



# Doing more to be proud of to protect our planet

MARSTON'S PLC  
TASK FORCE ON CLIMATE-RELATED  
FINANCIAL DISCLOSURES REPORT 2022

MARSTON'S 

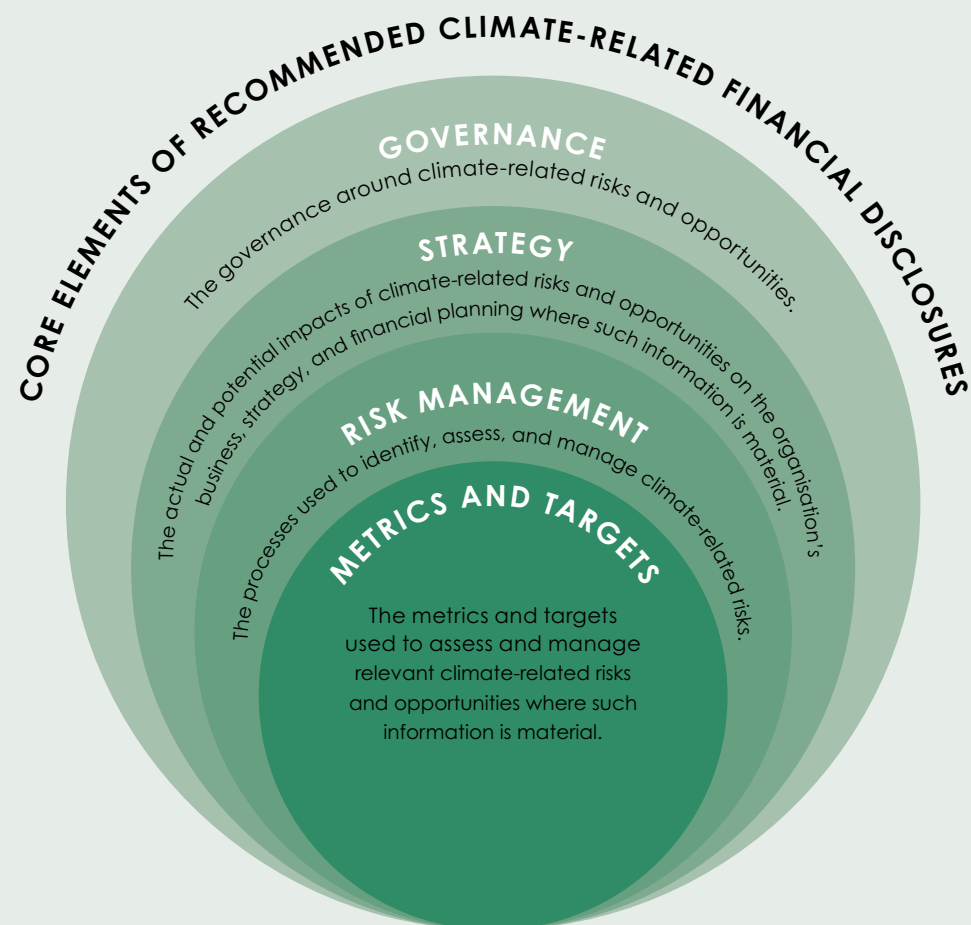




# Pubs to be proud of

Welcome to Marston's first TCFD report which sets out the impacts, risks and opportunities of climate change upon our business. This report considers the financial impacts of climate change and explains the steps our business is taking to protect itself from the impacts, reduce emissions, and lower our own carbon footprint. Included in the report are the metrics and long-term targets for reaching Net Zero.

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## EXECUTIVE SUMMARY

# Doing more to be proud of to protect our planet

Marston's is determined to play its part meeting the challenge posed by climate change. Our Net Zero pathway will align our business to the future low carbon economy. Our first TCFD report assesses the current and future impact upon our business, including the risks and opportunities, the metrics to be tracked, the targets to be achieved, and our present-day management of the transition.

Our TCFD report builds on the disclosures on our emissions in previous years reported in our Annual Reports and on our website: [www.marstonpubs.co.uk/responsibility](http://www.marstonpubs.co.uk/responsibility).

#### Scope 1 & 2 CO<sub>2</sub> emissions

2022	73,715	2021	64,564
Energy consumed by our business (mwhrs)			
2022	364,867	2021	302,031

We are making progress with industry partners to calculate Scope 3 emissions for energy consumed by our supply chain, and making improvements as data becomes available from suppliers. Our emissions over the last three years were impacted by the pub lockdowns and trading restrictions in 2021. The increase in emissions and energy in 2022 predominantly reflects the lifting of those restrictions.

#### TCFD disclosure compliance

The full financial impact of climate change and Net Zero cannot presently be quantified though we hope to provide this in future years as the costs and opportunities become more certain. In the meantime, we have reduced our long-term growth rate by 0.2% as a potential impact.

#### Climate change viability

Risks are not significant enough to impact our viability. Well placed to deal with challenges, seize opportunities and adapt.

## CORE BUSINESS ACTIVITIES IMPACTED



Buildings



Drink supply



Food supply

Logistics  
to our pubs

## KEY RISKS AND OPPORTUNITIES FOR OUR BUSINESS



Extreme weather



Legislation



Flooding

Short term (1 to 5 years) ▶ ▶ ▶ ▶ ▶

Long term (over 10 years) ▶ ▶ ▶ ▶ ▶



Consumer habits



Technology



Water scarcity

## KEY AREAS FOR ACTION ON CLIMATE CHANGE

### Procurement

Miles travelled, energy and resources consumed.

### Waste

Packaging waste, plastics, volume and recycling levels.

### Food wastage

Production, guests, storage and supply chain.

### Energy

Sourcing renewable energy, efficiencies, mix of sources, reduction and emissions.

## OUR NET ZERO TARGET

**Carbon neutral by 2030**  
(Scope 1 & 2 emissions)

**Carbon Net Zero 2040**  
(Scope 1, 2 & 3 emissions)

## IMPACT SUMMARY

- ▶ Two pubs at risk of annual flooding.
- ▶ Flooding damage across the estate over the past 10 years: £3.2m
- ▶ At present, no increasing trend of flood damage costs impacting our pubs over the last 10 years.

## POINTS OF PROGRESS

- ▶ Net Zero: move towards the electrification of the estate.
- ▶ Innovation – installation of 123 rapid EV chargers in our pub estate, assisting our guests to move to low carbon transport.
- ▶ Water conservation – water saved by operating our own water licence.
- ▶ Energy efficiency within our buildings, kitchen and equipment. Review and investment.
- ▶ Promoting staff awareness through our campaigns “Going Green” and “Wise up to Waste”.
- ▶ Guest insight tracking our consumer preferences regarding their choices, price sensitivity versus climate change impact.
- ▶ Technology opportunities – investigation and implementation of new catering equipment and building materials and specifications to reduce emissions.

## ABOUT US

# Our pub estate

Marston's has around 12,000 employees and a diverse estate of c.1,500 pubs and bars which allows us to offer something for every guest, as well as contributing to each of the communities where we operate. We are a focused pub operator with a culture that places guests at the heart of everything we do.

Our vision is 'Pubs to be proud of'. This embodies our DNA of being a focused pub operator, whilst consistently delivering high levels of guest satisfaction and standards through our great pub teams. Our purpose is to bring people together for happy, memorable and meaningful experiences. We provide the perfect setting for every guest, every community and every occasion: whether that's meeting friends, catching up with family, celebrating an anniversary, or simply popping in for a pint or a bite. Our great food, refreshing drinks and welcoming environment keep our guests coming back time and time again.

Our people are friendly, real and empowered, who take pride in ensuring that every single guest receives the warmest of welcomes and is made to feel at home, valued and special.

We have developed a clear guest-focused pub strategy with a roadmap to deliver our core pub goals, our corporate goals and our financial strategy which will ultimately deliver shareholder value.

## HIGHLIGHTS

Pubs and bars

**1,465**

2021: 1,500

Employees

**c. 12,100**

2021: 11,100

GHG emissions intensity\*

**9.21**

2021: 16.07

Food waste tonnes

**c. 3,266**

2019 (base year): 4,247

**1st**

pub company to divert all our waste from landfill

**235,000**

pints of water saved a day, thanks to our water licence

**123**

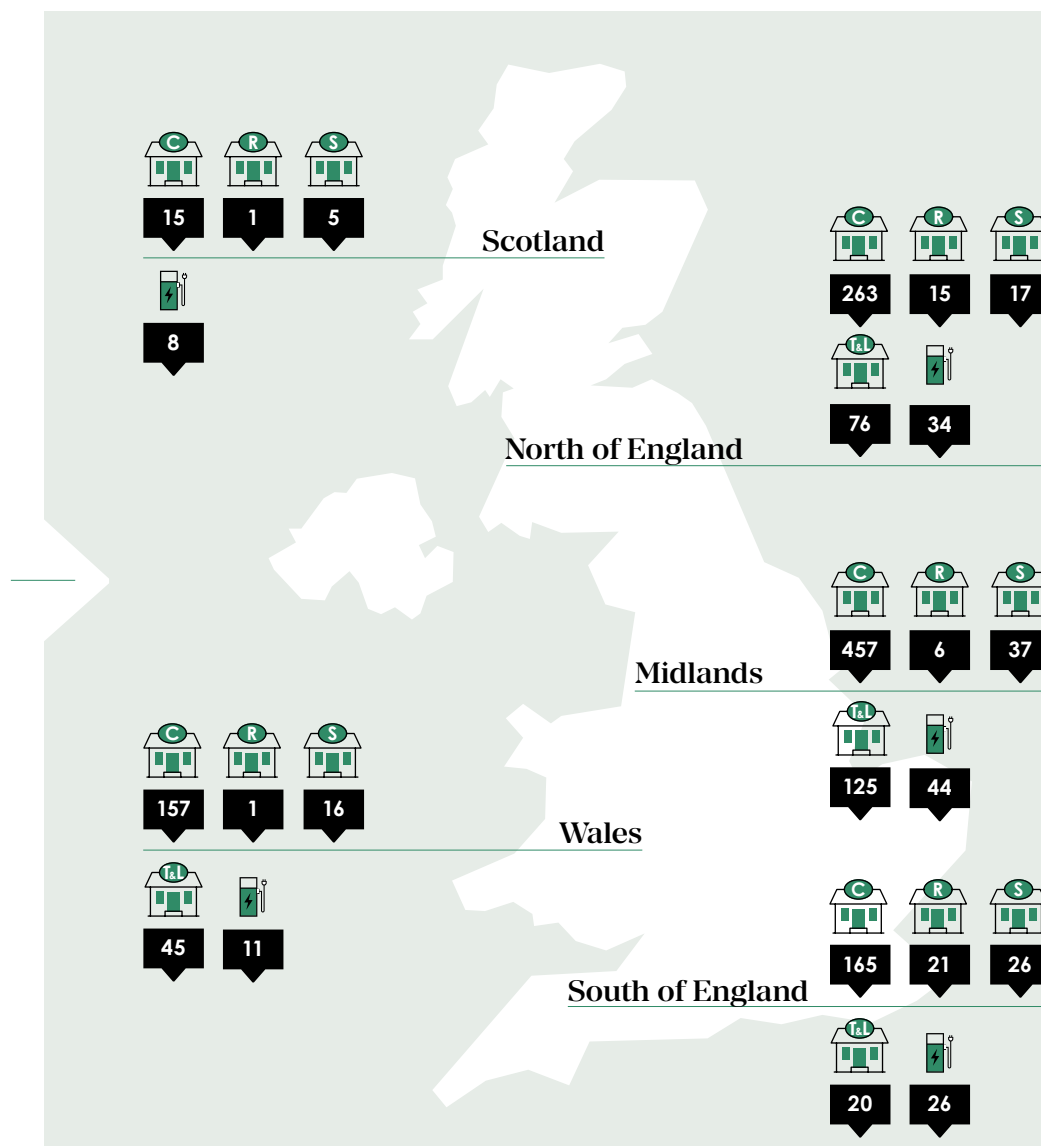
rapid EV chargers in our car parks

**Largest**

private operator of EV chargers in the hospitality sector

We aim to be 'Better than the rest', the best pub locally when comparing social scores, and the best performer in the market. We have a financial target of 'Back to a billion' expressing our drive to grow earnings above £1 billion, and reduce borrowings below £1 billion within the next 4 years.

\* Reduction in GHG emissions relative to turnover (intensity ratio). The greenhouse gas emissions intensity ratio was distorted in 2021 by the trading restrictions during the pandemic.



## STATEMENT FROM OUR CEO

# Our first TCFD report



ANDREW ANDREA  
MARSTON'S CHIEF EXECUTIVE OFFICER

I'm very pleased to say that Marston's has arguably the best track record in tackling environmental issues in the industry. We were the first pub company to divert all our waste from landfill, and we obtained a Water Licence in the first year of the retail water market opening, saving over 235,000 pints of water a day. We have since installed more than 123 rapid EV chargers in our car parks, making us the largest private operator of EV chargers in the hospitality sector.

The challenge posed by climate change has been met by our business with a sense of innovation. In all aspects of our trade, we focus upon raising the bar on our standards of performance. In recent consecutive years our Estates team have won environmental awards, reflecting their goal to raise our performance reducing emissions, reducing waste and increasing recycling.

We know that this matters to our guests. Last year I proudly announced our target to achieve Net Zero by 2040. We are working alongside our peers in the Zero Carbon Forum to make this a reality. Net Zero is now intrinsic to the development of our business. Recent global events which have restricted the supply of fossil fuels, demonstrate just how important a credible, sustainable energy strategy is to a business. I'm confident that the opportunity now exists for us to take advantage of new technologies which will move us away from a dependency upon carbon based fuels to other forms of energy, less harmful, less turbulent, which in the long run should be at a lower price.

For the health of our environment there is everything to achieve here. I'm very glad that Marston's has started its journey towards a greener future. I hope this Annual Report will keep you informed on our progress.



**Last year, I proudly announced our target to achieve Net Zero by 2040. We are working to make this a reality. Net Zero is now intrinsic to the development of our business.**




## Rapid electric vehicle chargers

Transitioning to low carbon technologies can provide opportunities for Marston's, electric vehicles being an example of this. We have now installed rapid electric vehicle chargers to over 123 sites, making it the UK's largest network of rapid EV chargers in hospitality and one of the largest networks of any private business in Europe. We are aiming to install over 400 chargers across 200 sites, supporting the UK's rapidly expanding EV infrastructure requirements. We hope the network will support our customers to make the transition to electric vehicles. Additional revenue is also generated directly from charging and increased footfall from new customers. Currently over 1 million miles have been driven by cars charged at our sites, powered by 100% renewable energy.

## OVERVIEW

# Summary of disclosures

 Recommendations we have made significant progress against, and plan to enhance our disclosure further. These disclosures are not fully compliant with the TCFD requirements.

 Recommendations we have been able to fully disclose against

This report has followed the guidance set out in Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017) [www.fsb-tcfd.org](http://www.fsb-tcfd.org).

At the time of publication, we have made climate-related financial disclosures consistent with the TCFD recommendations in our TCFD report against:

- Governance (all recommended disclosures).
- Risk management (all recommended disclosures).
- Strategy (disclosure (a)).
- Metrics and targets (disclosure (a)).

For strategy disclosure (a), further work is underway to enhance the identification, impact and reporting for climate-related risks and opportunities, and how these risks map over the short, medium, and long-term. We will update our TCFD reporting as these identified climate-related risks and opportunities evolve over time.

For metrics and targets (a), we are making progress with industry partners to calculate Scope 3 emissions within our supply chain and will include this data within our TCFD reporting when it becomes available.

We have not included climate-related financial disclosures consistent with the TCFD recommendations in relation to:







- Strategy (disclosure (b) – financial impact and disclosure (c) – scenario planning).
- Metrics and targets (disclosure (b) – Scope 3 emissions and disclosure (c) targets).

Due to a lack of reliable data or uncertainty, particularly regarding future weather forecasting, we have further work to do to be able to enhance our disclosures with respect to strategy and metrics and targets. That work is underway and as the availability of reliable data increases in future years we hope to further strengthen the level of compliance with the recommendations.

Please find below a summary of the task-force on climate-related disclosures with a key to highlight our progress in achieving them.

Theme	TCFD recommended disclosure	2022	Our disclosure	Pages
Governance	a. Describe the Board's oversight of climate-related risks and opportunities		The Board is responsible for the strategic direction of the Group, including climate-related risks and opportunities.	► PAGE 6
	b. Describe management's role in assessing and managing climate-related risks and opportunities		The Executive Committee is responsible for ensuring that management have the appropriate resources in place in order to implement our business strategy, including those aspects which connect to climate-related risks and opportunities.	► PAGE 7
Risk management	a. Describe the organisation's processes for identifying and assessing climate-related risks		The risk register for climate change is managed by the Director of Corporate Risk. Formal meetings to assess the risks with the risk owners are held and the assessments are re-evaluated as conditions change, to consider whether the risk could have a material financial impact on Marston's.	► PAGE 8
	b. Describe the organisation's processes for managing climate-related risks		Marston's has three strategic priorities, each of which are linked to the effective control of climate-related risks and opportunities.	► PAGE 10
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management		Environmental risks below are assessed in terms of their potential to cause significant impact on our business in either a short, medium or long-term timeframe. We consider how the implementation of identified mitigating factors can support our strategic resilience to climate change.	► PAGES 10–14

## OVERVIEW CONTINUED

Theme	TCFD recommended disclosure	2022	Our disclosure	Pages
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term		Risks registered, including business impact, mitigations and linked opportunities.	► PAGES 10–14
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning		<p>The report shows the links between our three strategic priorities and the actions we take for the sustainable management of procurement, food, waste, general waste, energy usage and investment.</p> <p>The full financial impact of climate change and Net Zero cannot presently be quantified though we hope to provide this in future years as the costs and opportunities become more certain. In the meantime, we have reduced our long-term growth rate by 0.2% as a potential impact.</p>	► PAGES 10–14
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a +2°C or lower scenario		<p>The modelling which is most pertinent to our business is for flooding within the UK. Environmental predictions about climate change within the UK up to global warming of 2°C are speculative and impractical, particularly when applied to a large number of individual properties. As an alternative, we have considered which of our properties are in low, medium or high-risk areas for flooding as defined by the Met Office.</p> <p>From our assessment, we do not consider that we have high climate related viability risk in the short to medium term on our direct operations.</p>	► PAGE 15
Metrics and targets	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process		Marston's employs the services of an energy bureau (ISTA) to identify our monthly energy usage per site and calculate the total Scope 1 & 2 emissions across our estate. ISTA collect electricity and gas meter readings from our sites, working alongside our Energy Manager to estimate readings if none are available and investigate unusual recordings.	► PAGE 17
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks		Marston's provides a full disclosure of Scope 1 & 2 risks. For Scope 3 emissions, we are making progress with industry partners to calculate these emissions, and collect the data as it becomes available from suppliers.	► PAGE 17
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		Our target is our Net Zero plan and our move towards the electrification of the estate. The financial impact of climate change and Net Zero cannot presently be quantified. We hope to provide this in future years as the costs and opportunities become more certain.	► PAGE 18



## GOVERNANCE

# ESG Management

The governance of our environmental impact is structured so that there is a sound understanding of the strategy, risks and objectives at Board level and amongst the Executive Committee. The management of our environmental image reaches across many of the functions within the business. Our cross functional approach to managing ESG is therefore suited to monitor and direct strategy on the environment, such as our target to achieve Net Zero. The use of resources and implementation of processes and tools to reduce our environmental impact is the responsibility of our managers and our teams. The collective responsibility shared by all our employees is fostered by data reporting, target setting and our campaigns to raise awareness such as 'Going Green' and 'Wise Up to Waste'.

## The Board

The Board is responsible for the strategic direction of the Group, including climate-related risks and opportunities. The role of the Board is to ensure the long-term success of Marston's by setting our strategy through which value can be created and preserved, by doing more to be proud of for the benefit of our shareholders, guests, and employees.

The Board is informed annually on our progress against climate-related issues through our Environmental Working Group.

## The Executive Committee

The Board delegates oversight of climate-related risks and opportunities to the Executive Committee. The Executive Committee fully supports the development of ideas and initiatives that allow for both long-term profitability as well as for Marston's to contribute to the global effort to keep temperatures within the levels agreed at COP26.

The Executive Committee is responsible for ensuring that management have the appropriate resources in place in order to implement our business strategy, including those aspects which connect to climate-related risks and opportunities.

The Executive Committee has responsibility for all Environmental, Social and Governance (ESG) matters and receives regular updates from our General Counsel & Company Secretary.

## Leadership Group

The Executive Committee delegates the operation of our business strategy to our senior Leadership Group. They and their Teams are responsible for considering climate-related risks and opportunities in all aspects of business planning and both short-term and long-term decision making.

The Leadership Group, under delegation of the Executive Committee, formed an Environmental Working Group to support Marston's contribution to global targets agreed at COP26, and report to the Board annually on progress on the road to Net Zero, most recently in March 2022.

The Risk and Compliance Committee is chaired by the General Counsel & Company Secretary, who meet quarterly to consider the assessment and control of risks, particularly areas of emerging risk. The Committee also conducts a deeper dive into specific risks, which have included in recent years environmental risks.

## OUR GOVERNANCE FRAMEWORK

### THE BOARD

The Board sets the Group's strategic direction in relation to our climate approach

### EXECUTIVE COMMITTEE

The Executive Committee facilitates the execution of climate-related activity.

(Membership includes the General Counsel & Company Secretary)

### THE RISK & COMPLIANCE COMMITTEE

Oversees assessment and control of risks, including climate related risks.

### LEADERSHIP GROUP

Promotes the Board's sustainability objectives and manages the Group's climate-related risks and opportunities, enabling our company to grow as a sustainable business.



## GOVERNANCE CONTINUED

## ESG responsibility

## ESG Management

This year, we have re-aligned responsibility for ESG in order to define more clearly our focus upon the three main strands of ESG. We operate our ESG agenda under our initiative '**Doing more to be proud of**'.

Oversight of ESG is maintained by our General Counsel & Company Secretary who is also a member of the Executive Committee and regularly reports on progress.

## Oversight of ESG is maintained by our General Counsel &amp; Company Secretary



BETHAN RAYBOULD  
GENERAL COUNSEL & COMPANY SECRETARY



## ENVIRONMENT

Headed by our Director of Property and operated by our Energy Manager. This includes continual development and operation of our plan for Net Zero, and all other aspects of environmental initiatives including waste reduction, recycling, water conservation.



## SOCIAL

Headed by our Director of Talent Acquisition and Employer Brand. The social impact of our business includes the impact we have within the communities which pubs are at the heart of. It also incorporates the wide range of well-being concerns, such as health, food, employment, fairness and equality.



## GOVERNANCE

Headed by our Director of Corporate Risk, this aspect includes our external reporting on ESG matters, ESG ratings, supply chain monitoring, compliance and risk management.

## Environmental Working Group

Our Environmental Working Group was formed this year to assist with the development and delivery of carbon reduction projects. The Group is chaired by our Energy Manager and includes team members from areas of the business most involved with Net Zero and wider environmental matters, such as estate maintenance, procurement, finance, pub operations, food development and risk. The Group meets quarterly and reports progress to the ESG working group and the Executive Committee.

Marston's Net Zero target is:

- ▶ **Carbon neutrality by 2030 (Scope 1 & 2 emissions).**
- ▶ **Net Zero by 2040 (Scope 3).**
- ▶ **The use of carbon offsets to cover remaining emissions, which cannot be mitigated using other actions.**

The Environmental Working Group reviews and identifies the optimal timing for the investment in new technologies, and our progression away from the supply of gas and electricity from non-renewable sources. The results of these reviews are reported to the Executive Committee to allow climate-related issues to be considered when approving annual budgets, major investments, divestments and strategic plans and programmes.

Our Net Zero strategy has been developed in alignment with the Zero Carbon Forum, a hospitality sector body which shares expertise for the mutual purpose of achieving Net Zero. The forum aims to support the sector to decarbonise at pace and is aiming to push the sector to reach Net Zero by 2040.

## RISK MANAGEMENT

# Ensuring effective risk mitigation

**Climate-related risks are considered as part of the wider corporate risk assessment. Identified risks are documented in our corporate risk register, together with the controls in place to mitigate them. The assessments change over time and require constant evaluation. Our managers monitor how they are changing and identify the appropriate steps to control them. Climate change has many associated risks and opportunities for our business, the main ones are highlighted on pages 10–14.**

Identified risks are assessed across key drivers, including liquidity, health and safety, supply chain, and recruitment and retention, in order to identify if there is a potential material impact on the business. Likelihood is assessed using standardised criteria to provide consistency in the evaluation of both the potential impact and the likelihood of risks, including those risks related to climate.

Under delegation from the Executive Committee, the Director of Corporate Risk has responsibility to oversee the corporate risk register which is designed to identify and manage risks that are material to Marston's and monitor the application of controls to mitigate the risks. These risks include climate-related risks. Formal meetings to assess the risks with the risk owners are held twice a year, and more regularly, the assessments are re-evaluated as conditions change. These assessments consider whether an identified risk could have a material financial impact on Marston's. Climate-related risks have been added to the corporate risk register.

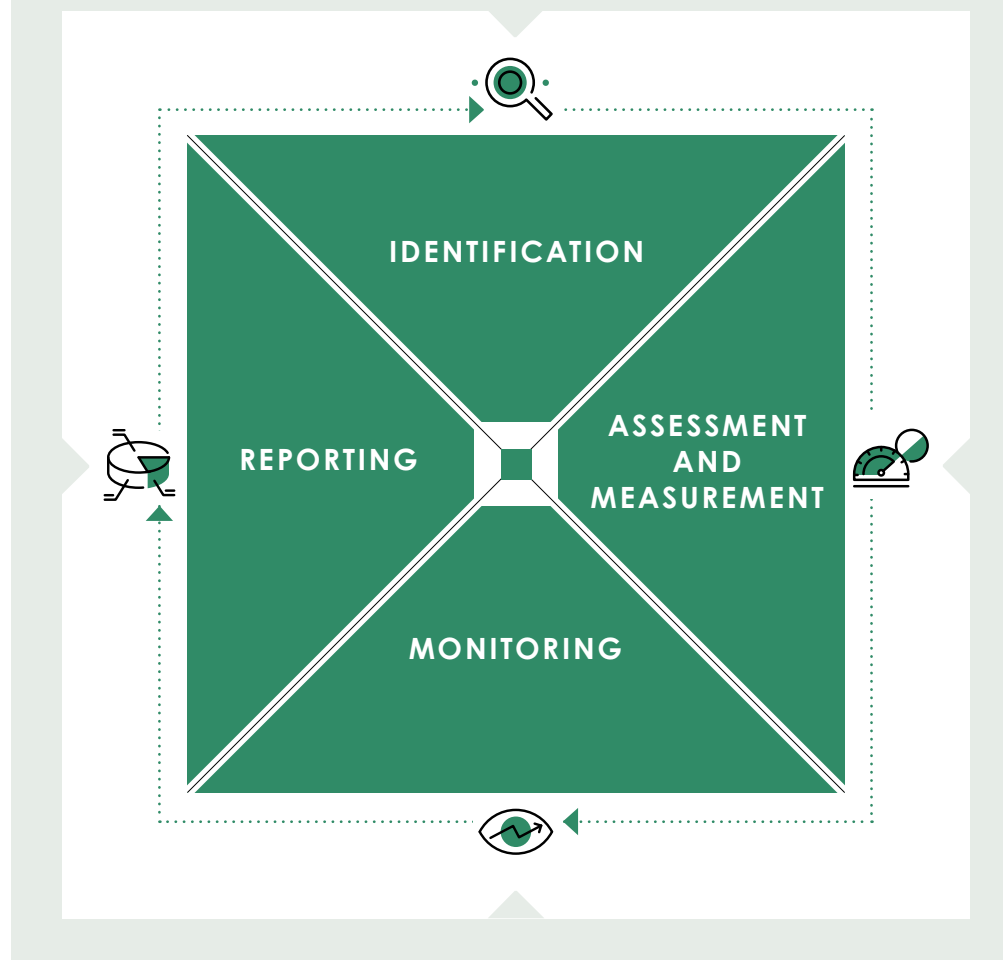
The Risk & Compliance Committee are kept informed quarterly on the movement of the top risks, including a deeper dive into particular risks.

This year the Risk & Compliance Committee conducted a deeper dive into environmental and climate-related risks and the plan for Net Zero as part of their focussed examination of areas where risks are significantly changing. The Risk & Compliance Committee also track the emergence of new legislation and regulatory requirements, including those related to climate issues, and monitor the Group's preparation for compliance.

The Executive Committee is informed on the movement of risk by the General Counsel & Company Secretary who attends both Committee meetings. The main risks are then reported to the Audit Committee at each meeting, and to the Board. Through this annual process, the Board is able to review and manage our key risks, including those related to climate-change.

The risks and controls documented in the Corporate Risk Register help to inform the business on the levels of assurance gathered regarding effective risk mitigation. Our internal audit work focuses upon increasing the level of assurance where required. This includes auditing environmental risk. In the last two years our audit team has tested waste management and statutory energy reporting.

## RISK MANAGEMENT PROCESS



## STRATEGY

# Our strategy to climate change

Marston's has a clear guest-focussed strategy in order to operate 'Pubs to be proud of' which includes the following goals:

▶ **Loved by guests:** all our pubs with a Reputation score 800 or more ([www.reputation.com](http://www.reputation.com)).

▶ **Trusted:** all our pubs to be 5\* EHO.

▶ **Great place to work:** to achieve a Peakon score of 8 or more.

▶ **Sales culture:** 'Never full, fancy another'.

Our corporate goal is to be **'Better than the rest'** outperforming the market in food and wet sales whilst at the same time being a sustainable and responsible business. To achieve and maintain such goals, Marston's recognises that managing risks is essential. This includes climate-related risks.

Marston's has three strategic priorities, all of which consider climate-related risks and opportunities:



## WE ARE GUEST OBSESSED

Marston's aims to deliver what our guests want, which includes sustainable business choices on their behalf.

### Procurement

Marston's considers the environmental record of all major new suppliers. This includes considering the number of miles from "farm-to-fork" and ethical information collected from our suppliers through our Food Information System – Smart Supplier – and from SEDEX, an online platform to share information about ethical performance. Contingency plans are in place to manage supply chain disruptions should they arise from climate-related or other factors.

### Food wastage

Food wastage is responsible for 10% of all global emissions and we have committed to reducing our waste by 50% by 2030, compared to 2019. We have already achieved a 20% reduction through reducing menu options. Food waste is weighed when it is collected by our waste supplier and all food waste is reused to generate energy.



## WE RAISE THE BAR

Marston's seeks operational excellence in all aspects of our business and the key to this is the investment that we make into training our people.

### Waste

For the last five years, we have run a campaign with our pub teams to segregate waste so that it can be more efficiently recycled. Teams were financially rewarded to increase the proportion recycled.

### Energy Usage

We have launched a new energy and carbon employee engagement campaign called 'Going Green'. Weekly energy reporting and training and guidance is given to reduce energy and carbon emissions. We continue to invest in our properties to reduce carbon emissions and energy consumption, including building management systems, induction catering equipment and LED lighting.



## WE WILL GROW

Growing our business requires a sustainable platform to perform competitively in the long term. Legislative pressure and economic penalties for companies who are slow to evolve into a Net Zero business are at risk of not adapting.

### Sustainability and Investment

Our strategy for growing the business includes reducing our reliance on fossil fuels, as well as investing in assets that take advantage of renewable energy. This includes electrification of catering equipment and installation of lower carbon heating systems.



## Going Green – energy saving employee engagement

In May 2022 we launched 'Going Green' our new energy saving employee engagement campaign, which aims to reduce energy, costs and associated emissions. Growing awareness of climate change presents opportunities to making further energy reductions, as our staff are more engaged to reduce environmental impacts. Both operations and pub teams receive energy reporting showing where energy reductions can be made, and we provide information and guidance to further save energy.



## STRATEGY CONTINUED

# Climate-related risks and opportunities

The potential financial implications of climate-related risks and opportunities are considered below. We do not consider that it is possible to quantify the financial impact of all of these risks and opportunities at this point in time; however, such quantification will be considered on an ongoing basis as the risks or opportunities become more clear, and our TCFD reporting develops.

## Risk assessment

The risks below are assessed in terms of their potential to cause **significant impact** on our business in either a **short**, **medium** or **long-term** timeframe, where the frequency and severity of the identified risks could be impacted by climate change. We define material climate-

related risks and opportunities as those that are sufficiently important to our investors and other stakeholders that they should be reported publicly. We will continually reassess our evaluation of climate-related risks and opportunities disclosed in our TCFD report and Annual report as views of our stakeholders evolve over time.

We will, wherever possible, remove those risks completely that pose a threat to achieving our strategic objectives. If avoidance is impossible, we will seek to mitigate the risk. We consider that our approach to managing these risks through our strategy to climate change and implementation of identified mitigating factors, supports our strategic resilience to climate-related risks.

## PHYSICAL RISKS AND OPPORTUNITIES

### FLOODING

Risk	Impact on Marston's	Mitigations	Timeframe
<p>An increase in rainfall, or the intensity of rainfall could lead to an increase in the rate of flooding, and the severity of flooding.</p> <p>🔍 A DEEP DIVE INTO THE FLOODING RISK FOR MARSTON'S IS DETAILED ON PAGE 15</p>	<ul style="list-style-type: none"> <li>Properties in the estate susceptible to medium level of flood risk (see Flooding risk deep dive).</li> <li>Temporary loss of trade for a flooded site.</li> <li>Costs of repair not covered by insurance.</li> <li>Increase in insurance premiums.</li> <li>Reduced disposal proceeds for sites negatively impacted by flood risk devaluation.</li> </ul>	<ul style="list-style-type: none"> <li>Higher level of flood defence in our high-risk pubs.</li> <li>All properties are insured for damage caused by flooding and storms above a £1m deductible, with an aggregate claims limit of £3m above which the insurer would compensate all aggregated loss. Marston's owns and operates a captive insurance company registered in Guernsey which insures £750,000 of the £1m deductible per claim.</li> <li>Cellar pumps have been deployed in our high-risk pubs, such as Pitcher and Piano in York, to allow continued trading when local water levels are rising.</li> <li>Investment in riverbanks and river walls by the Environment Agency has increased the protection of our riverside pubs, such as The Swan Hotel in Upton upon Severn.</li> <li>Disposal of higher risk properties in order to reduce medium to long-term risk.</li> </ul>	

### 🔍 Linked opportunity: New technology.

We are assisting Previsico with a pilot of their flood early warning system, to provide alerts of surface water and ordinary watercourses. Surface water flooding might otherwise go unnoticed and an early alert provides additional time to react to protect the property.

The timeframe used equates to: Short: 1–5 years Medium: 5 to 10 years Long: Over 10 years Short, medium and long term

## STRATEGY CONTINUED

## Climate-related risks and opportunities

## PHYSICAL RISKS AND OPPORTUNITIES CONTINUED

## WATER SCARCITY

Risk	Impact on Marston's	Mitigations	Timeframe
Periods of drought could lead to water scarcity and event driven or extreme weather may cause challenges and disruption in our supply chain. All our sites use water distributed by water wholesalers through their regional networks. Marston's sites have little or no water storage on site so are reliant on main water supply to operate.	<ul style="list-style-type: none"> <li>Localised droughts affecting water supply to our pubs.</li> <li>Increased cost of water supply.</li> <li>Supply chain disruptions could lead to increased costs and a reduction in margins.</li> </ul>	<ul style="list-style-type: none"> <li>Preventing climate change through carbon reduction and offsetting.</li> <li>Reducing water consumption through team engagement, leak detection and installation of lower water consumption processes and equipment.</li> <li>Operation of our water self-supply licence, 'Marston's Water', providing water retail services; this model gives greater control of billing and data, enabling a proactive approach to managing and conserving water.</li> <li>We are working on data sets that will help us identify properties at a higher risk of water scarcity.</li> </ul>	> > ▶

## EXTREME AND CHANGING WEATHER PATTERNS

Risk	Impact on Marston's	Mitigations	Timeframe
Extreme weather may cause challenges and disruption in our supply chain. Changing weather patterns, for example longer, sustained periods of hotter or wetter weather may change consumer habits.	<ul style="list-style-type: none"> <li>Supply chain disruptions could lead to increased costs and a reduction in margins.</li> <li>Dry and warm weather has a positive impact on revenue and profitability across our pub estate, with a larger impact on pubs with dedicated beer gardens and outdoor spaces, and in the period from Easter through to Autumn. The converse is true for periods of wet weather.</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain disruptions can be mitigated through seeking new suppliers and/or putting contingency plans in place.</li> <li>Marston's portfolio of pubs is diverse, which positions the business well for periods of both wet and warm weather.</li> </ul>	▶ ▶ ▶

🔗 **Linked opportunity: Development of outside areas to take advantage of warmer weather.**

Commercial advantage in having a relatively high proportion of the pub estate with gardens.

The timeframe used equates to: ▶ > > Short: 1–5 years > ▶ > Medium: 5 to 10 years > > ▶ Long: Over 10 years ▶ ▶ ▶ Short, medium and long term

## STRATEGY CONTINUED

## Climate-related risks and opportunities

## TRANSITION RISKS AND OPPORTUNITIES

## PENSION SCHEME: VALUE OF INVESTMENTS

Risk	Impact on Marston's	Mitigations	Timeframe
Long-term sustainability issues, including climate-related risks and opportunities, require consideration to maintain the valuation of pension scheme investments.	<ul style="list-style-type: none"> <li>The absence of good stewardship around sustainability matters could have a material impact on the investment risk and return outcomes of the pension scheme investments.</li> </ul>	<ul style="list-style-type: none"> <li>Investment Managers have full discretion when evaluating ESG issues, including climate change considerations. The Trustees use ESG ratings provided by the Scheme's investment consultant when appointing and monitoring investment managers.</li> </ul>	> > ▶

## LEGISLATION AND POLICY

Risk	Impact on Marston's	Mitigations	Timeframe
<p>Increased risk of non-compliance from accelerated, or new, legislation to support the global climate change agenda.</p> <p>A current example of such legislation is the UK Government's Bill for amending the criteria for Energy Performance Ratings with the proposal requiring all rented non-domestic buildings to be an EPC Band B by 2030.</p>	<ul style="list-style-type: none"> <li>Increased costs to adapt and comply with new regulations, for instance any requirement to bring properties in line with EPC Band B criteria.</li> <li>Increased risk of fines from non-compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Marston's is currently compliant with the existing EPC legislation and will evaluate any additional expenditure required across the estate to bring all properties to B if the proposed legislation is passed.</li> <li>Decisions would need to be made as to the viability of specific properties; disposal of properties where cost of compliance is prohibitive and would likely be impacted by devaluation.</li> <li>Marston's Net Zero strategy may help to anticipate some climate change related regulation and puts us in a good position to be able to adjust and comply in a considered, well-planned manner.</li> </ul>	▶ ▶ ▶

The timeframe used equates to: ▶ ▶ > Short: 1–5 years > ▶ > Medium: 5 to 10 years > > ▶ Long: Over 10 years ▶ ▶ ▶ Short, medium and long term



## STRATEGY CONTINUED

## Climate-related risks and opportunities

## TRANSITION RISKS AND OPPORTUNITIES CONTINUED

## CONSUMER HABITS

Risk	Impact on Marston's	Mitigations	Timeframe
Change in consumer habits from guest sentiment – prioritisation of sustainable choices.	<ul style="list-style-type: none"> <li>Where consumer preference and demand shift towards more sustainable choices, we would see more demand for food and drink options perceived as responsible or environmentally friendly. This may include guests seeking pubs with local meat and produce suppliers ("farm to fork"), wines that haven't been transported across the globe and vegan/vegetarian options.</li> <li>Guest sentiment to climate change could move demand to pubs which are supportive of investing in new technology to reduce emissions.</li> <li>Adapting to any changing consumer habits is an opportunity for growth. Failure to adapt could see a reduction in market share.</li> </ul>	<ul style="list-style-type: none"> <li>Marston's utilises guest insight data to track changes, monitor consumer habits and assess opportunities and risks from changing habits.</li> <li>Marston's ESG strategy and progress made to date, such as reduction in waste and a rapid EV charging network, put us in a strong position.</li> </ul>	▶▶▶

● **Linked opportunity:** Marston's has the largest rapid EV charging network in the industry.

● **Linked opportunity:** New technology.

● **Linked opportunity:** Increase market share by attracting guests who share a concern for the environment, and who feel Marston's is contributing actively to meeting the climate change challenge.

● **Linked opportunity:** Increased sourcing of local food, capturing guests' interest in the distance from "farm to fork" and supporting local producers with a lower carbon footprint.

● **Linked opportunity:** Increased energy efficiency and reduced usage.

The timeframe used equates to: ▶▶▶ Short: 1–5 years ▶▶ Medium: 5 to 10 years ▶▶▶ Long: Over 10 years ▶▶▶▶ Short, medium and long term

## STRATEGY CONTINUED

## Climate-related risks and opportunities

## TRANSITION RISKS AND OPPORTUNITIES CONTINUED

## TECHNOLOGY

Risk	Impact on Marston's	Mitigations	Timeframe
As UK and global businesses invest in sustainable technology and production, input costs to our business, including energy and food procurement, could increase.	<ul style="list-style-type: none"> <li>Global and national action to reduce emissions will likely increase costs of raw materials, production and distribution, increasing costs throughout supply chains.</li> <li>Cost of energy will be impacted by the changes required to move away from fossil fuels and towards sustainable energy sources.</li> <li>As the Group proceeds on its path to Net Zero, operating costs could increase in the short term, but making these adjustments sooner will mean the Group is in a competitive position for the future and should reduce its long-term costs.</li> </ul>	<ul style="list-style-type: none"> <li>Transitioning the business to increased levels of renewable energy, including possible power purchase agreements with renewable generators to increase hedging periods.</li> <li>Catering equipment is sourced to increase efficiencies including fryers that filter oil to increase oil life and high efficiency chargrills.</li> <li>Future catering and heating systems to include electric and low carbon technology. This will include upgrades to electric supplies to facilitate the transition to electric and low carbon.</li> <li>Cabinet refrigerators are high efficiency hydrocarbon units.</li> <li>LED lighting is installed in all internal areas.</li> <li>Adopting new technologies comes with additional costs in the short term, however it may lead to cost savings in the longer term as well as bringing environmental and sustainability benefits, making us more appealing to customers, investors and financial institutions.</li> </ul>	▶▶▶

● **Linked opportunity:** Installation and operation of Build Management Systems to monitor and automate heading levels in pubs to reduce energy usage and save costs.

● **Linked opportunity:** Automation of when lights in our pubs come on and off to reduce energy usage.

The timeframe used equates to: ▶▶▶ Short: 1–5 years ▶▶ Medium: 5 to 10 years ▶▶▶ Long: Over 10 years ▶▶▶ Short, medium and long term

## STRATEGY CONTINUED

## Climate-related risks and opportunities

## Risk scenario modelling

**This report defines the current risks and potential impacts from climate change within the short to long term. However, we recognise that modelling of defined climate scenarios would improve reporting. The modelling which is most pertinent to our business is the modelling of flooding within the UK.**



**Active management of our property estate keeps the risk of flooding within an acceptable tolerance level.**

DIRECTOR OF CORPORATE RISK

Environmental predictions about climate change within the UK up to global warming of two degrees are speculative, particularly when applied to individual properties. Trying to scenario plan what might happen to each of our individual pubs is not economically practical. At best it could only be done on a small sample of pubs and the results extrapolated across the estate. However, such a method doesn't justify itself given the speculative nature of the data.

As an alternative we have considered which of our properties are in low, medium or high-risk areas for flooding as defined by the Met Office. It's reasonable to assume that more properties will move to the higher risk end of this spectrum if the global temperature continues to rise. However, what the exponential increase in damage to our own pubs would be is unknown. Currently on average over the last 10 years significant flood damage (greater than £10k per site) only occurs on average two to three times a year. At present, flooding in our estate is not following any discernible trend which could support any empirical calculation of what the level of damage might be in the future. See below, Flooding risk deep dive.

We are also in the process of assessing climate related water scarcity risk down to a site level. This will allow us to identify and classify the risk of properties being affected by water scarcity dependant on defined climate scenarios.

## Flooding risk deep dive

Over the past 10 years there has been no discernible trend of increased flooding at our properties:

Financial year	Number of floods	Largest loss (pub damage) £'000	Total loss (pub damage) £'000
2022	1	73	73
2021	3	773	866
2020	6	103	311
2019	1	133	133
2018	–	–	–
2017	1	37	37
2016	5	197	533
2015	–	–	–
2014	1	32	32
2013	6	939	1,024
2012	4	176	259
<b>Total</b>	<b>28</b>		<b>3,269</b>

The number of floods we have experienced over the last 10 years does not indicate that the frequency of flooding has increased, however, 10 years of data may not be long enough to capture the broader trend of flooding.

Nationally more severe floods have been reported in the last 20 years, and Marston's pubs have been caught in some wide-area floods reported. These have included:

Financial year	Number of pubs flooded	Town	Loss (£'000)
2016	4	Cockermouth, Cumbria	504
2013	1	St Asaph, Denbighshire	939



## STRATEGY CONTINUED

## Climate-related risks and opportunities

We have assessed our surface water and river & sea flood risks according to the Environmental Agency data available on Gov.uk. Surface water flooding, sometimes known as flash flooding happens when heavy rain cannot drain away. It is difficult to predict as it depends on rainfall volume and location (it can happen up hills and away from rivers and other bodies of water) and is more widespread in areas with harder surfaces like concrete. River & sea risk considers flood defences.

The assessed risks are not property specific – instead the data is designed to give an indication of risks in geographical areas. The risks are defined as:

- ▶ **Very low risk** means that each year this area has a chance of flooding of less than 0.1%.
- ▶ **Low risk** means that each year this area has a chance of flooding of between 0.1% and 1%.
- ▶ **Medium risk** means that each year this area has a chance of flooding of between 1% and 3.3%.
- ▶ **High risk** means that each year this area has a chance of flooding of greater than 3.3%.
- ▶ **Acute risk** means site is at risk of annual flooding.

## Flood risk – number of sites per risk rating

	Surface water risk (pubs)	River & sea risk (pubs)
Acute risk <sup>1</sup>	2	0
High risk <sup>2</sup>	247	33
Medium risk <sup>2</sup>	230	63
Low risk <sup>2</sup>	380	83
Very low risk <sup>2</sup>	595	1,276

1. As assessed internally
2. According to the Environmental Agency data set

The table above includes all sites where there is available data.

The Group has moved to annual external valuations of its property portfolio. Pubs are now valued on a rotational basis, with approximately one third inspected each year. The first external valuation on this basis was undertaken in July 2022, the results of which are reflected in the 2022 full year accounts.

The valuations will consider all factors that could impact valuation and cause financial impairments, impacting the income statement and balance sheet. These will include risks of flooding, increased costs of compliance (e.g. EPC certificates) and any other environmental related factors that may arise.

## Climate-related Viability Statement

The full financial impact of climate change and Net Zero cannot presently be quantified though we hope to provide this in future years as the costs and opportunities become more certain. In the meantime, we have reduced our long-term growth rate by 0.2% as a potential impact.

As a UK pub operator, we do not consider that we have high climate related risk in the short to medium term on our direct operations. Whilst we do have risks and opportunities, as outlined in this report, the risks are not material enough to impact our viability. Furthermore, with the actions we have already taken and continue to take in moving our ESG and Net Zero agenda forward, we consider that we are well placed to deal with any challenges as they arise, seize new opportunities and adapt as appropriate.



## METRICS AND TARGETS

# Our progress to reduce emissions

We work with a third-party energy bureau (ISTA) to identify our energy usage per site each month, in order to calculate the total Scope 1 & 2 emissions across our estate. ISTA collect electricity and gas meter readings from our sites, work alongside our Energy Manager to estimate readings where none are available and investigate unusual recordings.

We are making progress with industry partners to calculate the Scope 3 emissions for energy consumed by our supply chain, and making improvements as data becomes available from suppliers.

Our emissions have been assessed in accordance with the 'GHG Protocol Corporate Accounting and Reporting Standard' and in line with Defra's 'Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting Requirements'.



## EMISSIONS DATA

Currently we do not report the Scope 3 emissions by our supply chain. We are working with the Zero Carbon Forum and our suppliers to calculate this data in future years.

2022	GHG emissions by source (CO <sub>2</sub> tonnes)	2021
66,672	Electricity and gas	57,484
17	Petrol and diesel	66
5,061	Refrigerants – pubs	5,012
1,780	Liquefied petroleum gas (LPG)	1,700
185	Oil	302
73,715	<b>Total</b>	64,564
9.21	<b>Greenhouse Gas Emissions Intensity Ratio</b> CO <sub>2</sub> e tonnes per £100,000 turnover	16.07
364,867	<b>Energy usage</b> (Scope 1 & 2), mwhrs	302,031

## METRICS AND TARGETS CONTINUED

## Our progress to reduce emissions



## Notes to emissions data:

1. We report on all the measured emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.
2. Data collected is in respect of the year ended 30 June 2022, in accordance with the Streamlined Energy and Carbon Reporting regulation.
3. Total gas consumption compared to last year increased by 23%. Electricity consumption increased by 20%. To reduce the energy consumed we focus each year on various initiatives. Our catering equipment is sourced to increase efficiencies including fryers that filter oil to increase oil life, and high-efficiency chargrills. All of Marston's cabinet refrigerators purchased are high-efficiency hydrocarbon units. We install LED lighting in all the internal areas, and use in our back of house areas integrated movement sensors, reducing the operational hours of lighting. We also fit voltage optimisation in all of our new-builds and retro-fitted them into other sites across estate. We have also this year increased the proportion of electricity from renewable sources which now accounts for 10% of the energy consumed.
4. The Greenhouse gas emissions intensity ratio was distorted in 2021 by the trading restrictions during the pandemic. While we took steps to reduce energy usage in our pubs when impacted by trading restrictions, we still had to maintain refrigeration, heating and lighting in order to trade, particularly in those pubs where the manager lives on site.

Scope 1 & 2 emissions (CO<sub>2</sub>e tonnes)

2022

2021



## TARGETS

Our targets for reducing emissions are the same as our plan to achieve Net Zero:

## Carbon neutrality by

2030

(Scope 1 &amp; 2 emissions)

## Net Zero by

2040

(Scope 3)

The use of carbon offsets to cover remaining emissions, which cannot be mitigated using other actions.

Progress against our roadmap to Net Zero has been reported for the first time within our 2022 Annual Report and Accounts within Key Performance Indicators.



## APPENDICES

### 1. Climate-related opportunities

Mitigation and adaption to climate change presents opportunities including lowering operating costs, reducing reputational risks and future proofing the business against future legislation changes. We are taking an active approach to identify approve and implement carbon reduction projects, which are scoped in our Net Zero strategy.

### 2. Team Culture Engagement Programme

In 2022 we launched our new energy and carbon reduction team culture engagement campaign called 'Going Green'. This initiative focuses on assisting site team to reduce emissions through good energy conservation practice. This has been rolled across all properties which Marston's has a responsibility for energy. Energy reporting is sent to both sites and operations teams to help identify energy and carbon reductions that can be made.

### 3. Waste and resource management

We are consistently above a 70% recycling rate and have reached as high a rate as 80%. We work with waste providers to ensure we operate a zero waste to landfill business and all non-recyclables that are able to go to Energy recovery.

Annually we audit 100's of our sites to ensure they are utilising their recycling streams correctly and identify more opportunities to increase recycling streams and prevent recycling going into general waste. The audits also enable us to optimise the number of journeys our waste contractors are carrying out reducing carbon associated with these collections.

Food production is carbon intensive and food waste compounds the issue. We are working on initiatives to reduce food waste. Our food development team have removed items from the menu that had high wastage. We are trialling "Too Good to Go" which will save excess food from going into the bins. Food waste is taken to anaerobic digestions, where it is used to produce biogas and fertiliser.

### 4. Capital investment projects

During 2022 an estate review was completed to identify the position of the estate regarding efficiency and future investment in low carbon technology. This includes:

- ▶ Analysis of supplier and EPC data.
- ▶ Electric capacity review.
- ▶ Current building technology and low carbon installations completed.
- ▶ Review of application of on-site renewable generation.

Following taking over the operation of the S A Brains Estate low carbon technologies are in the process of being rolled out to bring these properties in line with the rest of the Marston's estate, including LED lighting and water management systems.

### 5. CAPEX planning/plant and equipment useful lives/estate portfolio management

When new equipment is purchased, including catering and refrigeration, life cost analysis is completed. This considers the useful life of the equipment, energy costs, purchase costs, servicing requirements and other operational costs of the equipment.

Whilst this methodology considers life of equipment and energy costs, it is recognised that this methodology does not consider the full carbon cycle of the equipment which would be a step forward in procurement processes.

New equipment and technologies are trialled ahead of any installation to validate the operational efficiency, costs and effectiveness. Trials are either completed in our training facility or directly in the field to gather adequate data. Once technologies are proven, and approved by the Energy Manager and Director of Property, who report into the Executive Committee, they may be rolled out.

Once new equipment has been specified old equipment that fails or is beyond repair is replaced with the latest specification equipment. This enables improvement in energy efficiency and carbon reductions to be made through lifecycle replacement and reduces the carbon impacts through manufacturing.

CAPEX works present an opportunity to complete site works to lower carbon emissions and operating costs. The standard measures included in refurbishment works are:

- ▶ LED Lighting.
- ▶ Insulation and draft proofing.
- ▶ Heating and hot water controls.
- ▶ Cellar fresh air cooling and management systems.

Dependant on the project and circumstances of the site other low carbon equipment may also be deployed.

### 6. Net Zero timeline/decarbonisation pathway

**2010** – appointment of a third-party energy bureau to monitor and investigate site energy usage.

**2011** – Marston's starts publicly reporting carbon emissions.

**2012** – Marston's joins the Carbon Hospitality Forum.

**2013** – Carbon reduction projects initiated (LED lighting fitted front of house/cellar cooling/energy maintenance systems/build spec of new pubs –air conditioning removed/ team awareness campaign).

**2015** – Marston's completes its first Energy Savings Opportunity Scheme (ESOS) report identifying energy savings opportunities to work on for the next five years.

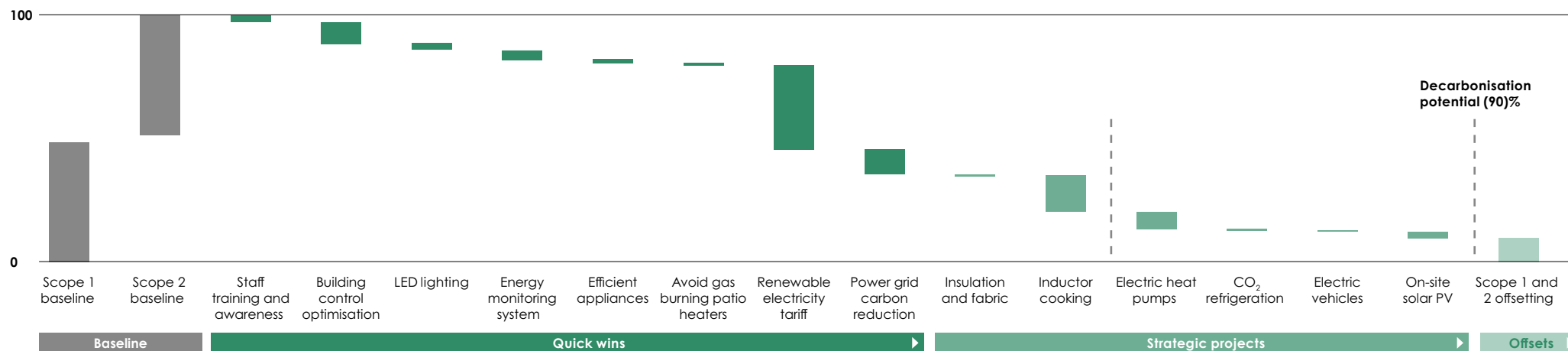
**2019** – second ESOS report identifying further energy saving projects to be worked upon.

**2020** – Carbon Hospitality Forum becomes the Zero Carbon Forum. Marston's collaborates with the Forum on a plan for Net Zero for the hospitality industry.

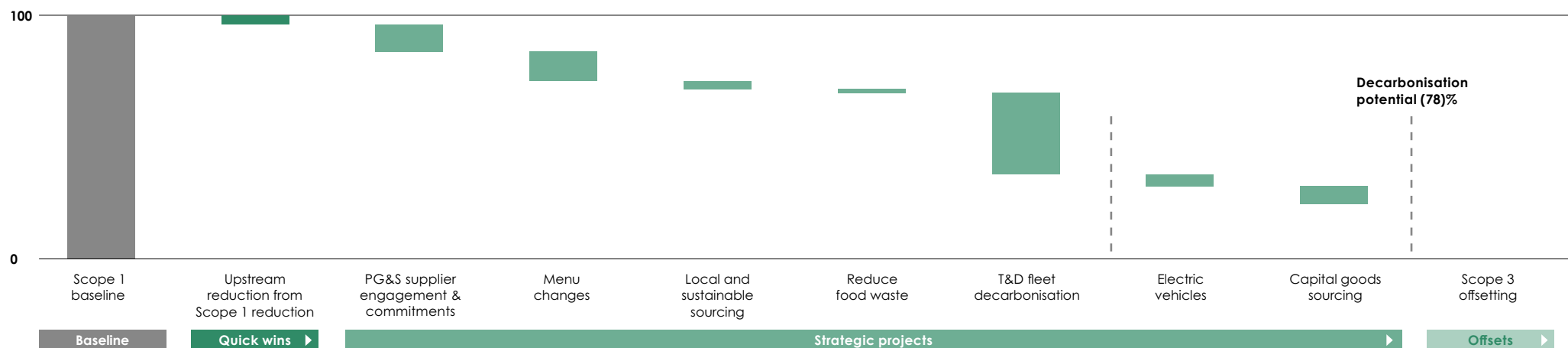
**2021** – Zero Carbon Forum industry strategy to achieve Net Zero by 2040 announced. Marston's commits to carbon neutrality by 2030, and Net Zero by 2040.

## APPENDICES CONTINUED

## ESG – PUB DECARBONISATION PATHWAY: SCOPE 1&amp;2



## ESG – DECARBONISATION PATHWAY: SCOPE 3







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