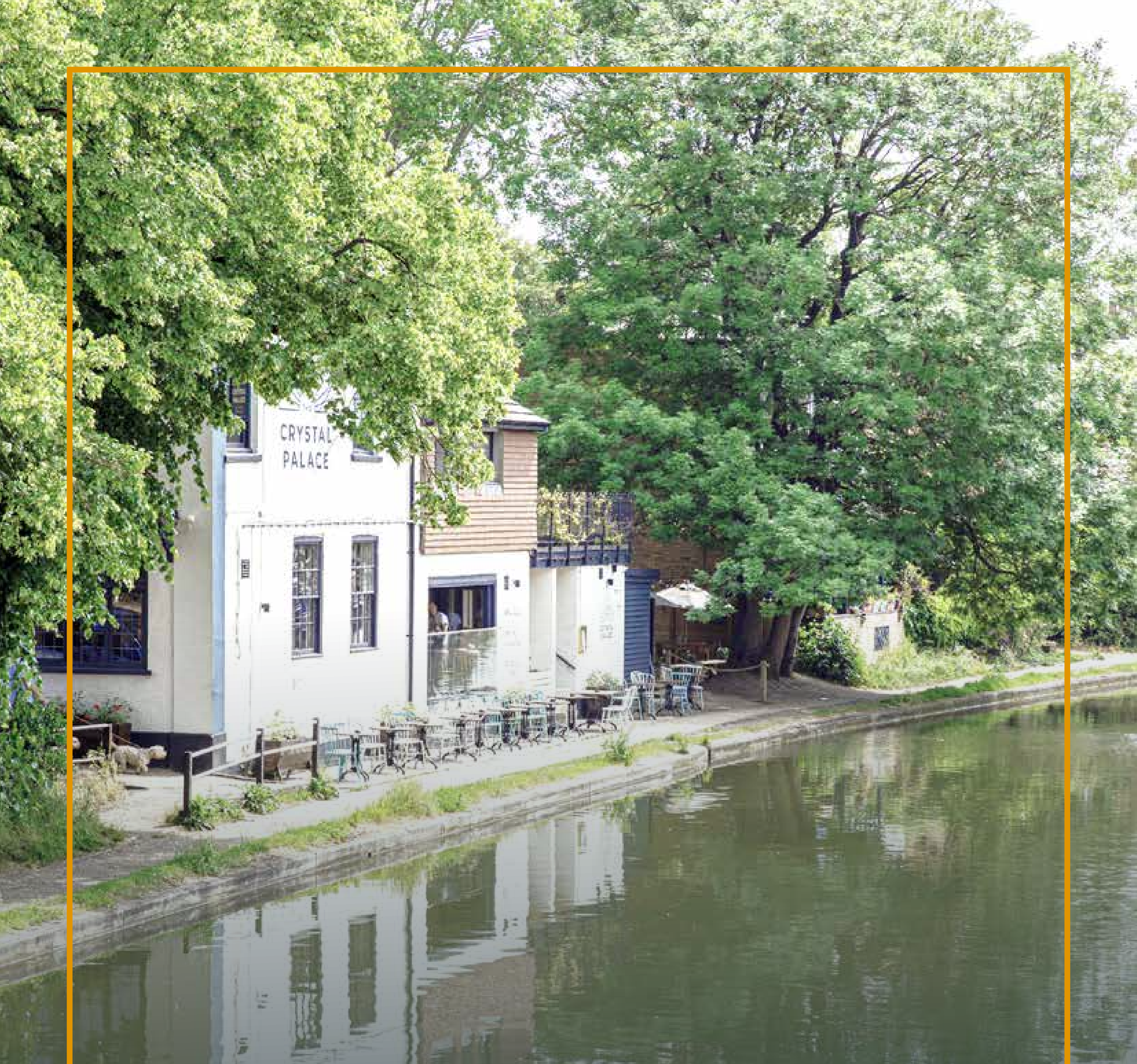

Task Force on Climate-Related Financial Disclosures (TCFD)

REPORT 2024

PUNCH
PUBS & CO

Punch Pubs & Co is committed to making annual, transparent climate-related disclosures following TCFD recommendations to address the impact of climate change on our business.

This year we assessed for the first time how climate change is incorporated into our governance, strategy and risk management, as well as what the financial implications of climate change are and what targets need to be considered to properly address the issues that arise from it.

The table (right) outlines the different disclosures under TCFD and the extent to which Punch meets the disclosure requirements.

COMPLIANCE INFORMATION

TCFD Area	TCFD Recommended Disclosure	Status of Compliance
Governance	Describe the board's oversight of climate-related risks and opportunities.	Compliant
Governance	Describe management's role in assessing and managing climate-related risks and opportunities.	Compliant
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term.	Compliant
Strategy	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	Compliant
Strategy	Describe the resilience of the organisation's strategy taking into consideration different climate-related scenarios, including a 2ºC or lower scenario.	Compliant
Risk management	Describe the organisation's processes for identifying and assessing climate-related risks.	Compliant
Risk management	Describe the organisation's processes for managing climate-related risks.	Compliant
Risk management	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Compliant
Metrics & targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Compliant
Metrics & targets	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and related risks.	Compliant
Metrics & targets	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance targets.	Compliant

GOVERNANCE

The highest governing body of Punch Pubs & Co is the Board, which consists of the company's owners, Fortress Investment Group, and strategic advisors. Alongside this is our Executive Team, which consists of our CEO, CFO, Company Secretary, COO, HR Director, Strategy & Marketing Director, Property Director, Business Development Director, Commercial Services & Procurement Director, Management Partnerships MD and Laine CEO. Our Executive team meets weekly and reports any business updates to the Board monthly.

Each Executive Team member has oversight of their department's risks, and they (and their teams) are responsible for adding new risks to the company risk register, such as climate-related risks. Given this, any climate-related risks are added to the register primarily at the discretion of each business department.

The company risk register is brought to the Executive Team meetings twice a year, and once a year to the Board meeting to ensure their awareness and oversight of climate-related issues.

Climate-related risk management filters down through the company with each Executive member overseeing their department's risks. Responsibility is assigned to teams, addressing breaches internally.

Departments update mitigation techniques, and the Legal & Compliance team may intervene for severe breaches, reviewing proposed mitigation strategies.

STRATEGY

In order to understand how climate change might impact our business and in turn review how prepared Punch's overall strategy is in the face of climate change, this year we carried out a **climate scenario analysis** with the help of external partners. This climate scenario analysis involved learning about the different scales of climate change that could occur under certain increases in global emissions, and subsequently what risks and potential opportunities might arise for the business in each of these circumstances.

To illustrate the different scales of climate change, we looked specifically at three different scenarios of climate change developed by the Intergovernmental Panel on Climate Change (IPCC).

These scenarios were namely:

- **Shared Socioeconomic Pathway SSP 1, which assumes global warming reaches approximately 1.5ºC by 2100.**
- **SSP2, which assumes global warming reaches approximately 2.5 ºC by the end of the century.**
- **SSP3, which assumes global warming reaches approximately 3.5 ºC by the end of the century.**

The analysis took place in the form of workshops in which representatives from across the organisation, including a member of our Executive Team, attended to discuss the impact of climate change on Punch, which helped us to ensure that relevant climate-related risks and opportunities were considered for each part of the business.

The range of climate-related risks and opportunities that were identified and considered during this analysis included both different physical risks, meaning tangible risks resulting from the impact of climate change, and transitional risks, referring to risks brought on by the transition to a lower carbon economy.

Physical risks were **categorised into acute and chronic physical risks**, where acute means specific event-driven climate-related risks (floods, storms etc.) and chronic refers to risks brought on by longer term shifts in climate patterns (sea level rise, heat waves etc). Transitional risks were categorised as market-based, policy and legal, reputational and technological, all regarding changes in these areas as the economy shifts towards low-carbon activities. In terms of opportunities identified, these were discussed again in relation to the benefits the business could take advantage of as part of the transition to a low-carbon economy. As such, opportunities were categorised in the same way as transition risks were, therefore various market-based, policy and legal, reputational and technological opportunities were considered.

In the risks and opportunities tables, we have highlighted **the three most significant risks and opportunities that we feel the company faces as a result of climate change.** Within these tables we have shared details of how these risks and opportunities may impact the business regarding their predicted timeframe for occurring, their financial impact and how they might occur given the scenarios outlined. We have also given details on potential mitigation and realisation strategies considered for each risk and opportunity respectively.

We have included all other material opportunities and risks that we identified through the scenario analysis in the appendix at the end of this report.

HIGH LEVEL RISKS

Risk Type	Risk Description and General Impact	Timeframe	Financial Impact	Mitigation Strategy
Physical (Acute)	**Operational disruptions due to extreme weather events, e.g., flooding, wildfires, storms with high winds etc.** – Damage to pubs due to extreme weather events, leading to regional operational disruptions as pubs need to be restored, as well as other added costs.	**Medium-term** (1-3 years)	**Marginal (£500K-£999K)** This financial impact assumes the worst-case outcome of this risk and also represents cost to the business pre-mitigation.	Property team to audit and identify high risk pubs and propose an action plan to mitigate these kinds of disruptions. By designating this increase in responsibility to this team internally we will be able to address the risk quickly without considerable upfront cost.
Physical (Chronic)	**Increased insurance costs due to assets and locations of business being affected by increasingly extreme weather** – Property insurance premiums have been forecast to increase by approximately 22% by 2040, due to the increased frequency and intensity of extreme weather events (according to one of the world's leading insurance providers Swiss Re). Punch's premises that have exposure to any extreme weather events, flooding, wildfires etc., are therefore likely to see an increase in insurance costs.	**Medium-term** (1-3 years)	**Marginal (£500K-£999K)** This financial impact assumes the worst-case outcome of this risk and also represents cost to the business pre-mitigation.	Assess how susceptible current infrastructure is to the effects of climate change and consider whether relocation, movement or disposal is reasonable and feasible, and whether the cost of relocation now would outweigh future cost of relocation/insurance.
Transitional (Policy and Legal)	**Increased potential for climate litigation** – Lack of adequate preparation for disruptive climatic events can put key stakeholders such as employees and Publicans/Management Partners (MPs) at risk of damages and inconveniences. If the company does not support these stakeholders well enough or prepare them for disruptions with suitable coverage and mitigation/remediation policies, then it could be liable to litigation. There is also the potential for added cost around compliance with new and existing climate legislation, particularly if compliance needs are not met.	**Long-term** (3-5 years)	**Significant (£1M - £1.9M)** This financial impact assumes the most extreme outcome of this risk, particularly under the SSP1 scenario, where the transition to a low-carbon economy is rapid and supported by increasing legislation. This also represents cost to the business pre-mitigation.	Provide stakeholders with adequate information on how the business responds to climate-related events and damages (e.g., policies, contingencies etc., through contracts or documents on website or otherwise). State clearly what the business is liable and not liable for in relation to these damages and specific stakeholders. Ensure this information is well publicised and easily accessible/available for stakeholders.

KEY OPPORTUNITIES

Opportunity Type	Opportunity Description and General Impact	Timeframe	Financial Impact	Realisation Strategy
Transitional (Technological)	**Lower energy costs** – Energy costs are lowered in the long-term because of the combination of implementing energy efficiency initiatives, including new technologies, and procuring/ establishing renewable energy for sites and also on sites for less reliance on grid energy.	**Long-term** (3-5 years)	**Significant (£1M - £1.9M)** This financial impact assumes the most extreme outcome of this opportunity and represents the case post-realisation strategy.	Investigate where energy efficiencies can be implemented and where energy savings can be made. Install renewable energies on site where possible.
Transitional (Market-based)	**Improved ability to respond to climate-related and ESG requirements** – By staying ahead of legislation, there is an opportunity to reduce compliance costs as the company can gradually build up their ESG qualifications rather than being forced to quickly gather the resources in order to meet compliance deadlines. Moreover, consideration of climate-related risks within the company's strategy and financial planning can ensure that Punch is better prepared for any potential future market shocks, e.g., another pandemic-type event, damages caused by extreme weather events etc., as business continuity plans will have already been developed and so can be quickly implemented.	**Short-term** (0-1 years)	**Negligible (<500K)** This financial impact assumes the most extreme outcome of this opportunity and represents the case post-realisation strategy.	Ensure that a member (or members) of the business has the responsibility of keeping up to date with climate-related and ESG regulatory developments and, where necessary, providing updates on relevant regulations to the wider team/business as regularly as possible. In addition, consideration of climate-related risks should become a scheduled agenda item for every board/senior management meeting.
Transitional (Reputational)	**Increased ability to attract and retain talent** – Employees are increasingly looking to work in companies whose values and mission align with their own personal values, and which are proactively taking action on climate change. Establishing a strong sustainability strategy can therefore help widen Punch's potential talent pool and reduce recruitment costs by increasing retention rates.	**Medium-term** (1-3 years)	**Marginal (£500K-£999K)** This financial impact assumes the most extreme outcome of this opportunity and represents the case post-realisation strategy.	Ensure sustainability strategy is clear, obvious and easily accessible for employees, our operators, the public and to customers. Providing regular updates on actions taken as part of the strategy and how it is progressing may help attract attention and demonstrate how integral it is to the company's overall strategy.

The risks and opportunities that we have identified as material for Punch, in particular the most significant risks and opportunities outlined in the tables above, show the wide-reaching nature of climate change and its threats to the business. However, there are multiple aspects of the business which demonstrate our resilience to the issues of climate change.

Firstly, Punch's business model integrally focuses on relationships with Publicans and Management Partners (MPs) and allows us to effectively convey and instigate policies around issues such as climate change. Moreover, our governance on climate issues ranges from employees at the top and throughout our organisation, ensuring it is considered at multiple levels of the business. We also have on-going work to consolidate the actions we take towards tackling climate change and its consequences, such as our net zero roadmap and the linkages between our Punch Promise strategy and the Sustainable Development Goals (SDGs) to make sure we're taking appropriate and meaningful action.

Given all this, we believe Punch is well prepared to address and manage the issues posed by climate change and as such shows significant resilience to climate-related risks.

RISK MANAGEMENT

As we have conducted scenario analysis for the first time this year, our approach to identifying and assessing climate-related risks has now developed. As mentioned, any climate-related risks are added to the company risk register primarily at the discretion of each business department. Thanks to the scenario analysis process, representatives from the business now have a clearer understanding of the implications of climate-related risks specifically and can be more conscious and aware of flagging these risks to the wider business in the future.

As we continue to assess these risks, it is hoped that the various teams and departments within the organisation will become increasingly aware and prudent towards the incorporation of climate-related risks to the company register.

The criteria used to assess and manage climate-related risks is the same as for other risks that are incorporated into the overall register. In terms of likelihood of risks, **this is measured on a scale with five levels, which from lowest to highest are: rare, unlikely, possible, likely and almost certain. Regarding impact (including financial) this is again measured on an ascending scale which ranges from: negligible (<£500K), marginal (£500K-£999K), significant (£1M - £1.9M), major (£2M - £3M) and catastrophic (>£3M).** All climate-related risks are managed in terms of these criteria and are responded to according to how far along each of these scales the risks are present (e.g., a risk may be unlikely and be marked as having a marginal impact, and therefore would not be as much of a priority compared to others).

The Coach & Horses, Crewe

METRICS AND TARGETS

The principal targets used by the organisation to manage climate-related risks and opportunities are those set around our priority SDGs. For example, to help reduce our contribution to climate change and be part of the wider effort to tackle its disruptive effects, **we have set an emissions reduction goal to reduce our direct emissions (Scopes 1 & 2) by 80% by 2032, and also be Net Zero by the end of 2040.** We are continually working on improving our emissions data collection and quality to ensure we know how much we're contributing and importantly where we can reduce emissions as much and as quickly as possible.

Another target which will help us take advantage of climate-related opportunities is **our target to procure most of the electricity, on behalf of our MPs, from certified renewable sources by the end of 2027.** We are still exploring suitable and cost-effective ways, including the use of new technology, to procure renewable energy. This will contribute towards us having more energy security and lower energy costs in the future, especially if we achieve our goal through the development of our own renewable energy on sites.

Our target of establishing an ambitious Supplier Charter and industry-accredited framework by the end of 2024 also helps us to manage climate-related risks specifically. This is because it will involve Punch working only with suppliers that support our vision and goals around sustainability and action on climate change. Given this, we will ensure that we are working with suppliers that are aware of the impacts of climate change and their contribution towards it and as such can discuss and potentially establish plans with them to mitigate its effects on their own operations and the planet more broadly. This will in turn help us to manage any risks of disruption to our supply chain as we will build relationships with suppliers that are transparent and enable proactive steps to be taken to prepare for and address climate change and its impacts.

The key metrics we use to assess climate-related risks and opportunities in line with our strategy and risk management process also link to our priority SDGs (see below) and the targets around them. If the progress for these targets is off-track in any way, then we will assume there is a greater likelihood and potential impact of certain risks, given any lack of action towards addressing them. This is why we closely monitor and report on our progress against these targets, which in turn helps to keep the focus on addressing climate-related risks and keep members of the organisation aware of them as often as possible.

Our Scope 1, 2 and 3 emissions are as follows:

- **Scope 1: 6,576.50 tCO2e (9.77%)**
- **Scope 2: 5,676.70 tCO2e (8.44%)**
- **Scope 3: 55,034.51 tCO2e (81.79%)**
- **Total: 67,287.71 tCO2e**

APPENDIX

The following pages are all other material opportunities and risks that we identified through the scenario analysis process.

OPPORTUNITIES

Opportunity Type	Opportunity Description and General Impact	Timeframe	Financial Impact	Realisation Strategy
Transitional (Market-based)	**Additional revenue from sustainable products & services** - Ensuring the buying/selling of more sustainable products and enhancing current offerings with regards to sustainability (in ways that are demonstrable and quantifiable, e.g., lower carbon footprint, more positive social/ environmental contribution and measurement of this etc.)	**Medium-term** (1-3 years)	**Marginal (£500K-£999K)** This financial impact assumes the most extreme outcome of this opportunity and represents the case post-realisation strategy.	Carry out research to identify whether 'more sustainable' products would be in demand for customers and also ensure any 'sustainable' products offered have a defined and measurable benefit and difference to products already sold (e.g., lower carbon footprint etc.)
Transitional (Market-based)	**Greater operational efficiency** - Planning adequately for more severe climatic events can help to mitigate disruption and damages, helping to strengthen operational resiliency and subsequently efficiency and brand reputation.	**Long-term** (3-5 years)	**Marginal (£500K-£999K)** This financial impact assumes the most extreme outcome of this opportunity and represents the case post-realisation strategy.	Investigate where operational efficiencies can be made, specifically considering impacts of increasingly frequent and severe climatic events like storms, flooding, heatwaves, droughts etc. Ensure that there are adequate contingency plans in place for as many extreme climatic scenarios as possible, so that operations are less likely to flatter/deviate from normal.
Transitional (Market-based)	**Access to new markets** - Ensuring that the company's offering is demonstrably more sustainable, and promoting this effectively, can entice more environmentally and sustainably conscious people to use/purchase products/services.	**Long-term** (3-5 years)	**Marginal (£500K-£999K)** This financial impact assumes the most extreme outcome of this opportunity and represents the case post-realisation strategy.	Carry out research to identify what Publicans/ MPs/customers/the general public care about in terms of sustainability in relation to pubs and ensure that this is considered and incorporated into the sustainability and general business strategy.

RISKS

Risk Type	Risk Description and General Impact	Timeframe	Financial Impact	Mitigation Strategy
Physical (Acute)	**Uncertain market conditions resulting from extreme weather events and global shocks** - Price of energy, goods and utilities are impacted significantly by extreme climatic events both nationally and internationally, also creating trade and supply chain disruptions.	**Medium-term** (1-3 years)	**Significant (£1M - £1.9M)** This financial impact assumes the most extreme outcome of this risk and represents the case pre-mitigation strategy.	Ensure regular reviews/ risk assessments are conducted to understand how susceptible different areas of the business are to different impacts (e.g., energy price changes, goods price changes etc.). Investigate best case/ worse case scenarios.
Physical (Chronic)	**A need to relocate infrastructure due to poor ground conditions or erosion (e.g., from flooding) and also wildfire risk** - Relocation of offices and assets to increase resilience and lessen exposure to physical climate-related risks, e.g. flooding, leading to additional financial, time and resource costs.	**Long-term** (3-5 years)	**Significant (£1M - £1.9M)** This financial impact assumes the most extreme outcome of this risk and represents the case pre-mitigation strategy.	Assess how susceptible current infrastructure is to these effects and consider whether relocation or movement is reasonable and feasible, or if disposal is required.
Physical (Chronic)	**Decreased productivity due to prolonged heatwaves** - Heatwave periods can bring about reduction in labour productivity in all premises (offices, warehouses, kitchens etc). This can have an impact on the company's operational costs as more premises would need to have climate control systems installed to ensure productivity does not drop and absenteeism is mitigated.	**Medium-term** (1-3 years)	**Marginal (£500K-£999K)** This financial impact assumes the most extreme outcome of this risk and represents the case pre-mitigation strategy.	Ensure premises are well equipped for heat to mitigate as many future issues as possible. Implement technologies as cost efficiently as possible and only where appropriate/required if other cooling techniques are insufficient.
Physical (Chronic)	**Supply chain disruptions due to increasingly extreme weather** - In addition to impacting workers well-being, extended heatwave and flooding periods also bring about a heightened risk of side-effects such as wildfires and energy disruptions, which can affect distribution of supplies and may require industries to take action like cutting back on their power use for a period, adding to supply delays.	**Medium-term** (1-3 years)	**Significant (£1M - £1.9M)** This financial impact assumes the most extreme outcome of this risk and represents the case pre-mitigation strategy.	Ensure different sources of supplies are available to draw on in case of disruption. Potentially hold greater surplus of stock to be able to meet customer needs during prolonged disruptions.
Transitional (Technological)	**Additional cost of implementing energy efficiency measures** - Additional costs associated with assessing pubs' energy efficiency and implementing improvement measures (upgrading boilers, installing cellar cooling, installing air conditioning, on-site renewables, double glazing etc.) moving to low carbon transport; particularly in the near-term when the technology is less widespread.	**Short-term** (0-1 years)	**Significant (£1M - £1.9M)** This financial impact assumes the most extreme outcome of this risk and represents the case pre-mitigation strategy.	Ensure that all energy efficiency measures are being employed before finally reviewing and implementing the most cost-effective energy efficiency technologies needed. Review ROI for measures to ensure cost effectiveness.
Transitional (Technological)	**Increased cost from renewable energy adoption** - Increased costs from renewable energy adoption upfront, with lower operating and fuel expenditure coming in over time.	**Medium-term** (1-3 years)	**Significant (£1M - £1.9M)** This financial impact assumes the most extreme outcome of this risk and represents the case pre-mitigation strategy.	Reduce demand for energy in operations and employ energy efficiency measures to ensure only energy that is needed is being produced. Consider ROI of installing renewable energies now compared to the future.
Transitional (Market)	**Reduced demand for less sustainable goods and services** - As the market shifts towards more environmentally conscious and less impactful alternatives for goods and services, not having these as part of the company's offering could result in a fall in demand for current products and services.	**Long-term** (3-5 years)	**Marginal (£500K-£999K)** This financial impact assumes the most extreme outcome of this risk and represents the case pre-mitigation strategy.	Ensure the company's offering, e.g., products sold, are measurably more sustainable (e.g., lower carbon footprint) than current/previous offerings, and make sure this is made clear to customers and they are aware (e.g., through advertisements or other marketing techniques).
Transitional (Market)	**Increased cost of more sustainable alternatives regarding resources, stock etc.** - Altering current offerings to make products and services more sustainable could incur higher costs as those resources with lower environmental impact (e.g., lower carbon footprint, increased recyclability, less packaging etc) may be at a premium.	**Medium-term** (1-3 years)	**Significant (£1M - £1.9M)** This financial impact assumes the most extreme outcome of this risk and represents the case pre-mitigation strategy.	Research multiple alternatives for 'more sustainable' products. Ensure that any new, 'more sustainable' offerings are cost effective and can be explained (i.e., are measurably more sustainable than other products but are not more expensive, or at least not unreasonably so).
Transitional (Reputational)	**Reduced demand for goods and services due to poor ESG performance** - Less demand for external stakeholders to work with Punch, as well as products and services offered by Punch's places of business, as a result of poor or insufficient performance on environmental issues, targets and commitments (e.g., emissions reductions, waste diversions, energy usage reductions etc.)	**Long-term** (3-5 years)	**Marginal (£500K-£999K)** This financial impact assumes the most extreme outcome of this risk and represents the case pre-mitigation strategy.	Ensure adequate tracking and fulfilment of ESG targets and the strategy in general. Make sure that progress made is shared and highlighted where appropriate as often as possible, both internally and externally, including to investors.
Transitional (Reputational)	**Employee attrition and lack of ability to recruit** - Research conducted by Deloitte in 2023 has demonstrated that more than 40% of Gen Z and Millennials have changed jobs or industries due to concerns regarding climate change. It is therefore likely that poor ESG performance would hinder Punch's ability to retain and attract talent, leading to higher recruitment and salary costs.	**Medium-term** (1-3 years)	**Marginal (£500K-£999K).** This financial impact assumes the most extreme outcome of this risk and represents the case pre-mitigation strategy.	Ensure positive ESG performance is shared and highlighted where appropriate as often as possible, both internally and externally. When hiring, if appropriate, include information on the organisation's commitment to sustainability and its strategy in the job description (specifically where the information of the workplace/company itself is outlined).

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