



Task Force on Climate-Related Financial Disclosures 2023

This report aligns with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) which aims to improve and increase the reporting of climate-related financial information, including both climate-related risks and opportunities.

Governance

The Board of Directors of Pret Parent Holding Company Limited (“the Board”), the highest level of governance at Pret, has oversight of Pret’s Environmental, Social and Governance (“ESG”) issues, which includes climate-related risks and opportunities.

The Board is made up of 6 Executive and 5 Non-Executive Directors, split by 27% female and 73% male. ESG is discussed with the Board regularly, during Board meetings as well as deep dives conducted with members of the Board during strategic reviews. ‘ESG & Sustainability Commitments’ is identified as a standalone Principal risk and therefore included in the wider Principal risk management process and considered as part of the quarterly risk review.

We have recently evolved our governance structure to ensure better visibility, understanding, accountability and decision making at the leadership level, including the governance of climate and wider ESG risks. This includes the newly formed Transformation Governance Structure, encompassing quarterly planning for markets and functions as well as monthly transformation updates to the Global Leadership Team (GLT) which ensures that global and market plans are aligned with the wider business’ strategy and projects. In 2024 we also established ESG Steering Committee’s to define, prioritise and implement our ESG strategy at market-level, effectively horizon-scan for ESG legislation and action ESG risks captured through our internal risk management process.

At the end of 2023, Pret’s GLT was made up of 9 Executive members, split by 44% female and 56% male, and as of 2024, the GLT is split by 56% female and 44% male. Each GLT member has different responsibilities in the sub-level and group governance of ESG risks and opportunities.



**Chief Executive Officer
Pano Christou**

Ultimate responsibility of all ESG issues sits with the CEO



**Chief Financial Officer
Gustavo Peixoto**

The Principal risk ‘Supply Chain Failures’ is owned by the CFO



**Chief Customer Officer
Briony Raven**

The Principal risk ‘ESG & Sustainability Commitments’ is owned by the CCO, who leads the Global Sustainability team



**Chief People Officer
Ed Evans**

The Principal risk ‘People & Teams’ is owned by the CPO



**Chief Information Officer
Amanda Hamilton**

The Principal risk ‘Cyber-security & Data Protection’ is owned by the CIO



**UK & Ireland
Managing Director
Clare Clough**



**France
Managing Director
Stephane Klein**



**US
Managing Director
Jorrie Bruffett**



**Asia, Middle East & Africa
Managing Director
Eira Jarvis**

With the support of the Global Teams, Managing Directors have the responsibility of managing ESG risks in their markets and deliver on sustainability commitments

Strategy

In 2022, we developed a new 2030 Sustainability Ambition with the aim of managing sustainability more holistically and integrating it into our business-wide strategy. Based on a materiality assessment and Sustainable Development Goals, we believe we are focused on the right areas - People, Product and Planet.

People

Pret's ambition to positively impact our key communities.

People are fundamental to the Pret business, be that our amazing Team Members, supply chain partners or the communities where we operate. We care deeply about Diversity, Equity and Belonging, creating an environment where we listen, learn and then listen some more to constantly evolve and grow. For nearly 30 years The Pret Foundation has supported people experiencing or at risk of homelessness by donating surplus food and supporting people into employment.



Product

Pret's ambition to reduce the impact of our products and offer more sustainable choices for our customers.

Our product range is key to helping make every day a little bit brighter for our customers. We're constantly innovating to tackle waste, ensure our packaging is more circular, and develop new thoughtful recipes including our delicious veggie and vegan range. We remain committed to ensuring our products have clear allergen information.



Planet

Pret's ambition to become a Net Zero business, committed to protecting the environment.

Every company, including Pret, has a part to play in understanding, reporting on, and reducing our carbon footprint across our global supply chain. We also aim to tackle other material issues including water scarcity and biodiversity.



Strategy

To be better prepared to address present and future climate-related risks and opportunities and test our resilience to climate change, scenario analysis was conducted with a third-party expert, Accenture. Through consultation with Pret’s subject matter experts, we identified that climate-related risks and opportunities have the potential to impact the business in two ways; physically and transitionally. The first being the physical acute and chronic impacts of the changing climate and the latter being the impacts associated with transitioning to a lower carbon economy.

This section of the report summarises the process and findings of scenario analysis conducted for five strategically important and relevant climate-related physical and transition risks and opportunities.

- ★ Increasing costs and scarcity of raw materials
- ★ Increasing energy prices could increase Pret’s operating costs
- ★ Acute climate events may cause disruption in Pret’s value chain
- ★ Regulatory and legal landscape shaping requirements and carbon prices
- ★ Opportunity to become Net Zero

Using the Network for Greening the Financial Systems (NGFS) climate scenario models (as defined by the Intergovernmental Panel on Climate Change (IPCCs) Representative Concentration Pathways (RCPs) supported with additional climate models, three different climate scenario archetypes have been used for the analysis:

- (1) a 1.5°C Net Zero 2050 scenario aligned to RCP 2.6;
- (2) a below 2°C (1.8°C) Delayed Transition scenario aligned to RCP 4.5 and;
- (3) an above 3°C Current Policies scenario aligned to RCP 8.6.

The scenarios are not used to predict the future but are rather a systematic way to map potential emissions trajectories, understand how different trends could evolve and explore a range of plausible outcomes.



Pret’s Risk Management Framework definitions, categorisation of impact and likelihood were all applied to assess the potential materiality of risks. The modelling used qualitative and quantitative assessments and was conducted over the short-, medium- and long-term. The time horizons used to assess climate risk go beyond previously used business planning time frames, allowing for slow emerging climate-related risks to be captured and accounting for national and international long-term milestones and goals.

Strategy

Increasing costs and scarcity of raw materials

This transition risk refers to the evolving regulations and requirements applied to Pret’s key ingredients and packaging, which could have the potential to disrupt sourcing across its value chain, reducing the availability and increasing price. To deep dive into this risk, the analysis specifically focuses on one of our key commodities; our coffee supply chain.

Organic coffee, a key raw material, is already exposed to price volatility by a variety of factors, including market pricing, currency movement, and market differentials (premiums), influenced by drivers including physical risks from climate change and geopolitical factors. This model focused specifically on transition-led costs, applying carbon price estimations to emissions from procured organic coffee volumes as well as estimations for higher premium costs associated with sustainably certified coffee, both predicted in line with our growth strategy.

Results of scenario analysis indicate that Pret may be exposed to growing costs for its procured organic coffee due to increasing carbon prices and other transition-driven price levies such as green premiums, voluntary and compliance-based, although risk exposure is very much dependent on the trajectory of national trade policies and international trade agreements. Potential financial impact from this risk is assessed as high in the long-term in the Net Zero 2050 scenario and reaches the High impact threshold earlier in the Delayed Transition scenario when carbon price spikes to catch up after 2030. Insignificant level of impact was assessed in the Current Policies scenario where both carbon price is anticipated to decrease and our planned decarbonisation mitigation measures reduce the impact.

Summary of the financial impact assessment found through scenario analysis

Climate Scenario	Net Zero by 2050 1.5°C			Delayed Transition below 2°C			Current Policies above 3°C		
Time Horizon	Short-term (2023-2028)	Medium-term (2029-2039)	Long-term (2040-2050)	Short-term (2023-2028)	Medium-term (2029-2039)	Long-term (2040-2050)	Short-term (2023-2028)	Medium-term (2029-2039)	Long-term (2040-2050)
Coffee Transition Risk	Minor	Moderate	High	Moderate	High	High	Insignificant	Insignificant	Insignificant

Strategy

Increasing energy prices could increase Pret’s operating costs

This transition risk refers to energy price volatility, supply security and the renewable energy transition that could impact Pret’s operations. Given the intricate nature of the energy sector, characterised by complex market dynamics such as market volatility, geopolitical events or supply and demand imbalances, the focus of the modelling has been to isolate climate-related impacts on this risk, especially around carbon taxation and decarbonisation of the grid.

Despite past energy prices not reflecting future prices, understanding the current and past energy markets can help to identify trends and make better informed decisions. Historical data serves as a foundation for constructing scenarios and anticipating potential future developments.

Scenario analysis results indicate that the mitigated risk, shown here, is significantly lower than the unmitigated trajectory. Across all the scenarios, energy prices are greater in the short-term, with the impact reducing over time as the grid looks to decarbonise and Pret targets emissions reductions.

Climate Scenario	Net Zero by 2050 1.5°C			Delayed Transition below 2°C			Current Policies above 3°C		
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Coffee Transition Risk	High	Moderate	Insignificant	Moderate	Moderate	Insignificant	High	Moderate	Insignificant

Strategy

Acute climate events may cause disruption in Pret’s value chain

This physical risk refers to the frequency and severity of acute climate events such as floods, droughts and storms, which can lead to disruptions, delays and financial losses. This model aims to explore future impacts of physical acute effects of climate change that Pret’s supply chain is exposed to.

Increasingly frequent and intensifying acute climate events, which are predicted across all climate scenarios, may strain the resilience of Pret’s value chain. The analysis identified key raw materials to be highly vulnerable to climate impacts and under certain climate scenarios, physical impacts could be very high. Exposure to this risk varies regionally and by asset with Forest, Land and Agriculture (FLAG) commodities from tropical and subtropical regions including coffee, cocoa, fruit and vegetables being particularly vulnerable to climate events. This has the potential to result in decreased availability and lower quality of FLAG purchased goods.

It is predicted that with every additional increment of global warming, changes in extremes will continue to become larger. Physical effects of global warming will progress with time even at 1.5°C global warming. Despite attempts to rapidly decarbonise after 2030 and reach Net Zero, delayed action and global warming of 2°C is projected to lead to a more significant increase in exposure to all types of natural hazards globally, including agricultural and ecological droughts projected in current FLAG sourcing regions, affecting food production systems and having the potential to impact Pret’s sourcing of FLAG purchased goods and have a

profound impact on the business. At global warming of 3°C, additional risks in many sectors and regions may reach high or very high levels, implying widespread systemic impacts, irreversible change and many additional adaptation limits.

Summary of the financial impact assessment found through scenario analysis

Climate Scenario	Net Zero by 2050 1.5°C			Delayed Transition below 2°C			Current Policies above 3°C		
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Coffee Transition Risk	Insignificant	Minor	Minor	Insignificant	Moderate	High	Insignificant	High	Extreme

Strategy

Regulatory and legal landscape shaping requirements and carbon prices

This transition risk refers to the introduction of climate-related legal requirements. The need to address climate change is becoming a global priority and both climate legislation and corporate action is expected to continue to increase at varying rates to combat the detrimental effects of climate change. With operations spanning multiple markets, Pret is exposed to various regulators and legislative regimes. The effects of regulations will likely take numerous forms, such as advancements in climate policies raising operational costs, increased reporting obligations leading to greater administrative burden and placing more cost on resources and management.

The impact of this risk will be most prominent in the Net Zero 2050 and Delayed Transition scenarios as transformative legislation is introduced quickly and broadly. This increase to the cost of carbon could pose severely increased operational costs if failing to keep up to current decarbonisation efforts and reporting obligations. In a Current Policies future, it is assumed policies are not yet sufficient to achieve official commitments and targets. In the short-term, the impact of this risk is the lowest of the 3 scenarios due to the absence of any regulations or pressure for climate action. However, as the physical and indirect effects of climate change increase, public consciousness of climate risk grows, resulting in increased demand for regulation and policy into the long-term.

There is a variance in carbon price between different data models within the same scenario, and larger differences between the carbon price in different “Hot

House” world scenarios. This shows that even in a future with low climate action, the carbon price could still drastically increase in price versus current levels. This highlights the need to not over rely on particular datasets or scenarios, and instead use scenario analysis as a tool to embed climate resilience within the business strategy.

Summary of the financial impact assessment found through scenario analysis

Climate Scenario	Net Zero by 2050 1.5°C			Delayed Transition below 2°C			Current Policies above 3°C		
	Short-term (2023-2028)	Medium-term (2029-2039)	Long-term (2040-2050)	Short-term (2023-2028)	Medium-term (2029-2039)	Long-term (2040-2050)	Short-term (2023-2028)	Medium-term (2029-2039)	Long-term (2040-2050)
Time Horizon									
Coffee Transition Risk	Minor	Moderate	High	Minor	Moderate	High	Minor	Minor	High

Strategy

Opportunity to become Net Zero

This refers to the reputational impact of decarbonising Pret’s entire operation and supply chain, which might provide a key market opportunity. There is great opportunity for early adopters of the Net Zero pathway to demonstrate leadership, develop brand reputation, strengthen market positioning, and leverage consumer preferences to increase revenue and market share, while avoiding significant costs.

It is expected that consumer preference and dietary shifts required to reach Net Zero 2050 will shape increasing demand and grow the market for sustainable food and drink products. However, it’s assumed the impact from addressing shifting consumer preferences will be lowered by wider competition and with time, as the market develops. In the long-term, opportunities in this scenario progress with transitioning to renewable energies, taking advantage of technological innovation, cost and operational efficiencies in operations, wider markets causing decreasing prices for sustainable materials and services for construction and design, and strengthened resilience and transparency of supply chains.

The potential impact of this opportunity is likely to be reflected least in the Current Policies scenario, due to increasingly polarised consumer preferences causing slow and/or stagnant behavioural change and dietary shifts. Costly construction, refurbishment and design of Pret’s stores due to sustainable materials having ‘premium’ prices might pose an obstacle for Pret in this scenario. Renewable generation is lowest and the cost of renewable energy highest in this scenario, however the

overall cost of energy is likely to be relatively low due to continued use of fossil fuels and limited regulation against high carbon electricity.

Summary of the financial impact assessment found through scenario analysis

Climate Scenario	Net Zero by 2050 1.5°C			Delayed Transition below 2°C			Current Policies above 3°C		
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Coffee Transition Risk	Moderate	High	Extreme	Insignificant	Minor	High	Minor	Minor	Moderate

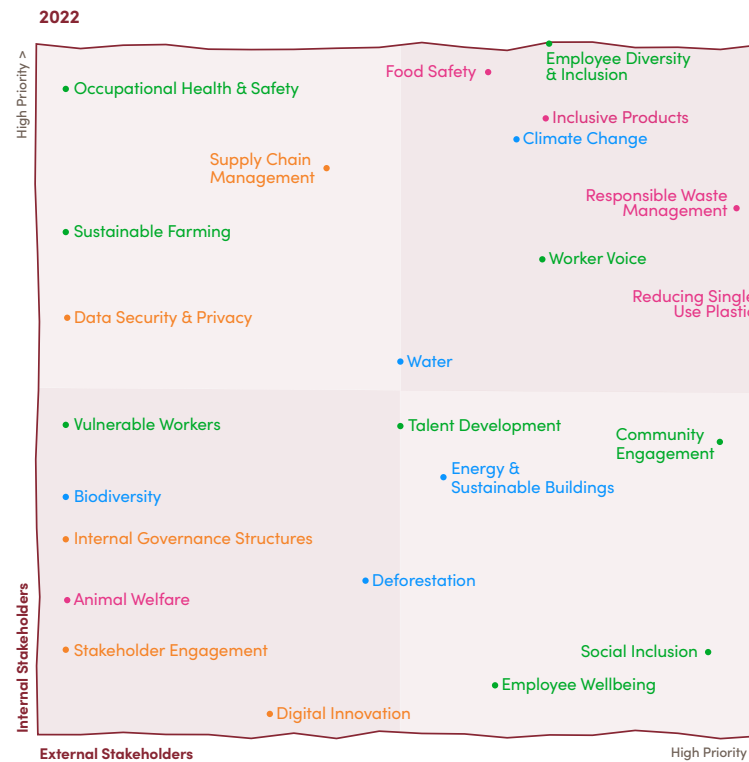
Risk Management

Using materiality assessments to uncover emerging trends and topics that could impact Pret’s stakeholders.

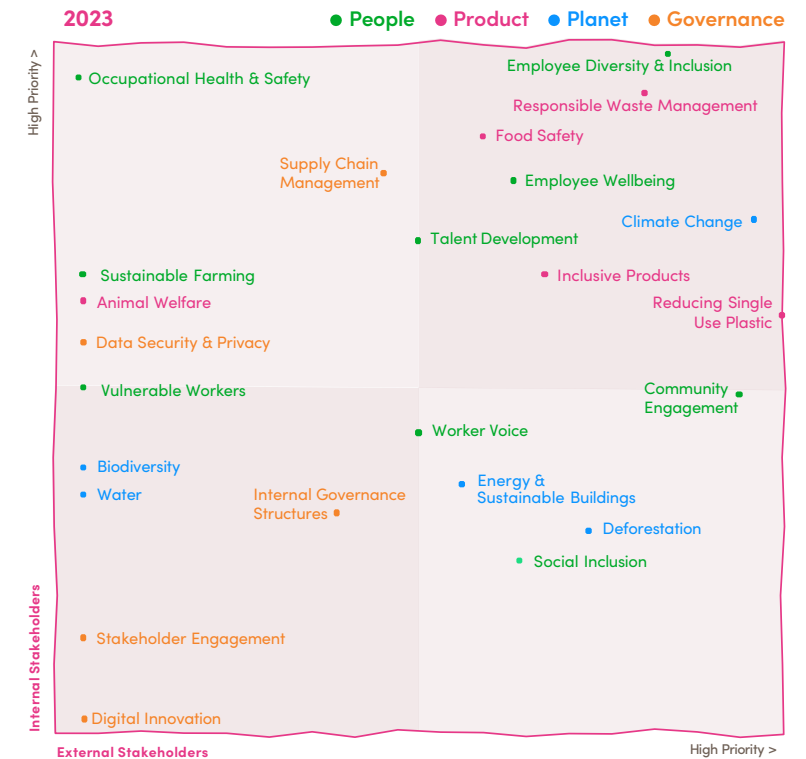
Following a double materiality assessment in 2022, we have an understanding of both the potential ESG issues that could materially impact Pret and the potential ESG issues that Pret may materially impact.

In 2023 we conducted another double materiality assessment with Datamaran to understand how external factors may have shifted, including changes in policy, markets, consumer behaviour and peers. This was then refined internally. The findings of the assessments have and will continue to support the development of Pret’s strategic approach to responsible and sustainable business practices, ensuring efforts remain on track with room to adapt as the world around Pret does.

After modelling the impact that each of the five top risks and opportunities may have across the three possible future climate scenarios, we are working to integrate the results into the overall risk management process and ensure a consistent approach with assessing and managing all business risks. With the support of the Global Sustainability and Internal Risk & Audit teams, all Pret teams will be responsible for implementing mitigation and adaptation measures to build robust business contingency plans and manage the risks and opportunities of climate change. Following this, we will then be in a position to assess the resilience of the business model and strategy in event of different climate change scenarios.



Source: Datamaran



Source: Datamaran

Metrics and Targets

We will continue to calculate and communicate our annual carbon footprint, published in our annual [ESG Report](#).

This climate-related metric enables us to track decarbonisation progress over time and monitor how the changes impact its climate-related risks and opportunities. Here is our full 2022 (original and restated) carbon emissions (tCO₂e) and 2023 carbon emissions (tCO₂e) inventory, including emissions associated with Forest, Land Agriculture (FLAG) and Energy (Non-Flag).

To further accelerate our understanding of carbon, we worked with Food Steps in 2023 to measure the embodied carbon associated with 19 core Pret products. Striving for best practice, we are continuing our partnership with Accenture to set near- and long-term targets in line with the latest science and report on the steps to become a Net Zero aligned business.

Scope	Value Chain	Category	Emission Source	Emissions (tCO ₂ e) 2023	Emissions (tCO ₂ e) 2022 original emissions	Emissions (tCO ₂ e) 2022 restated emissions	% difference between 2022 restated emissions and 2023	
Scope 1	Energy		Refrigerants, stationary combustion and mobile combustion	5,756	3,515	3,515	+64%	
Scope 2	Energy		Location-Based - which uses emission factors from the grid	14,622	17,441	17,441	-16%	
			Market-Based - which takes into account our renewable electricity purchases	6,771	12,301	12,301	-45%	
Scope 3	Energy Upstream	1	Purchased goods and services	82,471	104,972	112,164	-26%	
		2	Capital goods	5,286	11,684	7,464	-29%	
		3	Fuel and energy related activity	2,898	3,734	3,734	-22%	
		4	Upstream transportation and distribution	25,353	6,210	35,224	-28%	
		5	Waste generated in operations	2,137	1,445	2,168	-1%	
		6	Business travel	682	491	473	+44%	
		7	Employee commuting	5,300	7,442	7,442	-29%	
	Energy Downstream	9	Downstream transportation and distribution	409	390	390	+5%	
		11	Use of sold products	130	171	171	-24%	
		12	End of life treatment of sold products	1,839	1,882	1,882	-2%	
		14	Franchises	8,851	4,121	4,127	+114%	
				Total Energy Scope 3 Upstream	124,127	135,978	168,669	-26%
				Total Energy Scope 3 Downstream	11,229	6,564	6,570	+71%
				Total Energy Scope 3	135,356	142,542	175,239	-23%
FLAG	Food	Land use change	46,829	60,212	60,211	-22%		
	Food	Land management	129,295	138,492	138,492	-7%		
	Non-Food	Land use change	164	137	369	-56%		
	Non-Food	Land management	5,800	4,143	7,264	-20%		
		Total FLAG Scope 3	182,088	202,983	206,337	-12%		
Total Scope 1, 2 Market-Based and Scope 3				329,971	361,341	397,392	-17%	



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