Net Zero Report
Carbon reduction plan

FY 2023 – Year 2

Executive endorsement

Publication date: May 2024

Reporting period: 1 January – 31 December 2023

Name: Andy Naylor

Position: CEO

With our second year's carbon calculation completed, we have taken a solid step forward on our journey to achieving our target of Net Zero by 2045. We will continue to focus our efforts on decarbonising our operations and working closely with employees, suppliers and customers to effect positive, more sustainable changes. Part of this will involve being innovative, seeking new ways to do things more efficiently and embracing greener methods and technologies. We know there is some way to go but are ready for the path that lies ahead and remain committed to playing our part in creating a cleaner, greener world.

About us

Founded in October 2007 by Brandon and Jen Stephens, Tortilla is Europe's largest fast-casual Mexican restaurant brand with a fully customisable and authentic California-style Mexican menu.

Tortilla operates more than 90 restaurants globally, including through franchise partnerships in the UK with SSP Group plc and Compass UK & Ireland, and in the Middle East with Eathos.

The brand serves more than 6 million customers every year. Food provenance and quality is a critical component of our proposition. All fillings for Tortilla's burritos, salads and tacos are prepared fresh daily, free from artificial flavours or preservatives. Every dish is fully customisable with thousands of flavour combinations available to try.

Tortilla is headquartered in London and employs more than 1,100 people.

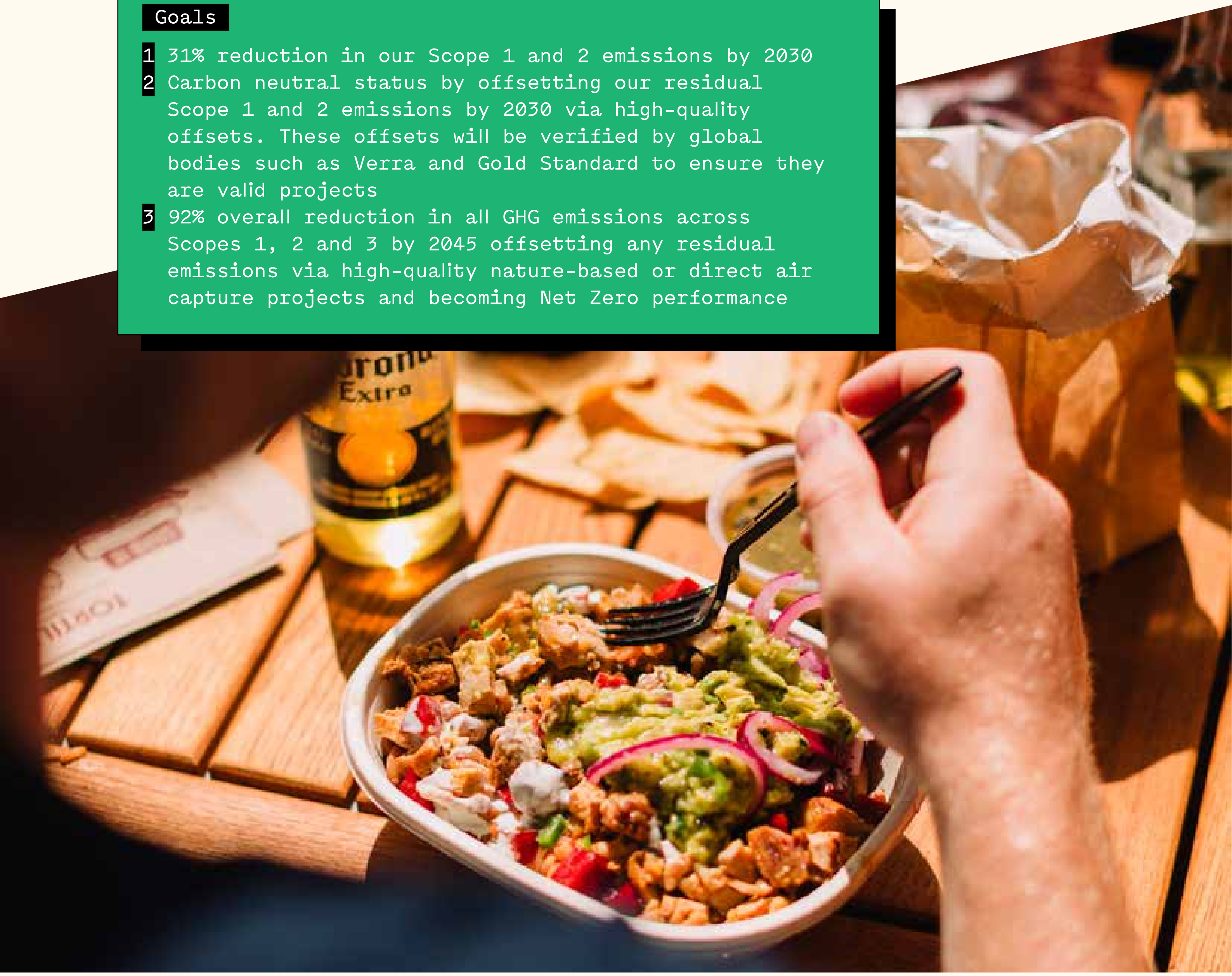
Commitment to Net Zero

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).

Tortilla is committed to taking action to reduce our annual emissions and achieving Net Zero status 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:

Goals

1. 31% reduction in our Scope 1 and 2 emissions by 2030
2. Carbon neutral status by offsetting our residual Scope 1 and 2 emissions by 2030 via high-quality offsets. These offsets will be verified by global bodies such as Verra and Gold Standard to ensure they are valid projects
3. 92% overall reduction in all GHG emissions across Scopes 1, 2 and 3 by 2045 offsetting any residual emissions via high-quality nature-based or direct air capture projects and becoming Net Zero performance



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 protocol for that base year. Scopes and categories included are:

Scope 1

i. Stationary combustion (Gas)

ii. Refrigerants

Scope 2

i. Electricity

Scope 3

Of the 15 Scope 3 categories (8 upstream and 7 downstream) we have selected the following:

i. Category 1 - Purchased goods and services

ii. Category 2 - Capital goods

iii. Category 3 - Fuel- and energy-related activities

iv. Category 4 - Upstream transportation and distribution

v. Category 5 - Waste generated in operations

vi. Category 6 - Business travel

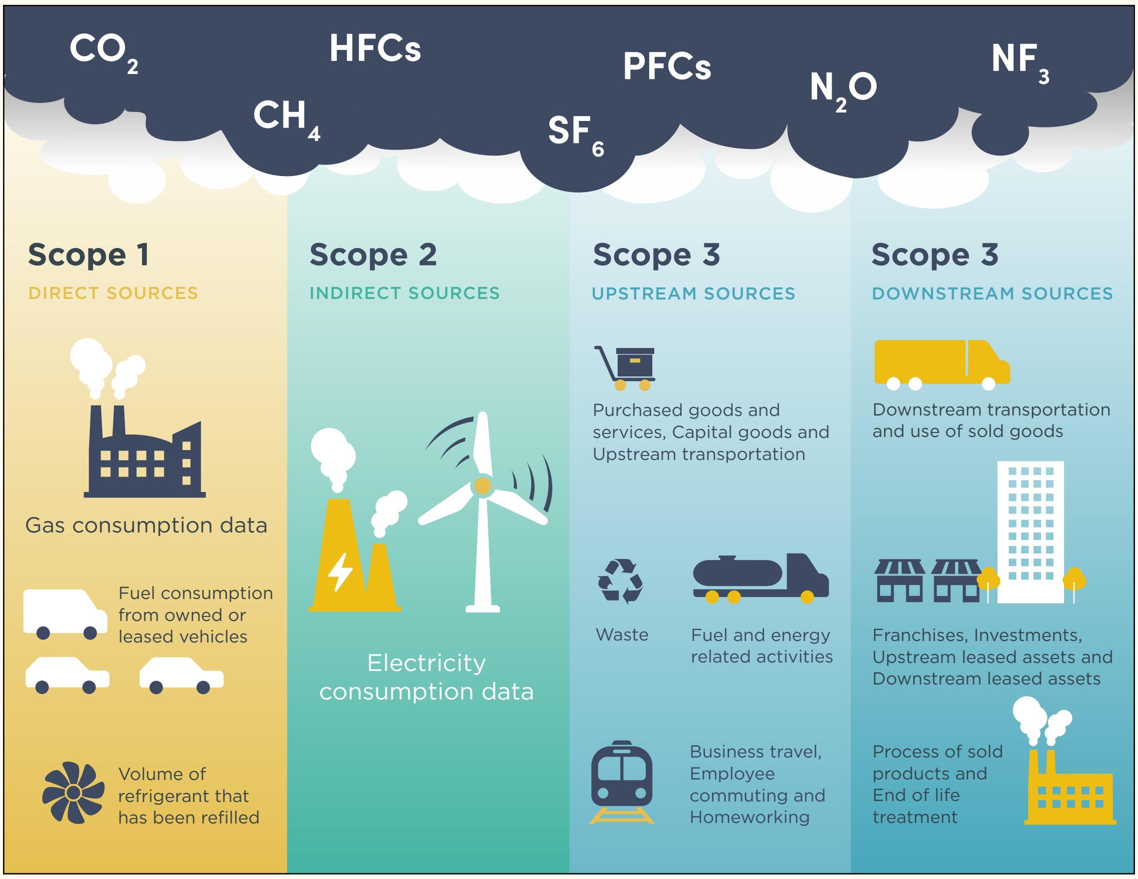
vii. Category 7 - Employee commuting

viii. Category 9 - Downstream transportation and distribution

ix. Category 12 - End-of-life treatment of sold products

3. Created a carbon reduction plan for each Scope and category
4. Set the Net Zero date and committed to updating our carbon footprint annually with our 2023 Financial Year as the first year of reporting post the base year.

Overview of GHG Protocol scopes and emissions across the value chain

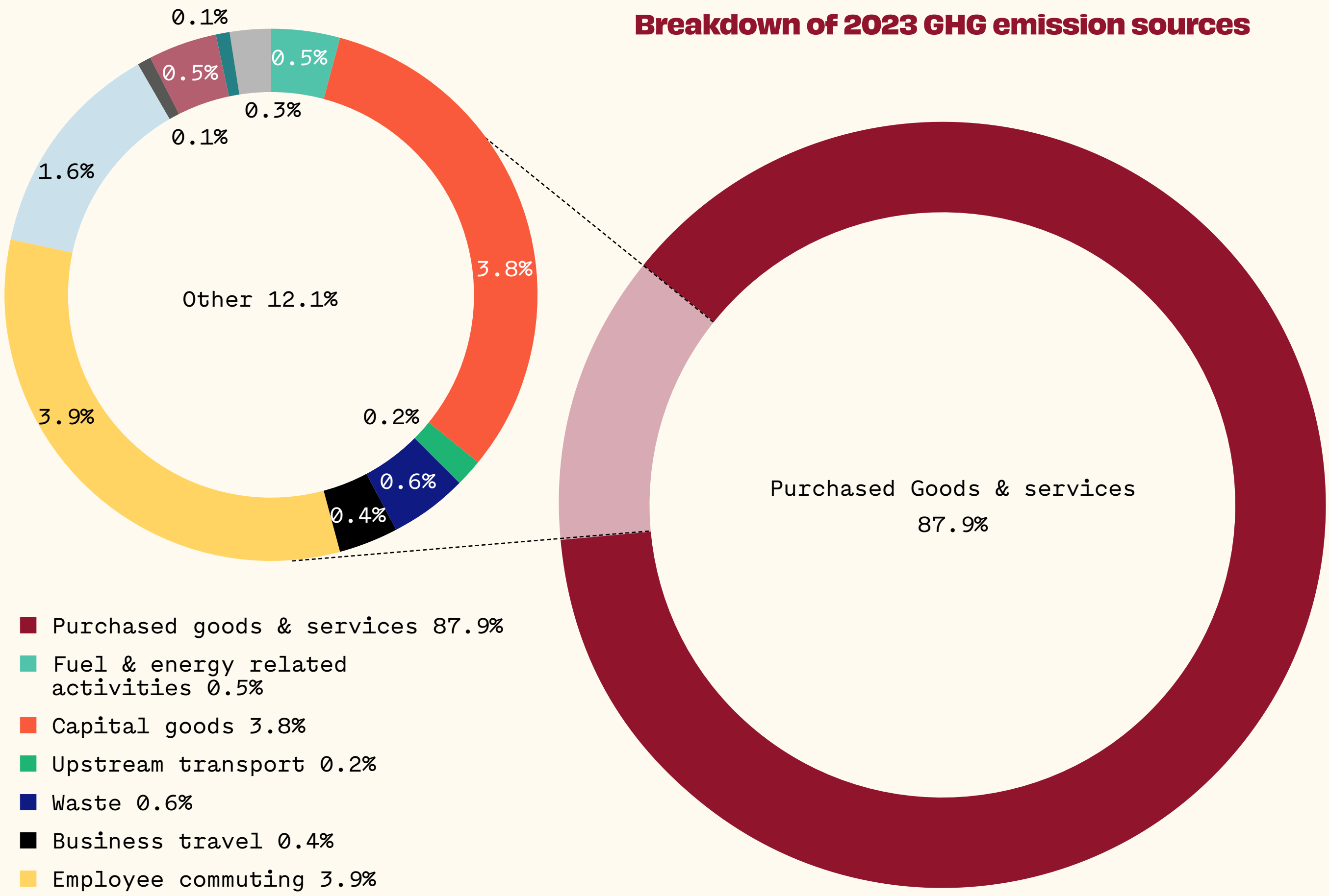


Greenhouse gas emissions footprint

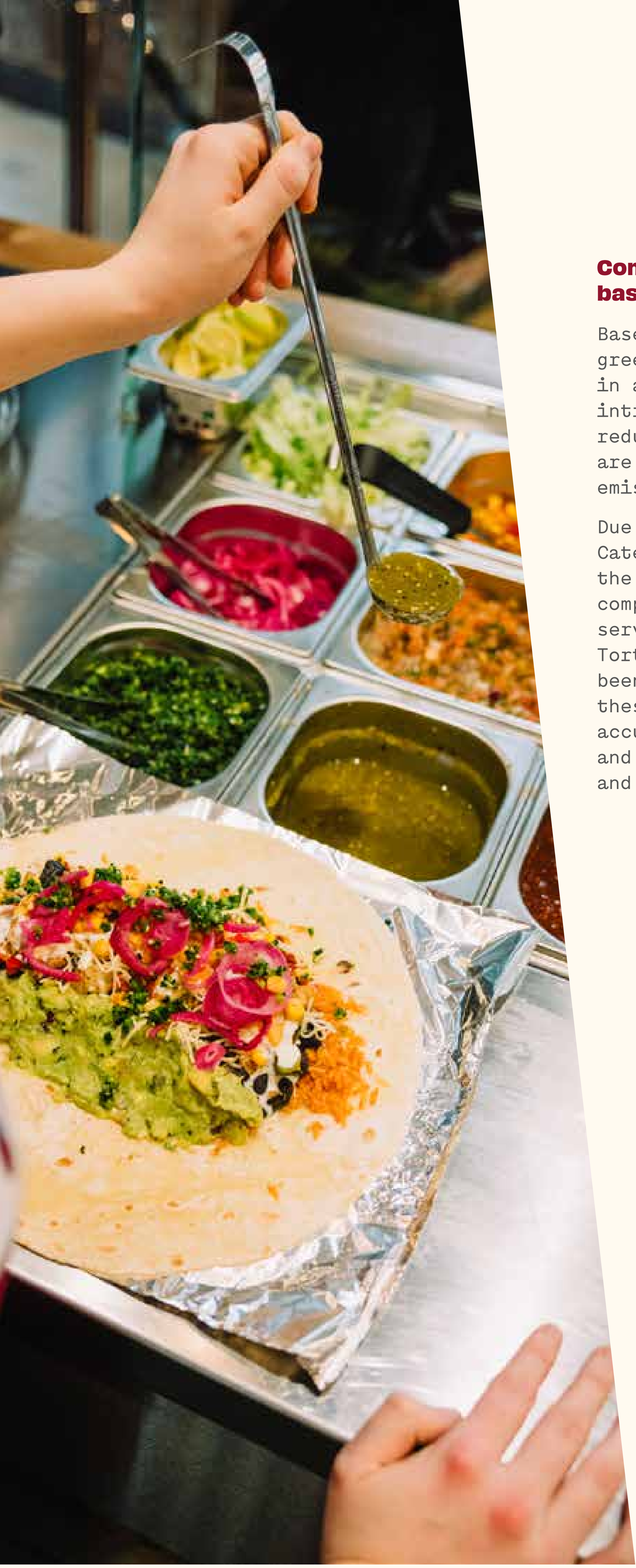
This is our second year calculating our GHG emissions. As such, this is the first time we are able to assess how we are progressing towards our reduction targets against our baseline year emissions.

Tortilla's 2023 carbon emissions footprint is as follows:

Breakdown of 2023 GHG emission sources



- Purchased goods & services 87.9%
- Fuel & energy related activities 0.5%
- Capital goods 3.8%
- Upstream transport 0.2%
- Waste 0.6%
- Business travel 0.4%
- Employee commuting 3.9%
- Employees working from home 0%
- Downstream Transport 1.6%
- End of Life of Sold Goods 0.1%
- Franchises 0.5%
- Electricity (location based) 0%
- Refrigerants 0.1%
- Stationary combustion (Gas) 0.3%



Comparing our FYE23 footprint to our baseline year (FY22)

Baseline emissions are a record of the greenhouse gases that were produced in a previous year prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which emissions reductions can be measured.

Due to the availability of Scope 3 Category 2: Capital goods data and the inclusion of Tortilla's acquired company Chilango's Purchased goods and services (Scope 3 Category 1) in 2023, Tortilla's 2022 baseline emissions have been adjusted (re-baselined) to reflect these additions. This has improved the accuracy of the original calculation and allows for the data to be comparable and consistent across all years.

Below is an itemised breakdown showing the amount of GHG emissions (tCO_2e) produced by each Scope and category, comparing emissions from FY23 to our baseline year (FY22) calculation.

Scope/Category	Item	FY22 Total tCO_2e	FY23 Total tCO_2e	FY23 GHG Footprint % make up	% Change between FY22 and FY23
Scope 1					
Stationary combustion	Gas consumed	90.99	71.39	0.3%	-21.5%
Refrigerants	HVACs	28.57	34.81	0.1%	+21.8%
Scope 2					
Electricity (Location based)[1]	Purchased electricity, for own use (grid average)	1197.72	1,299.34	5.4%	+8.5%
Electricity (Market based)[2]	Purchased electricity, for own use (specific contract or onsite generation)	295.87	324.83	1.3%	+9.8%
Scope 3					
Cat 1: Purchased goods and services	Goods and services	22,284.51	21,301.87	86.7%	-4.4%
Cat 2: Capital goods	CapEx expenditure	1,464.84	922.52	3.8%	-37%
Cat 3: Fuel and energy related activities	WTT [3] & T&D losses [4] from electricity, stationary combustion of fuels and transport	119.80	121.33	0.5%	+1.3%
Cat 4: Upstream transportation	Transport between tier 1 suppliers or paid transport for goods (upstream & downstream) WTW[5]	1,070.72	49.54	0.2%	-95.4%
Cat 5: Waste generated in operations	Waste	53.58	141.60	0.6%	+164.3%
Cat 6: Business travel	Land and air travel and hotel stays for business purposes WTW	48.62	100.95	0.4%	+107.6%
Cat 7: Employee commuting	Employees commuting to and back from work WTW	871.67	939.63	3.8%	+7.8%
Cat 7: Employee homeworking	Employees working from home	55.85	12.09	0.0%	-78.4%
Cat 9: Downstream transportation	Transport between Tortilla and customers paid for by the customer WTW	232.54	398.85	1.6%	+71.5%
Cat 12: End of life treatment	Packaging waste disposal and treatment	11.96	13.02	0.1%	+8.9%
Cat 14: Franchises	Energy and refrigerants of Tortilla's franchisee sites	138.59	131.82	0.5%	-4.9%
Total Gross Emissions (Location based)		**27,669.96**		**100%**	**-8%**
Less emissions avoided by procurement of renewable electricity		(901.85)	(974.50)		
Total Gross Emissions (Market based)		**26,768.12**		**100%**	**-8%**
Less carbon offsets			(0.00)		
Total Net Emissions		**26,768.12**		**24,523.61**	**-8%**

[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
[4] WTT - Well-to-tank emissions. Emissions associated with the extraction, refinement, and transport of fuels before consumption
[5] T&D losses – Transmission and distribution losses. Emissions associated with the energy lost during the transmission of electricity through the network
[6] WTW – Well-to-wheel emissions. Includes emissions associated with the extraction, refinement, transport, and consumption of fuels

To further understand our emissions, we have also recorded them using intensity ratios as this will allow us to track our emissions as our business grows and develops.

Intensity Ratios	Gross Emissions (Location based)		Gross Emissions (Market based)		Net Emissions		% Change between FY22 and FY23
	2022 (Year 1)	2023 (Year 2)	2022 (Year 1)	2023 (Year 2)	2022 (Year 1)	2023 (Year 2)	
tCO_2e per employee (start of year)	21.28	23.37	20.59	22.47	20.43	22.47	+10%
tCO_2e per million £ turnover	479.56	388.87	463.93	374.03	460.24	374.03	-19%

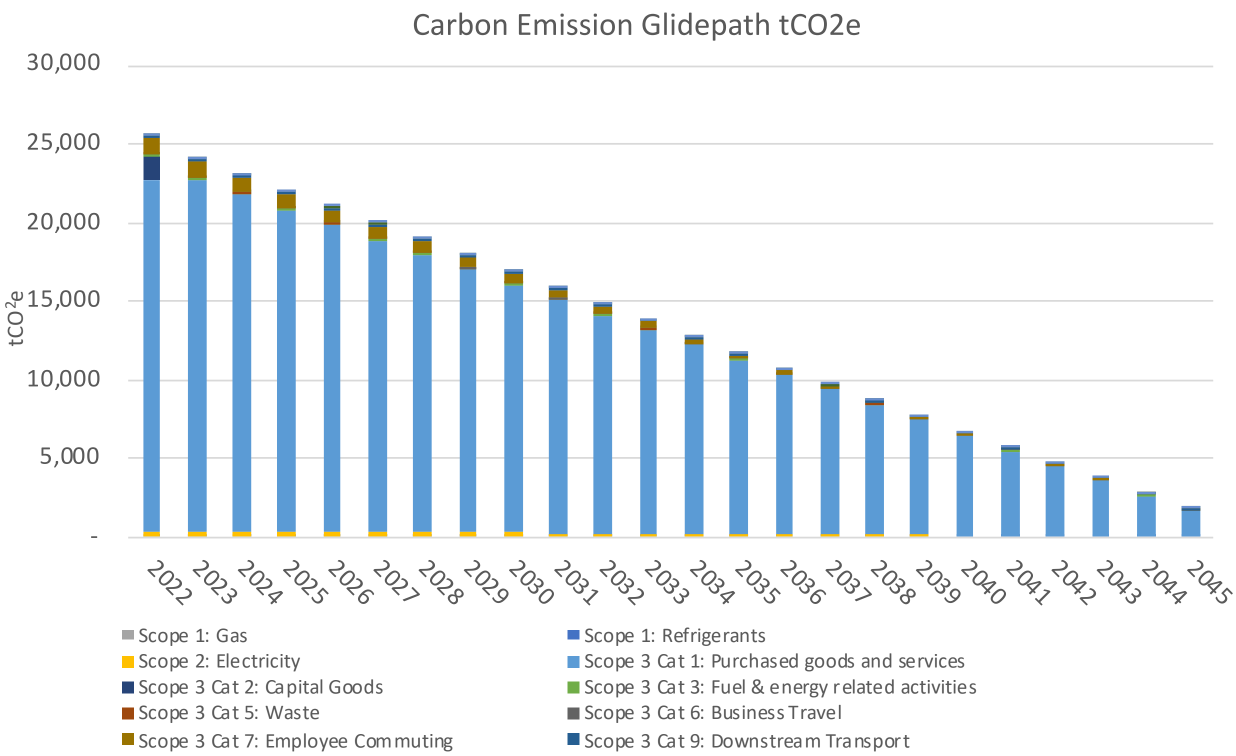
Emission reduction targets

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

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

Tortilla's carbon emissions glidepath below has been updated to reflect the changes in FY2022 baseline year.



Current emissions vs target emissions

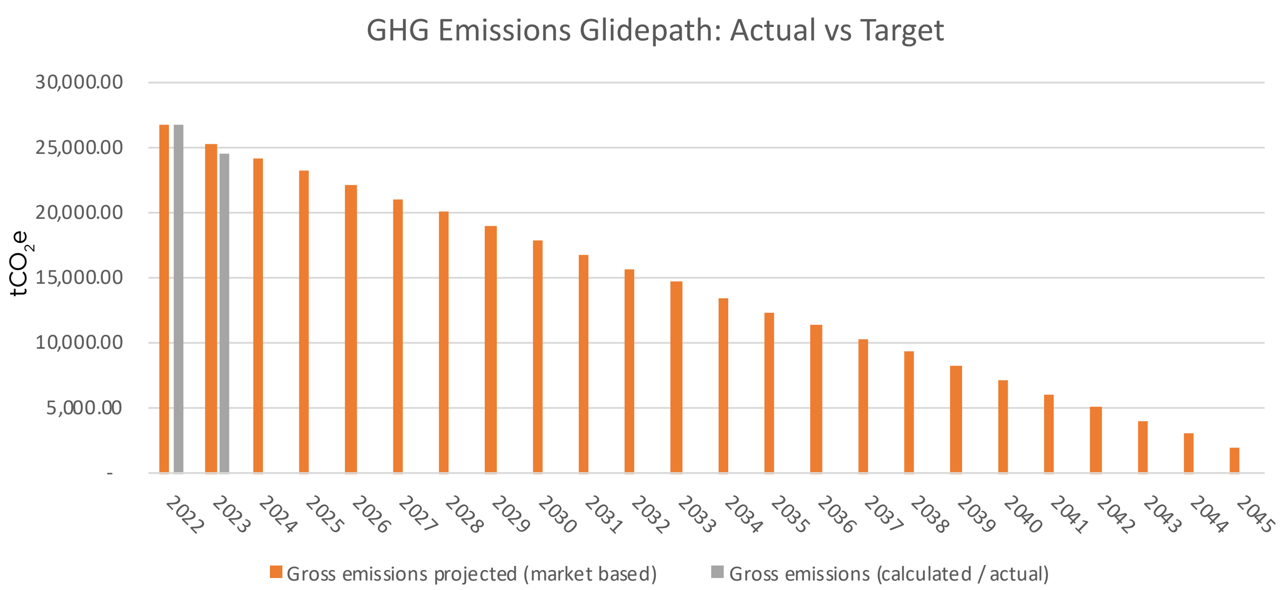
To keep our target GHG emissions reduction pathway on track to reach our Net Zero goal, we will report our total emissions against our target emissions every year. We are aware that some years we will make better progress than others. However, by regularly assessing and reporting our emissions we can ensure that we are holding ourselves accountable to our target reductions.

Compared to last year, our absolute emissions have reduced by a total of 2203 tCO_2e, representing an 8% reduction. Biggest percentage reductions have occurred in Gas consumption (Scope 1), CapEx expenditure (Scope 3 Category 2) and Upstream Transport (Scope 3 Category 4). This is due to:

- Gas cookers being removed from restaurants with grilled meats now being produced centrally in steam ovens
- Reduced number of restaurant openings during the year compared to the previous year therefore requiring less capital expenditure outlay
- Improved quality of data regarding transport of supplies to Tortilla sites

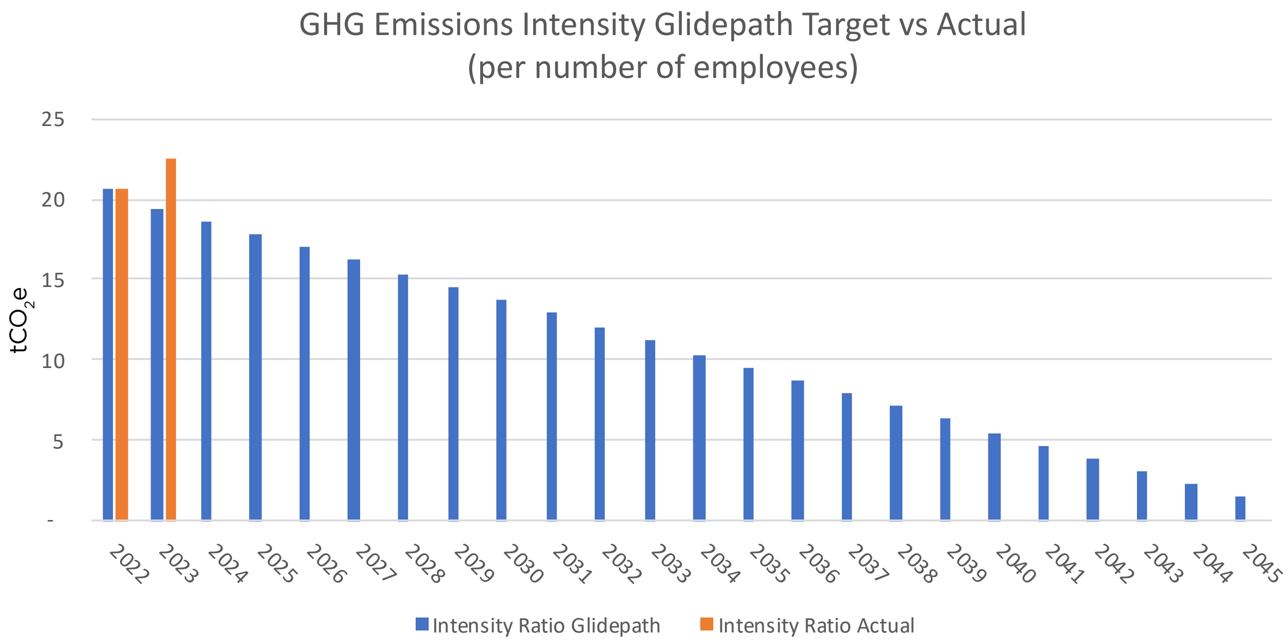
Emissions have increased slightly in some categories such as Electricity consumption (Scope 2), Waste (Scope 3 Category 5) and Business Travel (Scope 3 Category 6). Waste increase can be explained as there was an increase in food development last year which resulted in lots of trials and more food than usual going to waste. Business travel increased due to site openings further afield, meaning central teams needed to travel.

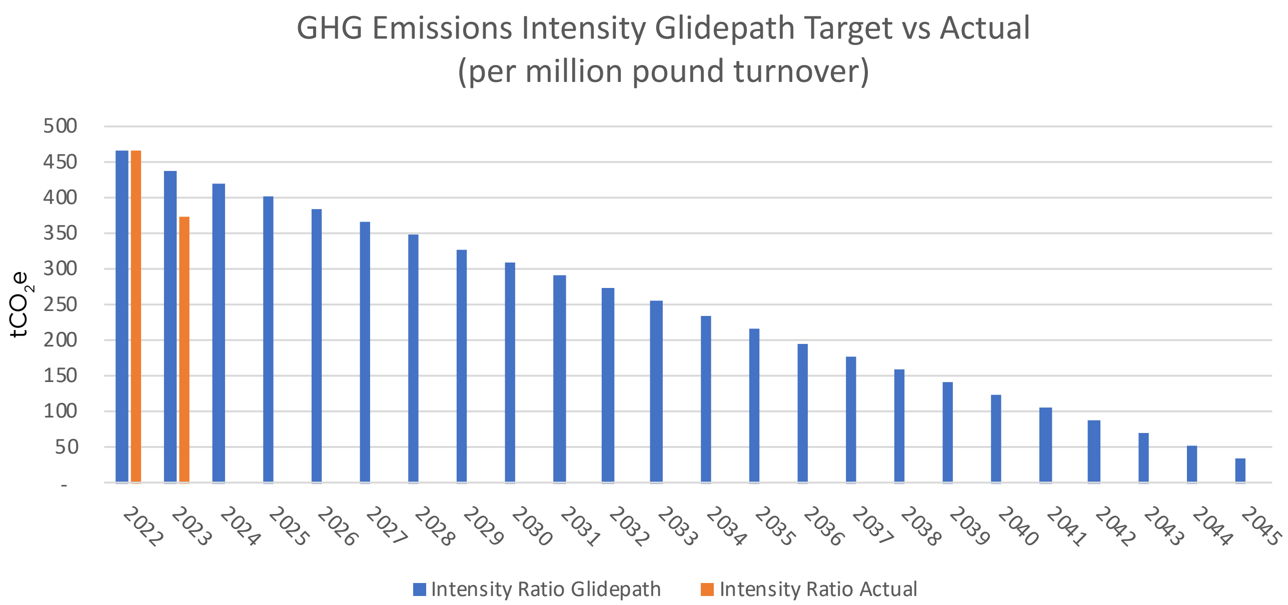
The graph below demonstrates our current carbon footprint in relation to our glidepath. Emissions have decreased by 8% from our baseline year, and whilst we may not achieve this level of reduction each year, we remain committed to year-on-year reductions and achieving our key milestones and Net Zero target.



The graphs below illustrate our intensity ratio glidepaths. Intensity ratios are a way of defining your emissions data in relation to appropriate business metrics allows comparison of performance over time and with other similar types of organisations. The two benchmark data points we have used are per employee and per million pound turnover.

Our emissions per employee intensity ratio has increased from 20.43 tCO_2e to 22.47 tCO_2e per employee (an approximate increase of 10%). This is due to a significantly reduced workforce in 2023 compared to 2022. Our emissions per million pound turnover, however, has reduced by 19% from 469.24 tCO_2e in 2022 to 274.03 tCO_2e per million pound turnover in 2023.





Environmental management measures / emission reduction plan

As a responsible business, Tortilla has for many years had a focus on the environment and reducing our carbon emissions. To drive this to the next level, we engaged the services of Sustainable Advantage to advise Tortilla's Board on global best practices on carbon reduction. We have a carbon emissions reduction plan, the key actions of which are summarised below:

Scope 1: Stationary Combustion (Natural Gas)

- All gas contracts have been moved to renewable tariffs across sites where Tortilla has control over energy procurement (i.e. not in Shopping centres)
- Gas cookers were removed from restaurants, and grilled meats are now being produced centrally in steam ovens

We will:

- 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 – we will perform energy surveys to identify capital expenditure (CapEx) opportunities

Scope 1: 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 whenever possible

Scope 2: Electricity

- Most of our electricity contracts are now on 100% renewable energy schemes
- We will transition any new restaurants onto green tariffs wherever possible
- Energy efficiency guidance / training will be issued to all site staff to facilitate positive behavioural change
- We ensure we use energy efficient systems wherever possible e.g., replacing lights with LED and using passive infra-red sensors (PIRs)
- 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 these categories 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 over 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 transportation and distribution

- 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

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

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

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

SCOPE 3 Category 7: Employee homeworking

For employees who work from home, we can positively influence more sustainable practices 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 transportation and distribution

- 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 treatment of sold products

- Ensure that recycling information is 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 with employees
- Procuring locally and selecting sustainable suppliers

Conclusion

We are pleased with the reduction in emissions over the last year which is reflected in both our absolute emissions and turnover intensity ratio. However, we know that there is still lots to do and we are committed to the role we have to play in minimising the negative effects of climate change on the planet. We take seriously our carbon reduction plan and will continue to 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.

Emissions methodology – inclusions within current numbers:

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.[6] The Equity Share approach reflects a company's economic interests and percentage ownership of companies or subsidiaries to assign GHG emissions. The Control approach can follow two routes and defines the boundary by looking at either how much Financial or Operational Control a company has. To fully cover all of its operations and subsidiaries, Tortilla has selected the Operational Control method when setting our organisational boundary which will cover 100 percent of the GHG emissions over which it has operational control. The Operational boundary will include all three Scopes as outlined by the GHG Protocol. Tortilla's emissions are reported in tCO_2e and have been calculated utilising the following formula:

Source emissions data x conversion factor* = total source emissions

Source unit x (tCO_2e/unit) = tCO_2e

*Conversion factors are primarily derived from the latest:
- UK Government GHG conversion factors for Tortilla Reporting
- DEFRA (Department for Environmental, Food and Rural Affairs)
- Environmentally extended input-output (EEIO) tables - EPA

[6] https://ghgprotocol.org/corporate-standard

Scope 1

Scope 1 included in the inventory is onsite (or "stationary") natural gas combustion. Refrigerants were included based on site area as no refrigerant data was collected.

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

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
- 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 emissions from the transportation and distribution of products between a company's tier 1 suppliers and its own operations in vehicles not owned or operated by the reporting company.

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

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 resulting 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 offices. 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 emissions from the transportation of takeaway deliveries.

- Data was provided on UberEats and Deliveroo deliveries

Category 12: End of life treatment

Includes emissions from the waste disposal and treatment of products (i.e. packaging) sold by the Tortilla.

- Emissions were calculated using average waste disposal methods and the relevant waste stream emission factors

Category 14: Franchises

Includes emissions from the operation of franchises not included in scope 1 or scope 2. A franchise is a business operating under a license to sell or distribute Tortilla's goods or services within a certain location.

- Annual electricity and gas consumption was provided for some sites. Where data was not available for other sites, electricity and refrigerants were calculated based on site area.

Emissions methodology – non-material exclusions:

Scope 3

Category 8: Upstream leased assets

Is excluded from FY2023 emissions, as we do not lease any assets

Category 10: Processing of sold products

Is excluded from FY2023 emissions as we do not manufacture products

Category 11: Use of sold products

Is excluded from the FY2023 emissions as we sell consumable products

Category 13: Downstream leased assets

Is excluded from FY2023 emissions, as we do not own any leased assets that we lease to other businesses

Category 15: Investments

Is excluded from FY2023 emissions, as we do not have any investments whereby, we provide capital or offer financing as a service

SUSTAINABLE ADVANTAGE

An intelligent approach to energy, waste & sustainability

SUPPORTS

TORTILLA

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

info@sustainable-advantage.com

sustainable-advantage.com

0203 544 2030

TORTILLA MEXICAN GRILL PLC
FIRST FLOOR EVELYN HOUSE
142-144 NEW CAVENDISH STREET
LONDON, W1W 6YF

TORTILLA.CO.UK