



TORTILLA

NET ZERO REPORT

Findings and recommendations
FY 2022



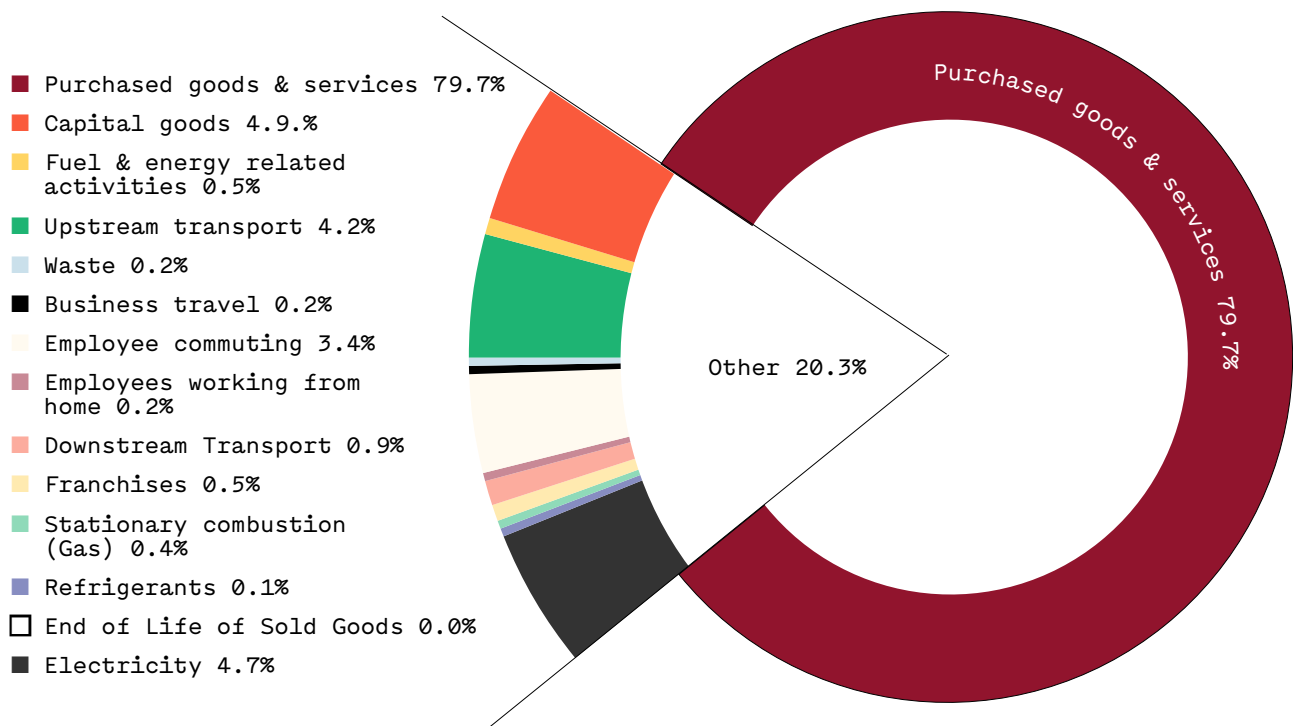
EXECUTIVE SUMMARY

"On the way to our Net Zero target of 2045, we have set key milestones such as achieving a 29% absolute reduction in emissions by 2030 and a 51% reduction by 2035."

This report summarises our journey to Net Zero which Tortilla is committed to achieving by 2045. The methodology used to calculate our carbon emissions is based on the GHG Protocol Corporate Accounting and Reporting Standard. Our 2022 financial year was selected as the baseline year and the total gross emissions calculated for this year is 24 523.61 tCO₂e (tonnes of carbon dioxide equivalent). On the way to our Net Zero target of 2045, we have set key milestones such as achieving a 29% absolute reduction in emissions by 2030 and a 51% reduction by 2035. A proportion of these reductions will come from the UK transitioning towards a low-carbon economy; however, there are several steps we are committed to taking. These are detailed towards the end of the report and include actions such as being selective about suppliers who themselves are on carbon reduction strategies, procuring locally as much as possible, investigating how we can increase the low-carbon food and beverage items on our menus, reducing our energy use, investigating alternative sustainable energy solutions and moving to green gas contracts when feasible, increasingly improving waste disposal methods, and encouraging sustainable behaviours in our colleagues such as low-carbon modes of commuting.

Tortilla's 2022 baseline emissions footprint is illustrated in the graph below:

Breakdown of GHG emission sources



ABOUT US

Net Zero Report

Publication date: July 2023

Name: Richard Morris

Position: CEO

"We commit to working closely with all of our stakeholders including our employees, suppliers and local communities to effect positive change and pursue new business practices, processes, and technologies that minimise our environmental impact and promote a cleaner, greener world."



Executive Endorsement

As a large, international brand, we understand the role Tortilla must play in transitioning to a decarbonised economy. We commit to working closely with all of our stakeholders including our employees, suppliers and local communities to effect positive change and pursue new business practices, processes, and technologies that minimise our environmental impact and promote a cleaner, greener world.

About Us

Founded in October 2007, Tortilla is the UK's largest fast-casual Mexican restaurant brand, offering a high-quality, affordable and freshly prepared California-style Mexican menu.

With over 80 owned and franchised locations located across the UK and Middle East, our brands, Tortilla and Chilango, are known for their fresh and customisable product ranges of burritos, tacos and salads.

About this Report

This report contains the breakdown of Tortilla's baseline carbon footprint for our UK operations, as calculated according to GHG Protocol. It outlines the approach taken and sets out our commitment to Net Zero and the milestones we will meet to get there, including when we aim to achieve Carbon Neutral status as a business.

OUR COMMITMENT TO NET ZERO

Tortilla is committed to ensuring that we play our role in working alongside other UK organisations to achieve the UK Government's Net Zero target of at least a 100% reduction in net UK carbon emissions by 2050 (based on 1990 levels) for our UK operations.

Tortilla is committed to taking action to reduce our annual emissions and achieving Net Zero emissions by 31st December 2045, five years earlier than the UK Government's target. We will aim to reduce our emissions year-on-year and will achieve:

31%

Reduction in our Scope 1 and 2 emissions by 2030

Offsetting our residual Scope 1 and 2 emissions via high-quality verified offsets (projects must be verified by either Verra or Gold Standard) to become carbon neutral

92%

92% overall reduction in all Green House Gas (GHG) emissions across Scopes 1, 2 and 3 by 2045

Offsetting any residual emissions via high-quality nature-based or direct air capture projects to achieve Net Zero status

Baseline emissions are a record of the greenhouse gases that have been produced in the past and were produced prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which emissions reduction can be measured. Tortilla has chosen January 2022 – December 2022 (financial year 2022) as our baseline year.

DIG IN!

To achieve these goals, Tortilla has taken the following actions:

1. We have appointed an external specialist carbon consultancy to collate and verify data, calculate our carbon emissions and help advise on carbon reduction options across our business activities
2. Set the base year (January 2022 – December 2022) and calculated our carbon footprint in line with the GHG protocol¹ for that base year:

Scope 1

- i. Transport, refrigerants, and gas

Scope 2

- i. Electricity

Scope 3 Selected categories from the below (see figure 1) based on materiality:

- i. 8 upstream categories
- ii. 7 downstream categories

3. Created a carbon reduction plan for each scope and selected category
4. Set the Net Zero date and committed to updating our carbon footprint at least biennially with 2023 to be the first year post the base year

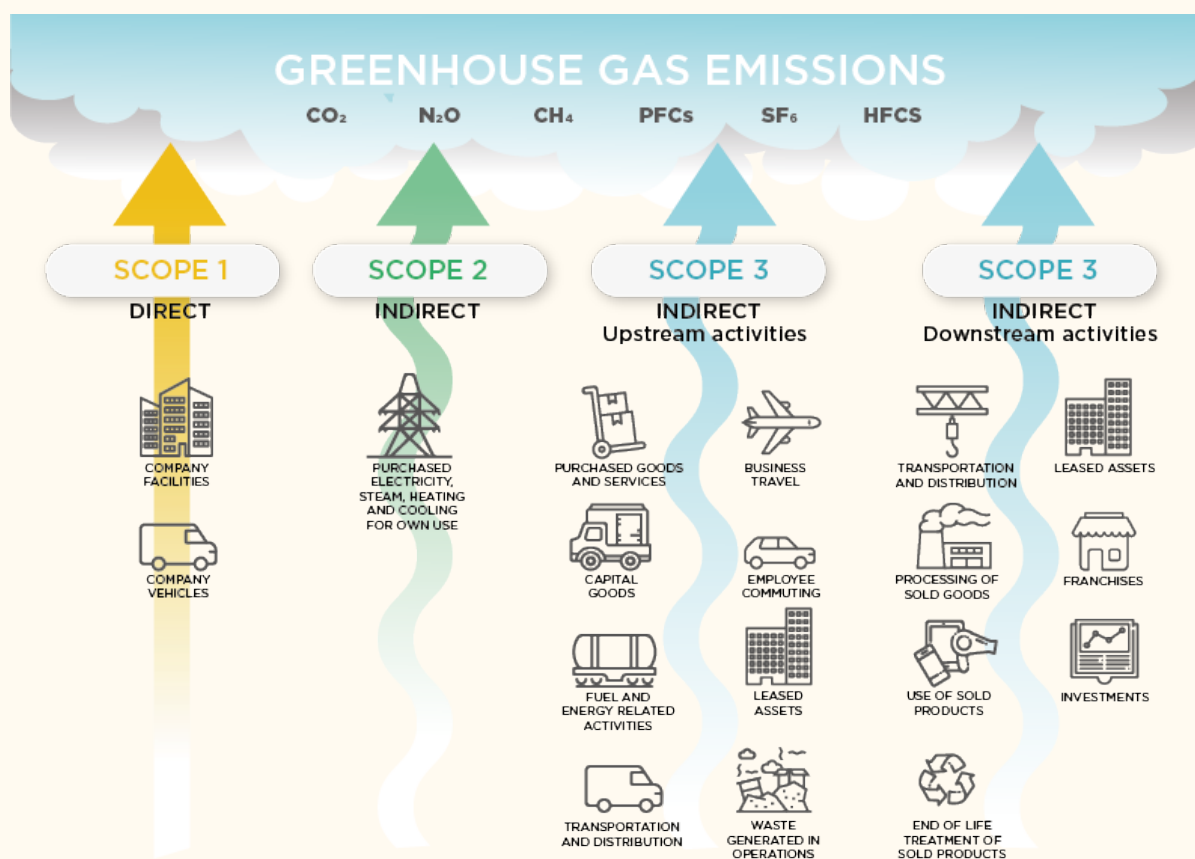
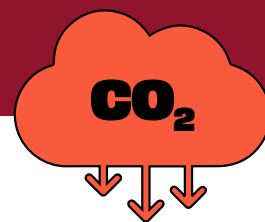


Figure 1

¹ <https://ghgprotocol.org/corporate-standard>

METHODOLOGY



Setting Organisational Boundary constraints

When calculating carbon emissions, the GHG Protocol Corporate Accounting and Reporting Standard states that a company must set its organisational boundaries. This can be done either by an “Equity Share” or “Control” approach.

- The Equity Share - reflects a company’s economic interests and percentage ownership of companies or subsidiaries to assign GHG emissions.
- The Control approach - this can follow two routes and defines the boundary by looking at either how much ‘Financial Control’ or ‘Operational Control’ a company has.

To encompass its business operations, Tortilla has selected the ‘Operational Control’ method. The operational boundary includes all three Scopes as outlined by the GHG Protocol. Tortilla’s emissions are reported in tCO₂e and have been calculated utilising the following formula:

Source emissions data x conversion factor = total source emissions*

Source unit x (tCO₂e/unit) = tCO₂e

* Conversion factors are primarily derived from the latest:

- UK Government GHG conversion factors for w Affairs)
- Environmentally extended input-output (EEIO) tables
- EPA
- Ecoinvent Database v3.9



GHG emissions scopes and category calculation definitions

The calculation methodology for each scope and category that were calculated is defined as below:

Scope 1

Sources included in the inventory are onsite (or “stationary”) natural gas combustion and fugitive emissions of refrigerant gasses. Excluded from the inventory are mobile fuel combustion from leased and owned vehicles as Tortilla does not own or lease any vehicles.

Scope 2

Purchased electricity was the only identified scope 2 emissions source. However, per the GHG Protocol Scope 2 Guidance, scope 2 emissions have been calculated and reported using two separate methodologies:

- A location based method reflecting the average emissions intensity of grids on which energy consumption occurs
- A market based method reflecting emissions from the electricity that Tortilla has purposefully chosen via our energy procurement activities. This accounts for energy purchased from green energy suppliers

Scope 3 Category 1: Purchased goods and services

Includes all upstream (i.e., cradle-to-gate) emissions from the production of goods purchased or acquired by Tortilla in the reporting year

Category 2: Capital Goods

Includes all upstream (i.e., cradle-to-gate) emissions from the production of capital goods purchased or acquired by Tortilla in the reporting year

Category 3: Fuel and energy-related services

This relates to transportation and distribution losses, and the well-to-tank emissions for all fuels consumed as a result of Tortilla’s operation

- Well-to-tank emissions account for all the emissions related to the extraction, production, and shipping of fuels

excluding only the direct combustion of the fuel. (e.g., employees’ vehicles used for commuting and vehicles used for business travel, etc.)

- Transmission losses account for all the energy that is lost between the electricity production in the powerplant and when it is used (e.g., resistance in power lines)

Category 4: Upstream transportation and distribution

Includes the emissions from transporting goods from tier 1 suppliers

- We have calculated this based on assumed distances and modes of travel and in some cases, assumed origins of goods
- In future years we will gather more accurate data on distance, mode and origin of all goods purchased

Category 5: Waste

Includes emissions from third-party disposal and treatment of waste generated in Tortilla’s owned or controlled operations in the reporting year

- We have utilised the waste-type-specific method, which involves using emission factors for specific waste types and waste treatment methods
- For sites where actual data was not available (e.g. at restaurants at shopping centres), we have estimated waste quantities and streams based on revenue and UK national average disposal method figures

Category 6: Business travel

Includes emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, and passenger cars. This also includes emissions from hotel stays resulting from business-related trips

We have used the distance-based method, which involves determining the distance and mode of business trips, and then applying the appropriate emission factor for the mode used where possible

Category 7: Employee commuting

Includes emissions from the transportation of employees between their homes and Tortilla's sites. Emissions from employee commuting may arise from car, bus, train, or cab travel. We have also included energy consumption and waste production which occur from employees working from home in this category

- Where appropriate, we have used the average-data method, which involves estimating emissions from employee commuting based on average (e.g., national) data on commuting patterns
- We will in future years supplement the above with employee travel surveys which collect data from employees on commuting patterns (e.g., distance travelled, and mode used for commuting) and apply the appropriate emission factors for the modes used using the distance-based method

Category 9: Downstream transport

Includes any transportation not paid for by Tortilla; specifically takeaway deliveries (i.e. Deliveroo and UberEats orders)

Category 12: End of life of sold products

Includes the emissions from the disposal of products and packaging of sold items

- We have calculated this based on total deliveries made with delivery partners and an estimate of takeaway orders made directly at restaurants. In addition, we have approximated packaging used using the dimensions of the two most commonly ordered menu items
- In future years, we hope to obtain more complete data including specific takeaway menu item quantities and total material composition and weight in order to develop a better understating of these emissions

Category 14: Franchises

Includes missions from franchises which Tortilla has not included in Scope 1 or 2 (i.e. Ethos (UAE), SSP & Compass restaurants)



Emissions methodology: non-material exclusions for FY22 baseline emissions

Scope 3

Category 8: Upstream leased assets

Is excluded from FY22 baseline emissions, as we do not lease any assets

Category 10: Processing of sold products

Is excluded from FY22 baseline emissions as we do not manufacture products that are then sold by a separate company before reaching the final consumer

Category 11: Use of sold products

Is excluded from the FY22 baseline emissions as we do not sell products/goods that go on to be used by customers

Category 13: Downstream leased assets

Is excluded from FY22 baseline emissions as we do not own any leased assets that we lease to other businesses

Category 15: Investments

Is excluded from FY22 baseline emissions as we do not have any investments whereby we provide capital or offer financing as a service

Results - baseline emissions footprint

Tortilla's FY2022 baseline carbon emissions footprint is shown in figure 2 below.

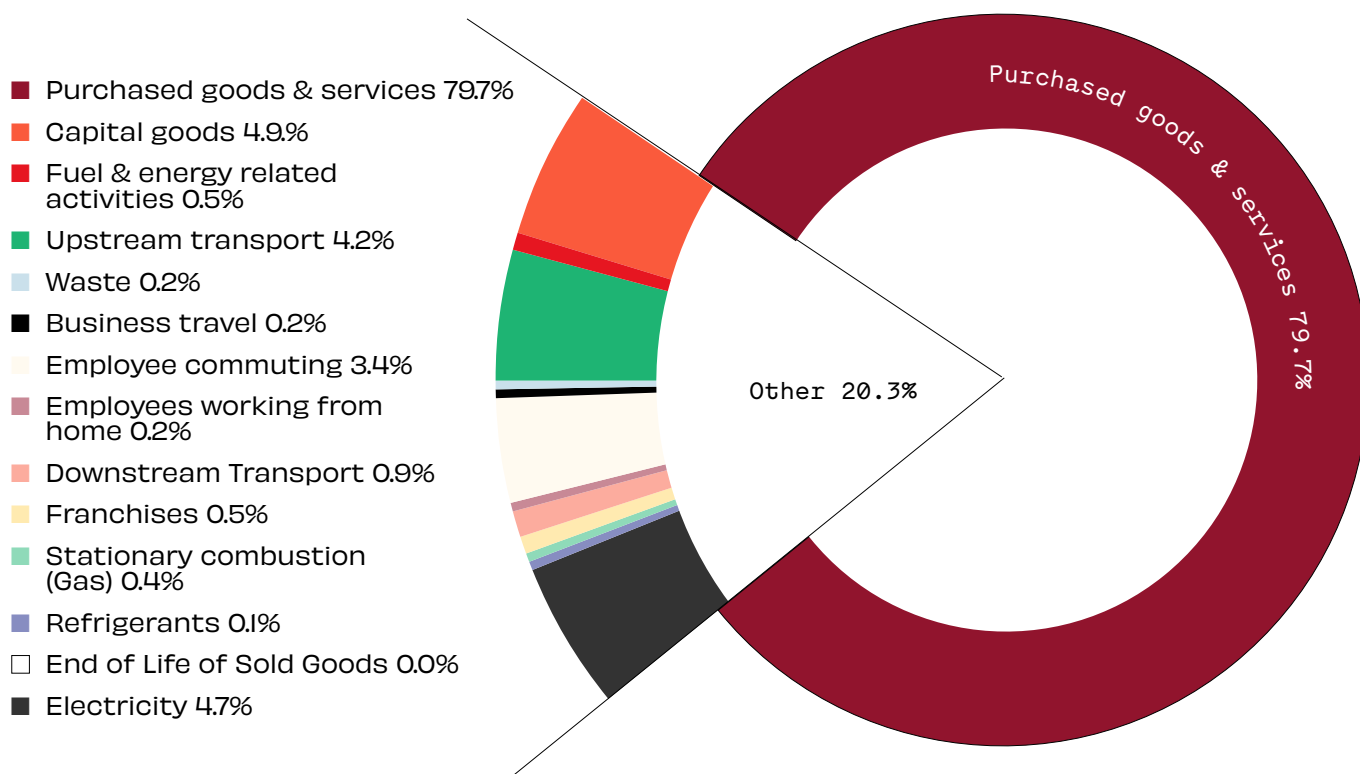


Figure 2

The table below shows the breakdown of the GHG emissions per scope and category.

Scope/Category	Item	Total tCO ₂ e	%
Scope 1			
Stationary combustion	Gas consumed	90.99	0.4%
Transport	Owned and leased vehicles	N/A	0.0%
Refrigerants	HVACs	28.57	0.1%
Scope 2			
Electricity (Location based) ²	Purchased electricity, steam, heating & cooling for own use	1,197.72	4.7%
Electricity (Market based) ³	Purchased electricity, for own use (specific contract)	295.87	N/A
Scope 3			
Cat 1: Purchased goods and services	Goods and services	20,252.95	79.7%
Cat 2: Capital goods	Capex expenditure	1,251.89	4.9%
Cat 3: Fuel and energy related activities	WTT (Well-To-Tank) & T&D (Transmission & Distribution losses) from electricity, gas, transport, business travel and employees commuting	119.80	0.5%
Cat 4: Upstream transport	Paid transport for goods (upstream & downstream)	1,070.72	4.2%
Cat 5: Waste	Waste	53.58	0.2%
Cat 6: Business travel	Land and air travel for business purposes	48.62	0.2%
Cat 7: Employee commuting	Employees commuting to and back from work	871.67	3.4%
Cat 7: Employee homeworking	Employees working from home	55.85	0.2%
Cat 9: Downstream transport	Warehouse to customers (WTW)	232.54	0.9%
Cat 12: End-of-Life of sold goods	Waste disposal and treatment of products	11.96	0.05%
Cat 14: Franchises	Only Scope 1 & 2 emissions of franchises included	138.59	0.5%
Total Gross Emissions (Location based)		25,425.45	100.00%
Less emissions avoided by procurement of renewable electricity		(901.85)	
Total Gross Emissions (Market based)		24,523.61	
Less carbon offsets		(0.00)	
Total Net Emissions		24,523.61	

To further understand our GHG emissions, we have calculated the intensity ratios to allow us to track our emissions relative to the business size. Hence as the business grows, our intensity ratios should decrease, but the absolute GHG emissions may increase.

Intensity ratios	Gross Emissions (Location based)	Gross Emissions (Market based)	Net Emissions
tCO ₂ e per employee*	19.56	18.86	18.86
tCO ₂ e per million£ turnover	440.66	425.03	425.03

² Location based represents emissions from electricity consumption based on grid average emissions

³ Market based represents emissions from electricity consumption based on specific energy contracts

*Based on 1300 employees

EMISSION REDUCTION TARGETS

In order to continue our progress to achieving Net Zero, we have mapped out and planned a number of positive actions in order to achieve the following carbon reduction targets:

- ✓ **9% absolute reduction in emissions by 2025 from 2022 baseline levels**
- ✓ **29% absolute reduction in emissions by 2030 from 2022 baseline levels**
- ✓ **51% absolute reduction in emissions by 2035 from 2022 baseline levels**
- ✓ **72% absolute reduction in emissions by 2040 from 2022 baseline levels**
- ✓ **92% absolute reduction in emissions by 2045 from 2022 baseline levels**

Carbon Emission Glidepath tCO₂e

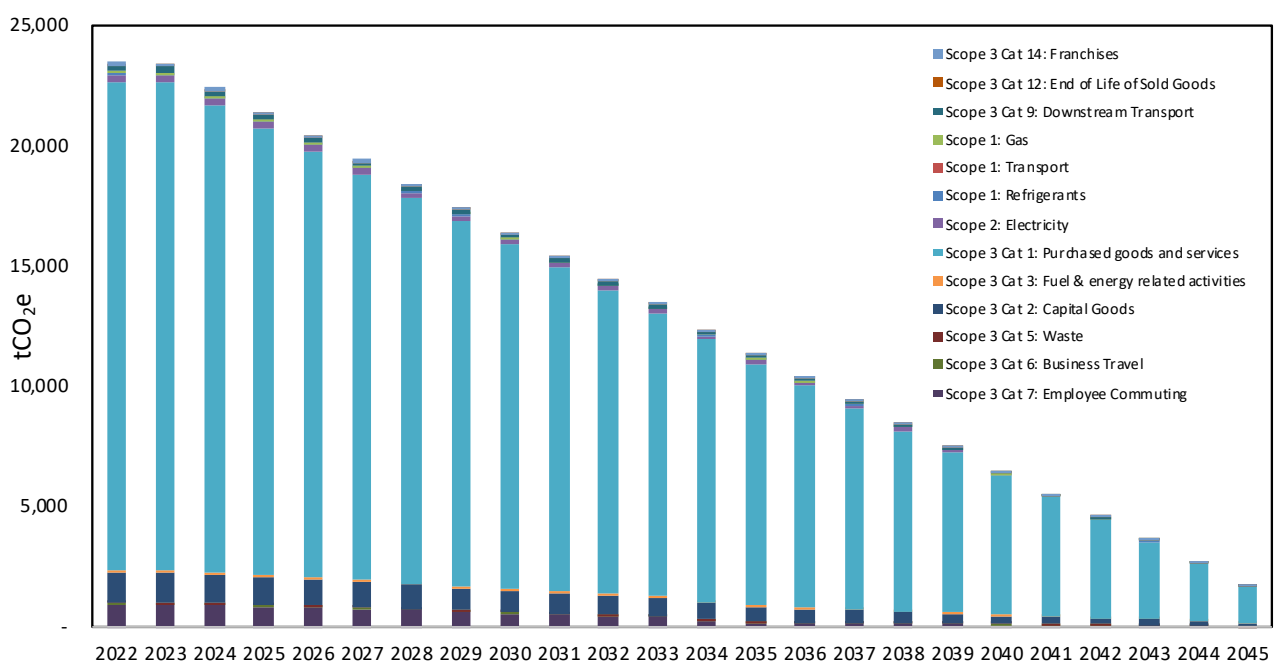


Figure 3

Tortilla's approach is to always focus our efforts on reducing our own emissions, with significant planning and finances set aside to do this. However, a large proportion of our carbon emissions lie within Scope 3, and it is difficult to reduce these emissions in the short term as these are within our supply chain where we have influence but not control. To try and reduce these emissions, Tortilla will use our purchase power and choice of suppliers to encourage carbon-reducing behaviours within our supply chain.

Environmental management measures / emission reduction plan

We developed a detailed carbon reduction plan over the short, medium and longer term to achieve our Net Zero goal by 2045. The key initiatives are summarised below:



Scope I: Stationary Combustion (Natural Gas)

- Continue to reduce reliance on gas use and replace, where feasible, gas-powered equipment with more sustainable options
- Progressively replace brown gas consumption with renewable gas consumption
- Investigate new technologies as they become available and install these where practical (e.g., hydrogen-powered boilers)
- Ensure that all our facilities use minimal heating by making sure buildings are fully insulated and windows are triple glazed where feasible
- Any current or new sites with high gas consumption - perform energy surveys to identify capital expenditure (CapEx) opportunities



Scope I: Refrigerants

Whilst it is assumed fugitive emissions from refrigerant gases will remain the same due to lack of knowledge surrounding new technologies, we will endeavour to reduce our impact where possible:

- Avoid emissions through improved leak tightness; consider fitting leak-detection systems and following a regular maintenance schedule
- Ensure correct end-of-life treatment of refrigerant gases; recover and dispose of refrigerant gases correctly when maintaining, upgrading or decommissioning a system
- When renewing HVAC systems, choose the most efficient systems
- Investigate systems using least damaging refrigerant gasses with low potential leakage
- Installing new systems may offer energy savings as well as next generation refrigerants, e.g. hydrofluoro-olefins (HFOs) and natural refrigerants
- Limit use of refrigeration / air conditioning systems



Scope 2: Electricity

Most of our electricity contracts are on 100% renewable energy schemes. However, we will still endeavour to reduce our electricity consumption via the following routes:

- Ensure all possible current contracts and any new restaurants are on green tariffs
- Engage with landlords at serviced sites to request that electricity contracts are green
- Energy efficiency guidance/training will be issued to all site staff to facilitate positive behavioural change
- Ensure we use energy efficient systems wherever possible e.g., replacing lights with LED and using passive infra-red sensors (PIRs) where possible
- Energy surveys will be undertaken at sites consuming large amounts of electricity to identify CapEx opportunities, such as installation of energy efficient equipment or improving the building's energy performance



Scope 3 Category 1: Purchased goods and services and Category 2: Capital goods

The majority of the GHG reductions in this category will be a result of our suppliers reducing their emissions through initiatives, technology, efficiencies, awareness, etc. as the world progresses towards a Net Zero 2050. However, that does not mean that we will take a passive approach to this category, especially as it accounts for ~80% of our total emissions. To accelerate positive change on our suppliers we will:

- Engage with tier 1 suppliers to first understand their carbon footprint (Scopes 1 and 2) by sending out carbon surveys
- Be selective about working with sophisticated carbon suppliers (where possible), and additionally, support suppliers to reduce their emissions
- Work with suppliers to collaboratively set carbon emissions reductions targets
- Request life cycle assessments for products purchased and choose lower emission products
- Consider how to reduce carbon intensive food and beverage items by expanding customers choices with lower carbon alternatives, e.g. plant based, locally sourced goods, and informing customer choice by including carbon footprints on menus



Scope 3 Category 4: Upstream transport

- Continue to be selective of suppliers by opting for those with zero/low-emission delivery services
- Engage with suppliers to identify their Scope 1 and 2 emissions through supplier carbon surveys and requesting carbon reduction strategies from suppliers
- Procure locally as much as possible



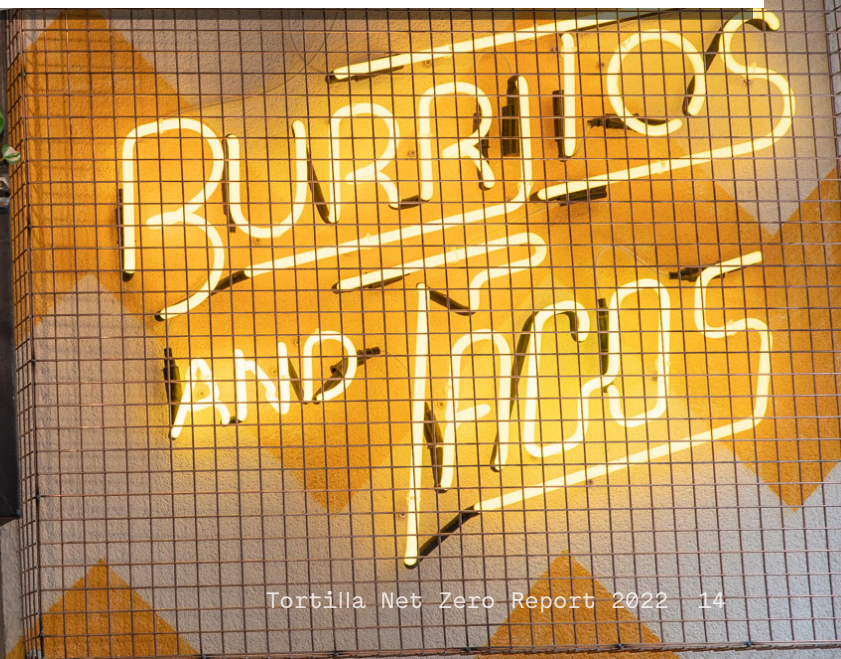
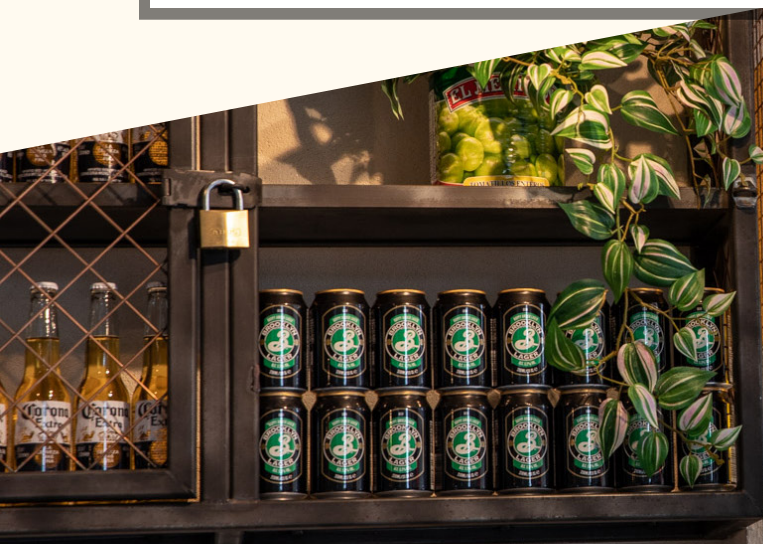
Scope 3 Category 5: Waste

- Reduce waste generated, re-using and recycling as much as possible
- Staff training programmes will be rolled out to provide clear, consistent training and information to minimise waste and maximise recycling
- Track the disposal methods of our various waste streams at all sites and encourage waste management companies to change to suppliers who send zero waste to landfill
- Tortilla aims to have zero waste to landfill by 2030



Scope 3 Category 6: Business travel

- Where travel is required, we will continue to prioritise carbon-reducing travel modes, choosing rail over air and/or cars
- Encourage the uptake of EV's by paying favourable mileage reclaim





Scope 3 Category 7: Employee commuting (and working from home)

We recognise that we have limited influence on what modes of travel our employees use. That said, we need to do all we can to encourage colleagues to join us on our sustainable journey. We will endeavour to achieve this by:

- Sending a travel survey to each one of our employees to understand how they currently get to and from work
- Putting in place initiatives and encouraging take up of these, such as:
 - The cycle-to-work scheme
 - Carpool arrangements
 - Providing information on public transport alternatives
 - Installing EV charge points at our main office location
 - Paying favourable mileage reclaim rates to EV vehicles

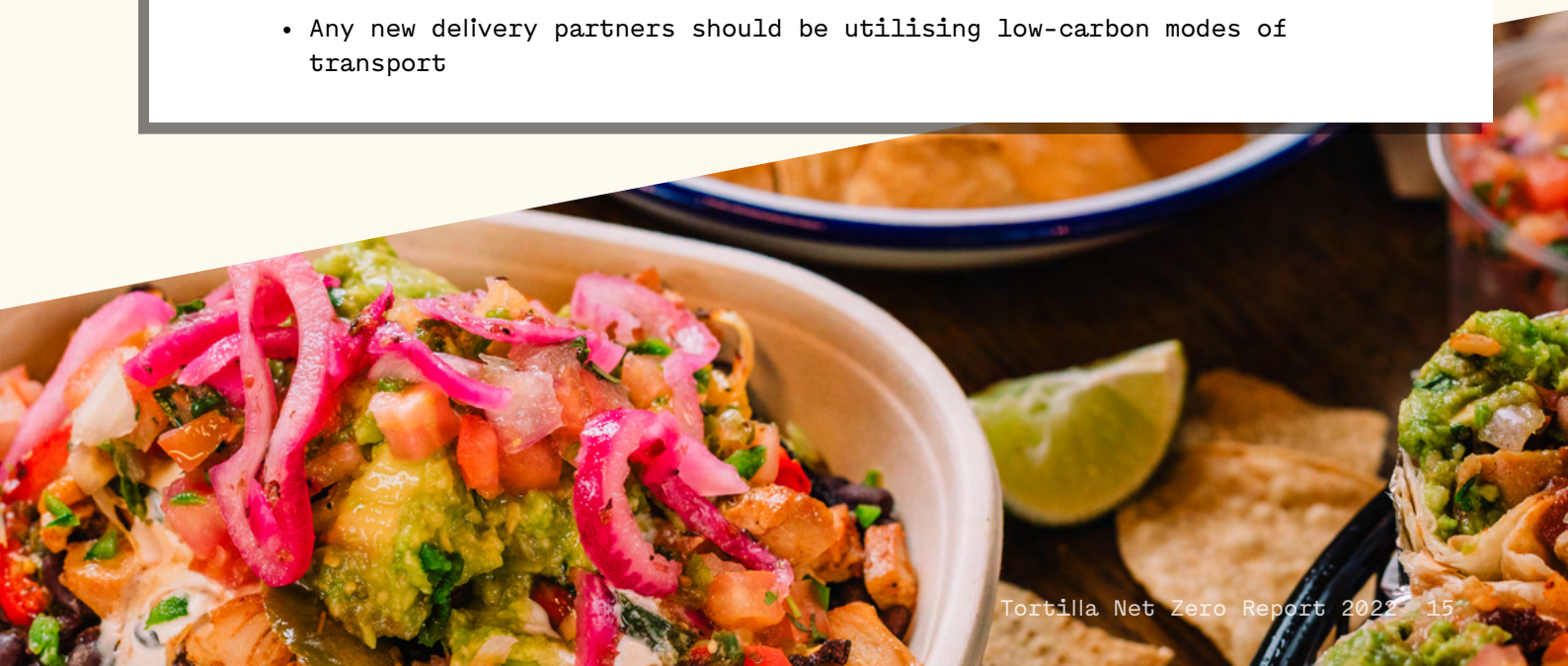
For employees who work from home, we can positively influence more sustainable behaviours such as:

- Encouraging employees to switch to renewable energy tariffs where possible
- Advising colleagues to install SMART meters
- Sharing energy consumption reduction practices



Scope 3 Category 9: Downstream transport

- Work with current partners to encourage their ongoing transition to greener modes of delivery methods (e.g. electric bikes instead of motorbikes)
- Any new delivery partners should be utilising low-carbon modes of transport





Scope 3 Category 12: End-of-Life of sold goods

- Ensure that recycling information is very well communicated on packaging
- Continue to seek to minimise packaging and maximise recyclable content of all packaging
- Survey customers to get more reliable information on waste disposal methods



Scope 3 Category 14: Franchises

By sharing good practices with franchises we will encourage them to reduce their emissions. Examples include:

- Transitioning to green energy contracts
- Implementing energy saving CapEx projects (e.g. improved insulation)
- Sharing energy saving guidance to employees
- Procuring locally and selecting sustainable suppliers



CONCLUSION

Tortilla will recalculate our carbon footprint at least biennially. We will track how we are performing vs our targets and adjust our methods to ensure we stay on track to hit our Net Zero goal of 2045. We will continue to do all we can to minimise our emissions and do our part to limit the negative effects of climate change on the planet.



TORTILLA



SUSTAINABLE ADVANTAGE
Hersham Place Technology Park
Molesey Road, Hersham
Walton-on-Thames
Surrey
KT12 4RS

0203 544 2020

info@sustainable-advantage.com

sustainable-advantage.com