

Climate Transition Plan

June 2022

TORTILLA



About Tortilla

Tortilla Mexican Grill Plc (“Tortilla”, “the Group”) is the largest and most successful fast-casual Mexican restaurant brand in the UK – and the second largest outside the United States. The Group was founded in 2007 by Brandon Stephens, specialising in the sale of freshly made Californian-inspired Mexican cuisine. Tortilla has 84

sites worldwide, comprising 74 sites in the UK operated by the Group; including 12 sites under the recently acquired Chilango brand and several delivery-only kitchens; 4 sites franchised to SSP Group Plc; and 4 sites franchised to Compass Group Plc. We also have 10 franchised sites in the Middle East with Eathos.

84

RESTAURANTS IN
THE UK & UAE



5.7m

MAINS SERVED
IN THE UK
IN 2021



22

HANDMADE TOPPINGS
& FILLINGS



4.4m

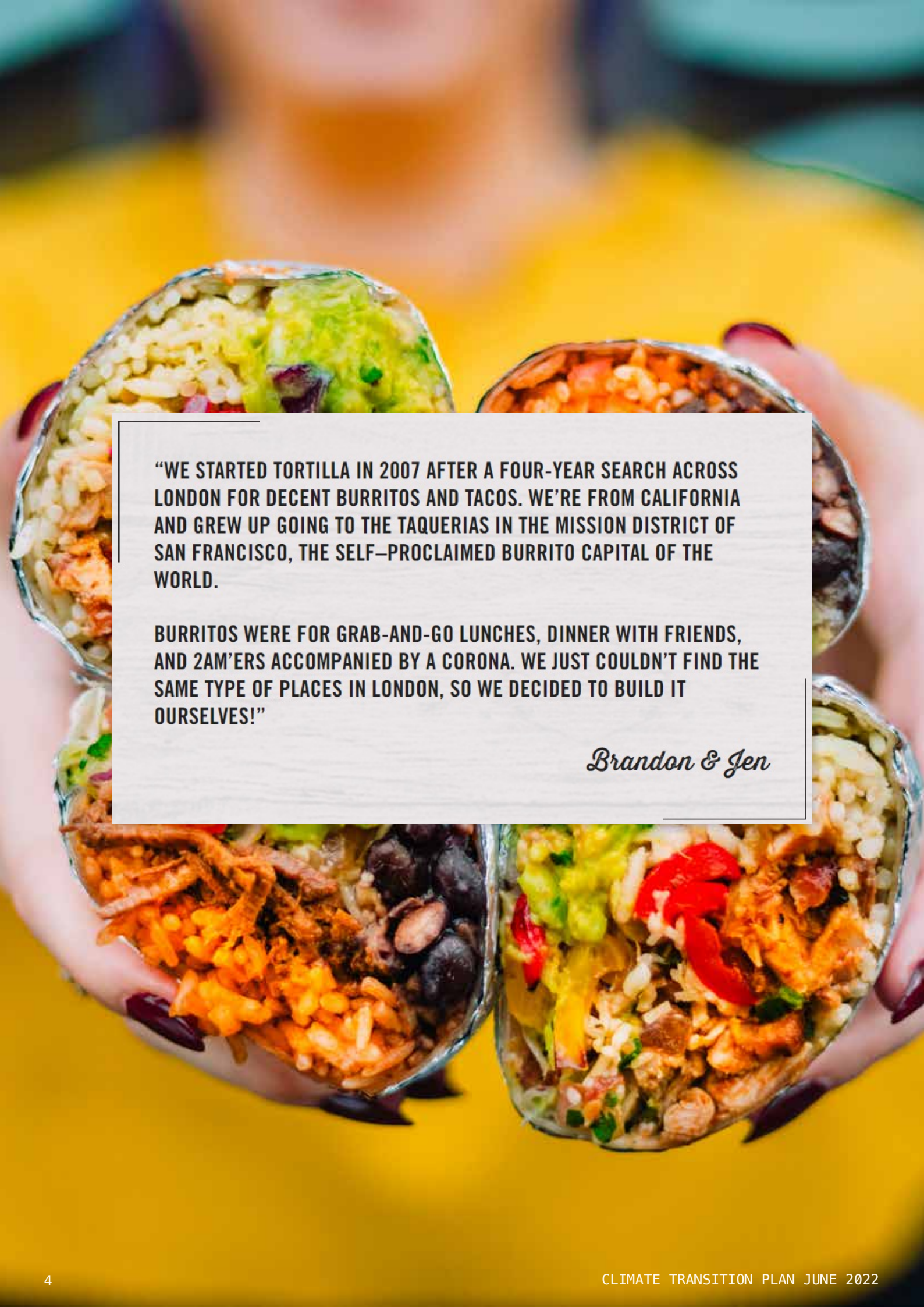
COMBINATIONS OF
BURRITOS



MORE THAN

1,000

EMPLOYEES



"WE STARTED TORTILLA IN 2007 AFTER A FOUR-YEAR SEARCH ACROSS LONDON FOR DECENT BURRITOS AND TACOS. WE'RE FROM CALIFORNIA AND GREW UP GOING TO THE TAQUERIAS IN THE MISSION DISTRICT OF SAN FRANCISCO, THE SELF-PROCLAIMED BURRITO CAPITAL OF THE WORLD.

BURRITOS WERE FOR GRAB-AND-GO LUNCHESES, DINNER WITH FRIENDS, AND 2AM'ERS ACCOMPANIED BY A CORONA. WE JUST COULDN'T FIND THE SAME TYPE OF PLACES IN LONDON, SO WE DECIDED TO BUILD IT OURSELVES!"

Brandon & Jen



Tackling the Climate emergency

We acknowledge that climate change is undoubtedly one of the biggest environmental issues of our time, with impacts that affect communities around the world. A third of global greenhouse gas (GHG) emissions is estimated to come from the food system. As the largest Mexican restaurant in the UK, we deeply recognise our responsibility and the opportunity we have to address the challenge of climate change.

This is our first Climate Transition Plan, which sets out how we identify the financial, physical and regulatory risks we face as a company and then how we plan to measure and manage these risks.

Identifying financial, physical, and regulatory risks

Tortilla operates 66 owned- restaurants in the UK, serving 5.7m meals annually via a dedicated team of over 1,000 employees.

We have identified the following risks related to climate change:

Financial risks

- Increased energy costs
- Increased food ingredient costs due to impacts on the supply chain caused by droughts, floods and other natural disasters as a result of climate change
- As global temperatures rise, potential capex required to upgrade operational equipment such as cooling systems may increase

Physical risks

- Increased incidences of flooding and disrupted operations
- An increase in water scarcity could affect the yields of our food ingredients across various geographic locations
- For certain key food ingredients such as avocados, modelling

studies¹ have shown that overall, certain growing regions (e.g. the Dominican Republic and Indonesia) would experience a decline in the crop, however, other geographic regions (e.g. Mexico and the Southern United States) will likely see an increase in the yield as the land is more suited for growing tropical ingredients such as avocados.

- Similarly, for palm oil, an ingredient in our tortillas, studies have shown a shift in the geographic distribution of oil palms; however, global yields are not expected to be significantly affected.

Regulatory risks

- Tortilla has engaged a number of advisors to guide the Board on regulatory changes and how this impacts Tortilla. We currently comply with annual SECR reporting requirements and will be conducting Energy Savings Opportunity Scheme (ESOS) audits at the beginning of 2023 as part of the 3rd phase of ESOS.



¹<https://www.nationalgeographic.com/environment/article/what-climate-change-means-for-future-of-coffee-cashew-avocado#:~:text=Thanks%20to%20warming%20temperatures%20and,in%20avocado%20production%20by%202050>

Measuring and managing risks

Measuring our Scope 1 & 2 carbon emissions is a critical first step in understanding our direct impact on climate change through our greenhouse gas emissions using the GHG Protocol.

Streamlined Energy and Carbon Reporting (SECR) / Energy Consumption

In line with SECR requirements, the Group reports its energy usage and greenhouse gas emissions (GH) for the 52 weeks ending 2nd January 2022.

	2021 energy usage kWh	2021 GHG emissions tCO ₂ e	2020 energy usage kWh	2020 GHG emissions tCO ₂ e
Natural gas (Scope 1)	454,139	83	618,799	114
Electricity (Scope 2)	4,643,497	986	3,603,510	840
Private transport (Scope 3)	62,808	14	43,114	11
TOTAL	5,160,444	1,084	4,265,423	965
INTENSITY RATIO				
Revenue		48,075,399		26,832,846
tCO ₂ e		22.54		35.95

Methodology

All conversion factors that have been used are taken from the 2021 UK Government GHG Conversion Factors for Company Reporting document. Figures for energy consumption were taken from invoices or meter readings as appropriate.



Reducing our Scope 1 & 2 carbon emissions

We are committed to reducing our absolute emissions. Our ESOS phase 2 report issued in December 2019 provided an insight into how each site uses energy:

Energy Consumer	Energy Source	Consumption (kWh)	Consumption (%)	Estimated Annual Cost (£)	Estimated Annual Cost (%)
Lighting	Electrical	259,405	5%	£28,543	5.3%
Air-conditioning	Electrical	466,930	9%	£53,178	9.9%
Grills	Electrical	1,660,195	32%	£188,370	35.1%
Chilling and freezing	Electrical	1,037,622	20%	£118,174	22.1%
Hot Water mixed use	Electrical	778,216	15%	£88,631	16.5%
Other Electrical	Electrical	311,286	6%	£35,452	6.6%
Hot Water mixed use	Gas	689,489	13%	£24,132,12	4.5%
TOTAL		5,188,110	100%	£536,480,12	100%

A number of actions arose from the ESOS programme which were carried out and continue to be actioned with an allocated annual capex budget:

- Maintain AC units to ensure energy efficiency.
- Install variable speed control devices for grill and kitchen extract fans and air handling units.
- Install heat recovery plates behind the grills to provide hot water to the steam server counter.
- Replace panini toasters with rapid heating units.
- Install sub-metering on key circuits including.
 - Lighting.
 - Chilling.
 - Air conditioning.

Offsetting residual emissions, remaining carbon neutral*

We recognise that reducing absolute emissions should be our primary focus. We will in the short term always generate emissions that we cannot reduce within the year. For the year ending 31st December 2021, we procured all our electricity from renewable sources for 40 locations that we manage utilities for (REGO certified renewable electricity). Fourteen of our locations have gas onsite, for which we have investigated procuring renewable gas, but this is prohibitively expensive currently and as such, offset our gas emissions via high-quality carbon offsets.

*Tortilla Group is carbon neutral for scopes 1 and 2 for 40 locations, which they manage utilities for in the UK.

Extending our carbon emission calculations to Scope 3

We have appointed Sustainable Advantage, an external carbon specialist, to measure Scope 3 emissions, set a Net Zero baseline and set the Net Zero strategy. We have identified the following Scope 3 categories to calculate the emissions in line with the GHG Protocol for:

- CATEGORY 1: Purchased Goods and Services
- CATEGORY 2: Capital Goods
- CATEGORY 3: Fuel and energy related activities
- CATEGORY 4: Upstream transport
- CATEGORY 5: Waste
- CATEGORY 6: Business travel
- CATEGORY 7: Employee commuting
- CATEGORY 12: End-of-life treatment of sold products

We will during 2022:

- Set the net zero baseline - December 2021.
- Remain carbon neutral for scopes 1 and 2 for the sites we manage in the UK.
- Set a net zero date.
 - Initial indications are for 2045.
- Given our growth trajectory, we have decided to set carbon intensity reduction targets for 2025 and 2030 rather than looking at absolute emission reduction levels.

We will during 2023:

- Submit our climate targets to be externally validated by the Science Based Targets initiative (SBTi).
 - We will aim to set near-term and long-term science based targets, as mentioned below (subject to the SBTi's food sector guidance, due to be issued during Q3 of 2022).
 - 1.5 degree commitment for scope 1 and 2 (4.2% linear reduction).
 - Well below 2 degree commitment for scope 3 (2.5% linear reduction).
 - SBTi are issuing guidance to the food sector during H2 of 2022.
 - We will follow this guidance when refining / setting our Science Based Targets Q4 2022 / Q1 2023.
- Submit TCFD disclosure.
- Achieve ISO 50001 accreditation.
- Submit ESOS Phase 3 report detailing energy saving opportunities identified.

Reducing our Scope 3 carbon emissions

- Purchased goods and services
 - Consumer demand for more plant-based diets is growing. Many people are seeking to reduce their meat consumption. Today, our customers can customise their orders from a 70% vegan ingredients range when visiting our restaurants, with veggie and vegan dishes approved by the Vegan and Vegetarian Society. We offer a large variety of whole foods and plant-based alternatives on our menu and don't envisage a massive shift from the mix we currently have.

Continued

- To ensure we minimise our footprint for raw ingredients, we will continue to source meat from farms which use low impact farming practices and produce sustainable meat products.
- For specific ingredients of concern such as palm oil, we will mitigate our climate impact by switching to sustainable palm oil at a minimum, to ensure our palm-oil supply chain is deforestation-free. In the long-term, we will aim to eliminate palm oil from our supply chain, where possible.
- We will also work with our raw ingredients suppliers and support a just transition toward regenerative agriculture and agroforestry practices. We will do this by increasing the % of raw ingredients we source from farmers and ranchers who practise regenerative agriculture.
- **Capital goods**
 - We will continue implementing the recommendations from our phase 2 ESOS recommendations such as:
 - Maintaining AC units to ensure energy efficiency.
 - Installing variable speed control devices for grill and kitchen extract fans and air handling units.
 - Installing heat recovery plates behind the grills to provide hot water to the steam server counter.
 - In terms of the construction of our future restaurants and refurbishment of existing restaurants, we have set robust guidance for our contractors and suppliers to ensure the procurement process and all the products sourced is responsible and sustainable.
- **Fuel and energy related activities**
 - Using renewable electricity has significantly reduced emissions from this category.
 - Minimising gas usage through capex and staff behavioural change and awareness will reduce gas usage and hence emissions for this category. We will continue to offset any residual gas usage.
 - We have no owned or leased vehicles but have a number of staff who commute to work and who on occasion, use private vehicles for business travel, creating WTT (Well To Tank) emissions via the various modes of transport.
 - We will be issuing a staff commuting survey to understand how our staff travel to work each day and how many own vehicles. Following the results of this survey, we will look to incentivise and encourage our staff to transition to low carbon modes of transport.
- **Upstream transport**
 - Our raw ingredients come from all over the world.
 - To deliver a clear view of our extended supply chain, in collaboration with our supply chain advisors, we have begun mapping out our most important raw material suppliers back to origin.
 - Following this analysis, we will look to identify more local sources for some ingredients and consolidate suppliers where possible to reduce transport mileage.
 - We have already reduced our Tier 1 supply chain from 15 suppliers down to 3.
- **Waste**
 - We follow the waste hierarchy.
 - We divert 100% of waste that we manage from landfill. Waste is either recycled or incinerated and converted to energy.
 - We partner with organisations like FareShare, the Oxford Food Bank and the Too Good to Go App to redistribute any unsold food items to those who need it.

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- **Business travel**

- We have limited business travel and post COVID have realised that Teams and Zoom are effective for meetings that may previously resulted in unnecessary carbon emissions.
- Where business travel is required, we are encouraging staff to use low carbon modes of transport.

- **Employee commuting**

- We can't force staff to move away from fossil fuel vehicles but are doing all we can to encourage them.
- Using a staff survey to understand how staff travel to work.
- Encouraging carpooling and the use of public transport.

- **End-of-life treatment of sold products**

- We will also aim to drive consumer behaviour change in areas of our business where it makes sense to do so, such as adding carbon labels to our restaurant menus to encourage consumers to switch to plant-based foods occasionally and consider their impact on the environment.
- Of the 34.5 tonnes of primary packaging we use annually, 88% is recyclable, compostable or biodegradable. We will continue this transition programme to ensure 100% of our packaging is recyclable. We will also eliminate the use of single-use plastics.

GHG Reduction targets

Initial calculations and review has meant the following targets (to be formally communicated by H4 2022):

- **Short term targets (by 2025):**

- Reduction in scope 1 and 2 absolute emissions of 20% by 2025 (in excess of the 4.2% straight line target for a 1.5 degrees target).
- Reduction in scope 3 of 2.5 of 12% by 2025 (in excess of the 2.5% straight line target for a well below 2 degrees target).

- **Medium term targets (by 2035):**

- Reduction in scope 1 and 2 absolute emissions of 70% by 2035 (in excess of the 4.2% straight line target for a 1.5 degrees target).
- Reduction in scope 3 of 2.5 of 42% by 2035 (in excess of the 2.5% straight line target for a well below 2 degrees target).

- **Long term targets (by 2045):**

- Reduction in scope 1 and 2 absolute emissions of 90% by 2045 .
- Reduction in scope 3 of 2.5 of 90% by 2045 (in excess of the 2.5% straight line target for a well below 2 degrees target).
- Net zero by 2045.

Selecting and fitting out new locations

- New Tortilla locations will be assessed for risks of flooding that could arise from rising sea levels.
- Capex efficient equipment will be chosen to reduce energy costs.
- Where cost-effective, sub-metering will be installed to enable our teams to better understand energy usage.

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Food ingredients

- Once we map out our sourcing locations and volumes, we will be able to identify the risks for each geographical area and conduct a scenario analysis of how our business could be affected if a supplier is subject to extreme weather events.
- The main potential risks related to raw food ingredients are increases in costs as well as their availability and quality.
- Based on the scenario analysis we will set out a mitigation strategy to ensure Tortilla is well-positioned to address climate-related risks.

KPIs to track performance

Metric	Unit
Scope 1 emissions	tCO ₂ e
Scope 2 emissions	tCO ₂ e
Scope 3 emissions	tCO ₂ e
GROSS EMISSIONS PER £M	Gross tCO ₂ e/£m turnover
NET EMISSIONS PER £M	Net tCO ₂ e/£m turnover
Scope 1 and 2 % reduction for the year vs base year 2021	%
Scope 3 % reduction for the year vs base year 2021	%
Capex spent within the year on carbon reducing activities	£
% renewable electricity	%
% renewable gas	%



A man with a beard and a black cap with the word 'TORTILLA' on it is shown in profile, looking down at his work. He is wearing a dark t-shirt. The background is blurred, showing other people and kitchen equipment. A semi-transparent red box with white text is overlaid on the image.

Conclusion

Tortilla is making great strides in terms of capitalising on our great brand and extending our footprint across the UK. We are very aware of the responsibility we have to grow in a responsible manner, ensuring all stakeholders are considered – our customers, our valued staff, shareholders, local communities, and of course, the environment. Climate change is a very real challenge facing the world and Tortilla are committed to being part of solution.

This report contains forward-looking statements based upon current expectations and assumptions regarding anticipated developments and other factors. They are not historical facts, nor are they guarantees of future performance since they are subject to numerous assumptions, risks, and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and various factors could cause actual performance to differ materially from that expressed or implied by these forward-looking statements.

Actual results may differ materially from any future results expressed or implied by these forward-looking statements and ambitions, including any failure to meet stated ESG goals and commitments, and execute our strategies in the time frame expected or at all, as a result of many factors, including changing government regulations, and our expansion into new products, services, technologies, and geographic regions. Tortilla assumes no duty to, and does not undertake to, update forward-looking statements. Tortilla aims to evolve its disclosures in the future to provide meaningful information to stakeholders by adapting it to new facts and regulation impacting the changing climate landscape.

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