issues, is an important role performed by the Executive Committee, and includes 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. During the past financial year, the Head of Sustainability presented eight sustainability updates to the Executive Committee.

Sustainability is included in the objectives of senior management, over which the Board has oversight, for example relevant sponsorship or accountabilities relating to our net zero carbon target.

Chris Vaughan, General Counsel, is a member of the Executive Committee and has responsibility for the Group's sustainability programme, Force for Good.

The Sustainability team (below) reports into the General Counsel, ensuring accurate and timely monitoring of climate-related issues.

The Executive Committee 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 when key external trends affecting those businesses (including climate-related risks) are identified. The climate strategy is then revised and proposed to the Executive Committee, together with goals and targets. Such revisions are designed to deliver progress against the strategy, and are accompanied by the action plans to deliver on these strategies. This is then reflected in financial planning. Outside of this annual materiality cycle, periodic updates are provided to the Executive Committee and specific issues discussed, as required, including ensuring strategies are resilient to climate-related risks. In 2022, for example, an overarching view of sustainability trends was taken to the Executive Committee for debate over strategic alignment and preparedness; an update on site audits for net zero 'readiness' was also taken for discussion ahead of Transition Plan drafting; and recommendations were taken for a new water reduction target.

Sustainability Steering Committee

The Sustainability Steering Committee (SSC) is a multidisciplinary group, responsible for overseeing the Company's response to sustainability risk, opportunity and communication, and providing oversight, coordination and delivery of key programmes, and initiatives against key FFG targets, as approved by the Executive Committee.

Meeting quarterly, the Committee develops recommendations for Whitbread's response to emerging risks, opportunities and legislation, and provides quarterly consolidation of decisions and actions to be updated and reported internally.

The SSC is chaired by the General Counsel, and includes representation from Investor Relations, HR, Operations, Brand, Property, and Procurement.

The SSC is chaired by the General Counsel and includes representation from Investor Relations, HR, Operations, Brand, Property, and Procurement.

Governance continued

Sustainability team

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 recommends 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 biannually, 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, and leads the Sustainability Steering Committee, which meets quarterly to oversee and provide support for key sustainability targets. See ESG report for more details.

Environment

Delivered by central team

- Management of the energy efficiency and environmental performance of our estate, including construction to BREEAM Excellent and above standards is led by the Property team
- Management of our energy efficiency and carbon reduction delivery programmes as well as our water and waste management (supported by the Sustainability team)
- Our Operations and Restaurant teams manage the food waste reduction programme
- The Sustainability team leads on setting and delivering the strategy for net zero, Scope 3, food waste, plastics, water, biodiversity and other environmental and climate-related programmes

Sourcing and supply chain

Delivered by Procurement

- The Sustainability team manages the sustainability strategy and policy for suppliers (including human rights, environmental impact, packaging and carbon reduction)
- Procurement and Supply Chain team 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

Social programmes

Delivered by HR

- The 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 Chief Financial Officer with representation across various functions in the business and meets biannually. It provides oversight and drives implementation of the TCFD recommendations and wider climate strategy. Outputs form part of the Head of Sustainability's reporting of climate-related issues to the General Counsel.

The Steering Group works with subject matter experts across the organisation to oversee the development and implementation of mitigating activities and planning against key risks and opportunities.

Risk Working Group

The Risk Working Group supports the Executive Committee by reviewing the methodology for identifying and assessing both emerging as well as principal risks, 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.

Governance continued

Functional delivery of our sustainability programmes

Responsibility for delivering Whitbread's sustainability strategy is embedded across several functions within the Group. Whitbread's sustainability targets and requirements are managed and shared through clear and timely communications across relevant business functions as outlined in the following table, and also through the continuous involvement of the Sustainability team. This ensures that responsibility for delivering our sustainability strategy rests in those 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 Sustainability team to ensure that the Board's strategy in this area is translated into clear and measurable targets together with appropriate and aligned incentives.
Finance department	Whitbread's sustainable finance strategy is governed by the Sustainable Finance Committee which is chaired by the Chief Financial Officer. Other members of this Committee include the General Counsel, the Group Commercial Director and MD Premier Inn and Restaurants UK, the Head of Sustainability 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 help reduce energy consumption. The Finance department is currently running a case study to trial a potential adoption of a carbon price. This trial is aimed at not only identifying a suitable carbon price for our business but also identifying the relevant mechanisms under which we would apply it. With committed leadership and functions clear on the objectives required to deliver our carbon reduction programmes, we are aiming to ensure the model we implement delivers a material impact in decision-making processes.
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 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 Sustainability team to address Scope 3 targets and ensure sustainability requirements in tendering and purchasing are set, monitored and addressed.
Operations team	While we have central control of our energy at site level through our automation first approach, there will always be some level of responsibility held by those operating our sites on the ground. Our Operational team is supported and incentivised to ensure they are implementing responsible energy management behaviours across our hotels and restaurants.
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 key elements to ensuring maximum energy efficiency and the team 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

We recognise the importance of effective identification, assessment and management of climate-related risks and opportunities.

We deal with risk on a daily basis. The ability to identify, understand and manage risk has always been critical to our 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 framework.

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 across the business. Each climate-related risk is allocated a clear business owner who, together with the Head of Sustainability, works to ensure effective 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. These 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.[5]

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, we undertook a climate scenario analysis exercise aligned to the TCFD recommendations and also aligned 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 and 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, the scenarios may also be useful to the broader financial, academic and corporate communities.

5. Within the scope of this TCFD report, principal risks refer to those risks classified as principal for the purposes of TCFD reporting. These are separate from Whitbread principal risks, which are part of the wider risk analysis of Whitbread PLC.

Risk management continued

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 the 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.

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, it 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 was most closely correlated with present-day observations. Variables considered included the concentrations of the greenhouse gases carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O), global CO_2 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, CO_2 emissions and CO_2 concentrations are tracking on or below modelled ranges in the climate scenarios, whereas CH_4 and N_2O 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.

Risk management continued

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.

Whitbread recognises the wider impacts of the scenarios beyond price and cost changes, including the societal, environmental and economic impact across all geographies

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 the 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 which in turn will have significant societal, environmental and economic impacts across the globe. 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 remains committed to reviewing and improving its TCFD-aligned climate scenario analysis work over time.

How we categorise, monitor and manage climate risks

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 the Executive Committee and Board
- 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 Repairs & Maintenance team manage this with support from Operations
- Network Planning and Property & Construction team for future-proofing our estate and also 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 reacts 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: 0-2 years
Medium term: 2-5 years
Long term: 5+ years

How we categorise, monitor and manage climate risks continued

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. Climate-related risks are prioritised through this process which determines how to mitigate, transfer, accept or control such risks. The processes for prioritising climate-related risks are also determined, including how materiality determinations are made across the Group.

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 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 each year. This 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 Group's 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 undertaken to identify and assess exposure to physical and transition risks over the short, medium and long term. Since 2021, the process includes 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 more detailed investigations into specific risks. The Group's 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 we are well placed to manage the risks associated with the transition to a low carbon economy and to take advantage of the significant opportunities such transition creates. We will continue to monitor scientific developments around climate change to help us adapt our response.

Metrics and targets

How we manage 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 (see www.whitbread.co.uk/governance/reports-policies/).

We use a number of climate-related metrics for measuring performance against key risks and targets. These targets have been developed through materiality assessments 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, and have been reviewed against the metrics and targets provided in the TCFD all-sector guidance. As well as publicly stated, long-term targets, we set annual internal targets in order to build a delivery plan and ensure that progress against longer-term goals is tracked. These annual targets are then incorporated into both individual and Company-wide annual objectives, which, in turn, are captured within the Group's remuneration policies. This year, carbon reduction metrics, in line with our net zero target, were included in our Executive Remuneration package as part of the ESG performance measures, which represent 10% of the Annual Incentive Scheme and also our Operational Incentive Scheme through our WINcard system. They will also be included in this year's remuneration structure along with the newly committed water reduction targets, aligned with the Remuneration metric from the cross-industry, climate-related metrics recommendation. Progress against targets and goals is reported annually to the Board and through the Annual Report.

Annual disclosures made in our ESG report and Annual Report and Accounts regarding our carbon emissions enable performance against our emissions reduction target to be monitored and reported.

Through our materiality assessment, we identified that climate resilience and preparedness was relatively high, with climate-related issues such as emissions and energy being identified as some of our most material issues. Our response to this is outlined in our ESG report **Find out more online**.

All of our targets, programmes of implementation and progress against them, including assurance statements and links through to full methodology papers, are outlined in our ESG report. Our reporting is aligned with the requirements of the Sustainability Accounting Standards Board (SASB). Key metrics are independently assured to ISAE 3000 standard, in compliance with ISQM1 as the new quality assurance standard. Our full assurance statement can be found on page 60 of our ESG report

Find out more online.

This year, we have published our first full **Net Zero Transition Plan (NZTP)**.

In 2017, we baselined our operational carbon emissions, shortly followed by a baseline of emissions across our value chain. This provided us with the requisite starting point, against which we could start to measure our progress in reducing our emissions. From there, we were able to make 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. The NZTP is the next step is the next step in our journey, outlining our objectives, priorities, detailed plans and projects to reach our accredited science-based targets under the SBTi.

As well as linking to our overall business strategy through our Force for Good programme, the NZTP highlights the enabling mechanisms needed to leverage action across our estate and team members, such as our governance structures, internal culture and behavioural change, and industry collaborations.

It also outlines our current position with regard to carbon pricing as laid out in the Governance section of this report (page 24). The Finance department is currently running a case study to trial a potential adoption of a carbon price. This trial is aimed at not only identifying a suitable carbon price for our business but also identifying the relevant mechanisms under which we would apply it. With committed leadership and functions clear on the objectives required to deliver our carbon reduction programmes, we are aiming to ensure the model we implement delivers a material impact in decision-making processes. This is aligned with the

Metrics and targets continued

cross-industry, climate-related 'Remuneration' metric in the TCFD implementation guidance.

Since we first baselined our Scope 1 and 2 carbon emissions in 2017, and across the value chain in 2018, we have taken significant action to reduce our energy demand and switch to renewable energy contracts across our operations.

2008
- First 'lower carbon' hotel opened in Tamworth, with high thermal efficiency and first ground source heat pump

2010
- Second 'lower carbon' hotel opened in Burgess Hill with first low-carbon restaurant

2015
- First air source heat pump (ASHP) installed

2016
- First Building Management System installed
- Scopes 1 and 2 baselined

2018
- Gas efficient grills trialled in restaurant kitchens
- Switched to 100% renewable energy contracts across UK estate
- Baselined Scope 3

2019
- Whitbread opens first battery-powered hotel in the UK – Premier Inn Edinburgh

2020
- German estate increases from 5 to 21 hotels, and switches to renewable electricity contract
- Whitbread commits to BREEAM excellent standards in its construction
- 20% of Whitbread's UK estate now have solar PV

2021
- Electric vehicles added to company car list and deal done to install EV charging points
- Whitbread trials electric grills in restaurant kitchens
- Whitbread commits to the Race to Zero and SBTi

2022
- Released our first TCFD report
- First supplier engagement on Scope 3
- Targets submitted to SBTi for validation

2023
- Release first Transition Plan
- First gasless hotel opening – Premier Inn Swindon
- Retrofit to Net Zero trials underway
- New water reduction target set

2024
- 100% existing estate audited for retrofit to net zero 'readiness'

2026
- 100% of new UK self-build developments constructed to net zero specifications
- Company car fleet choice 100% EV
- 100% renewable electricity purchased across entire estate

2030
- Near term SBTi-validated targets to be met

2040
- Net zero in Scope 1 and 2

2050
- Net zero across the value chain (all Scopes)

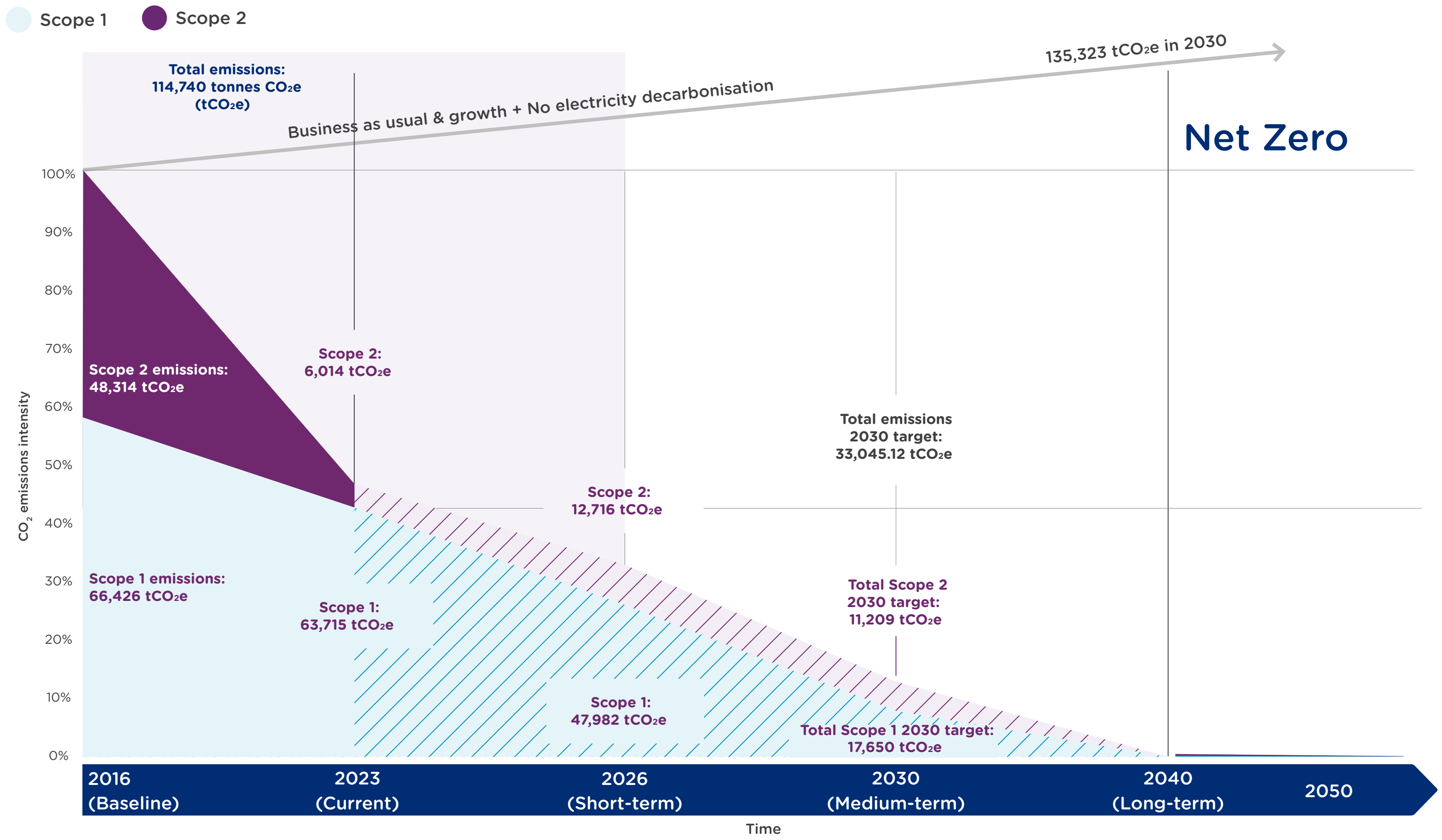
Metrics and targets continued

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

1. REDUCE our emissions across our portfolio as much as possible by operating highly efficient hotels and restaurants, e.g. through building to BREEAM Excellent standards, using LED lighting and boiler efficient additives, etc.;
2. Continuing to use RENEWABLES to power our estate, through using Power Purchase Agreements for renewable electricity contracts and installing innovative technologies which phase out gas for heating, hot water and cooking in our hotels and restaurants.
3. REMOVE residual. As our SBTi approved targets show, we are committed to reducing our emissions as close to zero as possible. Where it is not possible to eliminate emissions completely, we commit to sourcing credible and legitimate carbon credits to neutralise residual emissions through high-quality permanent removals. As an example, we have started trialling the use of a shadow cost of carbon for investment decisions.

Our NZTP shows how we plan to continue to make progress, bringing in new programmes to help us reach our net zero targets under Scope 1 and 2.

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



Metrics and targets continued

Scope 3

Summary of Scope 3

Metrics, targets and methodology to calculate/estimate:	FY21/22 position	Progress this year	Future plans
Net zero carbon for Scopes 1 and 2 We will be net zero carbon by 2040 Net zero carbon for Scopes 1 and 2 (Cross-industry, climate-related metric category: GHG Emissions)	50.1% reduction Absolute: 69,730 tCO_2e	52.5% reduction Absolute: 71,412 tCO_2e	Our Transition Plan outlines in detail the short, medium and long-term actions that we will take in order to meet our net zero target. Find out more online
Scope 3 We will reduce our Scope 3 carbon emissions intensity by 43% by 2030 and 64% by 2050 from a 2018/19 baseline year.	Target too new to calculate. Baseline absolute emissions: 542, 893 tCO_2e	28.1% reduction Absolute: 467,923 tCO_2e	We have developed our Scope 3 strategy in FY22/23 which will involve engaging suppliers of highest-emitting products and will allow us to identify and measure opportunities for reduction.
Waste We will not send any waste to landfill, with an annual target to divert 100% of all waste from landfill.	99.96% of our total operational waste diverted from landfill.	99.91% operational waste diverted from landfill.	Continuation of programme.
Food Waste We will cut food waste by 50% by 2030. This target is from a 2018 baseline year and calculated by weight in tonnes.	32.3% reduction from a 2018 base year.	11.88% food waste reduction from our base year.	Continuation of programme.
Water We will reduce our water use per sleeper by 20% by 2030.	n/a new target this year. Through leak detection we saved 62,665m^3 of water in FY21/22.	n/a new target just set.	To meet this target, we will be working across our estate to: – install upgraded WC valves – install water blade flow restrictors on taps – recommission shower heads to new space specification – identify and remediate all water leaks
Cotton sourcing We will source 90% of laundered cotton to BCI standards by 2025.	n/a new target this year.	52.4% of our cotton* sourced as Better Cotton.	Working with our laundry suppliers to progress towards 90% and start to review other supply chain opportunities for sustainable cotton sourcing, for example, uniforms, soft furnishings, etc.
Palm oil We will source 100% of palm oil to RSPO standard by 2025.	n/a new target this year.	69% of palm oil is RSPO certified	
Plastics We will eliminate unnecessary single-use plastic by 2025.	This target was negatively impacted by COVID-19 which affected our ability to report effectively last year.	Due to ongoing challenges with this target, shared across our and wider industries, we have more closely defined our scope to align with the Plastics Pact. This approach means that we will be focusing on the 14 Problematic Plastics. This coming year, we will focus on measuring and mapping these and confirming elimination strategies with our suppliers.	

* as per the ESG report

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 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 resilience 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.

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