

HEART WITH SMART
PIZZA | PEOPLE | PLANET
SUSTAINABILITY REPORT

2024



A MESSAGE FROM JENS HOFMA CEO

Welcome to the latest Heart with Smart sustainability report, which provides an update on our 'Pizza. People. Planet.' sustainability strategy. Much has changed since our last report, not least the disruptive social and economic changes following the Covid-19 pandemic and significant food and energy price inflation. These shocks have impacted our business, our guests, and the wider global food system, but we are proud to have continued to place sustainability at the heart of our business, and we have much progress to share in the following pages.

Our environmental focus continues to be on carbon reduction, and we recently had our near-term and long-term carbon reduction targets validated by the Science Based Targets initiative. This exciting milestone solidifies our commitment to a reduction-first approach to our carbon footprint. I am pleased that we have established these ambitious goals and that we continue to face into the significant challenge of a low-carbon future in a way which is objectively measurable and scientifically underpinned.

Whilst we've made good progress to date, both in our restaurants and our supply chain, we know that there is still a lot of hard work required to deliver our goals. Our suppliers are already beginning to rise to this challenge, and in many cases are leading the way with their great work to reduce their own impacts. We're involved in some particularly exciting projects with our cheese supplier, which you can learn more about in our case study, later in the report. And we continue to prioritise action where we can make the most difference; driving ahead where we can, and collaborating or being a passenger to progress where we can't make change alone.

In our previous sustainability report, we recognised that we were, "at best, at base camp with a steep climb still ahead of us." We do not underestimate the continued challenge ahead of us – we've started on our journey, and in many respects don't yet know the way to the mountaintop. But the validation of our SBTs gives us, at the very least, a clear idea of the scale and pace of progress required, and a robust means of tracking our progress. We are excited to continue delivering on our ambitions, and to show how we, along with our peers in food and hospitality, can play a decisive and positive role in combating climate change and delivering a just and sustainable future.

Lastly let me express the hope that our political and legislative environment will increasingly recognise that the financial burden of creating a more sustainable business model cannot be carried by hospitality operators and their supply chains alone. A massive tax burden continues to be placed on our sector, thereby curtailing our ability to invest behind innovation and more cost intensive sustainability initiatives.

ABOUT US

We are the Heart with Smart group - a privately owned business and the only dine-in franchise of the Pizza Hut brand in the UK. We operate 147 Pizza Hut restaurants and 4 itsus across England, Scotland and Wales, and employ just under 4000 people.

2023 marked 50 years since we began trading in the UK, having opened our first Hut in Islington in 1973. Pizza Hut is one of the best-known brands in the UK, recognised for our family favourites such as the 'Pan Pizza', daily Unlimited Lunch Buffet and - of course - our famous Ice Cream Factory.

We are one of the UK's leading hospitality franchise partners, possessing a wealth of experience in the restaurant sector. Alongside our current sites, we are always investigating opportunities with new and emerging brands - putting us in the perfect position to be a force for good.



OUR PURPOSE

We're here to do the right thing.

Business has a decisive role to play when it comes to countering climate change. We steward important resources, are plugged into consumer sentiment, and can make things happen quickly and efficiently. Consumers are becoming more aware of environmental issues and are increasingly drawn to brands with sincere intent and tangible actions.

We want to work with our colleagues, suppliers, industry peers and customers to move towards a net-zero emission food system.

OUR PLAN

We're focused on reducing our carbon footprint – by as much as possible, as fast as possible.

We have an ambitious reduction-first strategy, aligned with the Science Based Target initiative's Net Zero Standard.

In late 2023, we were proud to have our near and long-term science-based emissions reduction targets validated by the Science Based Targets initiative (SBTi). This important milestone solidifies our ambitious target of committing to net-zero emissions by 2040, and demonstrates the importance of decarbonisation to our business, and our commitment to moving towards a sustainable future.

HEART WITH SMART'S SCIENCE BASED TARGETS

OVERALL

Heart with Smart Group commits to reach net-zero GHG emissions across the value chain by 2040

NEAR TERM

Heart with Smart Group commits to reduce absolute Scope 1 GHG emissions 74% by 2030 from a 2019 base year.

Heart with Smart Group commits to continue annually sourcing 100% renewable electricity through 2030

Heart with Smart Group also commits to reduce Scope 3 GHG emissions 55% per meal by 2030 from a 2019 base year.

LONG TERM

Heart with Smart Group commits to reduce absolute Scope 1 and 2 GHG emissions 94% by 2040 from a 2019 base year.

Heart with Smart Group commits to reduce Scope 3 GHG emissions 97% per meal by 2040 from a 2019 base year.

We are confident that reducing our footprint is the right thing to do – but we know that it will be a challenge. We'll need systemic changes to the food industry, our society, and our way of doing business – but none of this will be easy.

Positively, we've already implemented several of the available solutions that will help us reduce our emissions, and we, along with industry experts, know of many more solutions which could be implemented in the future.



MORE THAN JUST CARBON

Our focus is on emissions reduction because this is one of the best ways that we as a business can fight against global climate change. But we know sustainability is about more than just carbon – it's about living and working in a resilient system that provides for the needs of today, without compromising the needs of tomorrow.

While we prioritise reducing our footprint, we are also thinking about the ways our business impacts challenges like freshwater usage, biodiversity loss and land-use change, alongside wider ESG considerations such as ethical sourcing and employment.

PEOPLE

PIZZA

PLANET

WHAT WE'VE DONE SO FAR

We've been an advocate for sustainability in the hospitality sector for a long time, leading by example through membership of WRAP, the Sustainable Restaurant Association (SRA) and becoming a founder member of the Zero Carbon Forum (ZCF).

We've been purchasing renewable electricity since 2015

We have removed 99% of straws from the business and the remaining 1% is made from paper or bamboo from certified sources

We have installed LED lighting across our whole estate

We regularly measure our carbon footprint and use the findings to keep momentum as we reduce our emissions

We source all our mozzarella from the UK and Ireland

We launched quarterly assessments in-restaurant which include sustainability metrics, engaging team members with the sustainability journey and allowing regular assessment and reporting of our practices

OUR CARBON FOOTPRINT

Lots has changed between 2019 and 2023 – both globally, and in our business. As you would expect when bridging such an unpredictable period, we can see a significant amount of change between our baseline footprint and our 2023 numbers.

Overall, we are pleased to report that we have seen a reduction in the emissions from our business; this can broadly be attributed to 3 main drivers:

1. Our estate reduced from 250 sites to 150, bringing both an absolute reduction in emissions and a shift in how many guests dine with us, where, and when.
2. Our energy squad's hard work in managing pizza oven and heating, ventilation & air conditioning (HVAC) use efficiency has delivered a tangible reduction in Scope 1 emissions from natural gas combustion.
3. We have gathered and used better data. This includes:
 - Better detail from our own data, allowing us to make better assumptions.
 - Up-to-date emissions data - from our supply chain and industry - which paints a more accurate picture of action on the ground.
 - Improvements in the methodologies used to calculate our footprint.

A combination of these 3 factors has ultimately driven the overall reduction that we can see in our emissions.

However, we know that this data only tells half of the story. From our supply chain engagement, we know that our suppliers are working hard on important initiatives that reduce the impact of their products and services. We also know that emissions data and methodologies are improving every year. We are excited to continue collaborating and laying the foundations for future reductions, and we are confident that our suppliers' and teams' hard work will be reflected through improved data practices in the years to come.

	2019	2023	% change vs. baseline
Total CO2e emissions (market-based)	121,525	68,248	-44%
Scope 1 emissions tCO2e	6,153	3,723	-39%
Scope 2 emissions (market-based) tCO2e	-	-	-
Scope 3 emissions tCO2e	115,372	64,525	-44%
kgCO2e per meal (market-based)	5.84	5.17	-11%

We report our GHG emissions using the World Resources Institute (WRI) / World Business Council for Sustainable Development (WBCSD) GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition).

PIZZA

Like most food businesses, the lion's share of our carbon footprint sits outside of our own operations – in fact, 95% of our carbon footprint sits beyond our 4 walls. This area is the most difficult and complex to drive change – but it's also where we can have the biggest impact, so it's where we are focusing our efforts.

SOURCING

61% of our emissions come from the goods and services which we purchase, with 56% of this coming from food, so naturally this is an important area of focus for us. We have prioritised working with the ingredients and suppliers that we know contribute the most to our emissions. We've been sourcing from the same suppliers for nearly 30 years in some areas, meaning that we have the security and trust to allow us to focus on the long-term together. We aim to act as one team, taking actions within the supply chain to reduce emissions from farm to fork. We encourage our suppliers to set their own emissions reduction targets – 5 of our top 8 priority suppliers have already set Science Based Targets, either themselves or through a parent company, giving us the confidence that we are all pulling in the same direction. This allows for open, productive discussions about how we take real action in our shared supply chains.

PRODUCT DEVELOPMENT

With our food contributing so much of our carbon footprint, our recipes and products are a key part of how we can manage our emissions – whilst making sure our pizza is still as delicious as always! Our development processes have started to look at emissions impact alongside taste, quality, cost, and other trends when making decisions for our menu, finding the right balance for both our pizzas and the planet.

Our guests can swap the cheese on any pizza for a vegan cheese alternative, too, meaning anyone can indulge in their favourite recipes whilst still choosing to eat meat- or dairy-free!

HEALTH AND NUTRITION

Healthy, nutritious diets are an important part of a sustainable food system – and we know that we have an important part to play in offering tasty and healthy options for our guests. All our main meals, including children's meals, come with unlimited free salad, and we offer 'lighter' options such as flatbreads and sugar-free drinks. The 'little monster' characters in our kids' activity packs also aim to educate on the importance of a healthy and sustainable diet – including characters like the Green Eyed Monster, who educates kids on the importance of a balanced nutritious diet, and Eco Eyes, who informs our youngest guests about important environmental issues.



CASE STUDY

MOZZARELLA CHEESE

All our mozzarella cheese is sourced from the UK through one of our longest-term suppliers. Leprino hold direct relationships with all the farmers and milk suppliers they source from, giving us a fantastic opportunity to engage back down to farm level and reduce the carbon footprint of our cheese whilst still delivering the tasty, nutritious, cheesy pizzas that we know and love!



We're working with Leprino to reduce the carbon footprint of cheese as far as possible whilst still maintaining taste and quality, the health and welfare of the cows, and ensuring that everyone in the supply chain makes a fair and appropriate margin. In 2023, we supported a farmer innovation group to bring together proactive sustainability influencers from amongst the dairy pool that can support change as part of the supply chain journey to net zero. Leprino is also trialling several on-farm innovations to

reduce emissions, including slurry additives to manage emissions from manure, novel feeds, and alternative grass mixes for improved grazing.

In addition to this, Leprino is working with its producers to reduce the inclusion of all forms of soy in dairy diets with the goal of total exclusion by 2027.



PEOPLE

TRAINING AND APPRENTICESHIPS

At Heart with Smart, we deliver apprenticeships in ten subjects from level 2 to MBA, through internal resources and external partners. Since we became an official education provider in 2020, we have been working to become an independent provider of apprenticeship programmes. This will allow us to share our expertise with the wider hospitality sector.

In addition to our formal apprenticeship scheme, each year we offer a development bursary which is open to applications from any of our team members. Individuals can apply for financial support on any initiative which will aid their personal or professional development. In 2023, we were proud to support team members by funding driving lessons, overseas volunteering, university laptops, and even new language courses! Developing these additional skills enriches our individuals and our teams, and we look forward to offering our support throughout 2024.

In recent years, more and more of our team members have their first job with us. We see this as a great responsibility, not just to train our individuals as successful workers, but also to set up individuals with the skills needed for their careers in the long-term. We support our teams with a whole-person approach to behavioural development – we make financial awareness training and time management skills learning available for our teams, as these can provide an important foundation for future success.

EQUALITY, DIVERSITY, AND INCLUSION

We believe that a culture of equality, diversity and inclusion not only benefits our organisation, but supports wellbeing and enables our people to work better because they can be themselves and feel that they belong. We are committed to promoting a working environment based on dignity, trust, and respect, and one that is free from discrimination, harassment, bullying or victimisation.

We believe pay, bonus and position should reflect performance over any other factor. 56% of our head office senior leadership team and 42% of our restaurant management teams are female. We offer a good range of benefits including enhanced maternity, paternity, and parental leave along with flexible working practices. These include part-time restaurant manager opportunities and remote working for our head office teams. Our managers are all trained to engage with their teams as individuals, providing support to find the right balance of flexibility for needs such as childcare and learning.

Both our mean and median pay gaps for 2023 show a pay gap of 7.7% (mean) and 2.3% (median). 97% of our workforce is based in our restaurants where we continue to see a higher proportion of applications for entry level front of house roles being from female candidates and this has a significant impact on our pay gap.

MENTAL HEALTH AND WELLBEING

We are proud partners to Mental Health UK and one of the founder signatures of the Time to Change charter. We offer an employee assistance programme which all our team members have access to at any time.

Each year we run mental health training workshops and also facilitate regular mental health awareness periods within the company, raising awareness through our internal communications, MyComms, and on Yammer.

We encourage open discussions on mental health, as well as educating on topics such as menopause in the workplace.



COMMUNITY AND GIVING

We are strong believers in the power of local, and we know that our restaurants and teams can be an important part of the local community. We regularly engage with local schools and have hosted several work experience students in 2023.

We are proud to help causes that can have a real impact on the world, and we choose them carefully to have the biggest impact. Alongside our long-standing relationship with Mental Health UK, we run an annual charity month in October, which our teams in the support centre and our restaurants all engage with.

We also run a 'pay as you earn' payroll giving scheme, allowing our employees to donate regularly, straight from their paycheque. In 2023, we and our employees donated over £10,000 to various causes.

We are also working with Pilotlight – a not for profit organisation which partners business leaders with charities to share expertise and help solve challenges the charities are facing. Four members of our senior leadership team have been partnered with a charity for the 2023/2024 programme.



PLANET

Over the past decade, we've taken several steps to reduce the portion of our footprint in our own restaurants – often finding co-benefits such as cost efficiencies, or team and guest engagement.

From our footprint, we know the key areas to focus on for carbon reduction – but we also know that there are other issues we can tackle in our restaurants, too:



ELECTRICITY

As we have zero emissions from our 100% renewable electricity, we work on managing our energy usage to deliver co-benefits such as cost management in-house and small emissions reductions from fuel and energy transportation.

We have a cross-functional energy focus group within the business which assesses opportunities to reduce our energy usage – delivering both cost efficiencies and environmental benefits. We introduced new comfort standards for AC and heating control in our restaurants, balancing our energy usage and ensuring our teams and guests can work and dine in comfort. We engaged our restaurant teams on oven usage outside of peak times and raised awareness of each team's responsibility to manage energy within the company.

Through implementing our measures, we've reduced our energy usage by 13% on average compared to 2021.

GAS

Did you know: everything cooked in a Pizza Hut restaurant is baked in the pizza oven? Our pizzas would be nothing without them – our gas usage, for ovens and heating, drives over 3% of the 5% of our total carbon footprint coming from our own operations. We've worked to reduce our gas usage by 38% per hut since 2012, but we know we have more work to do – our estates team are always looking into more environmentally-friendly alternatives that work for our sites.

We use gas for space and water heating in about a third of our restaurants, with the rest using heat pumps for heating and cooling. We plan to replace gas boilers with air-source heat pumps, a more environmentally friendly alternative, in all feasible restaurants by 2030.

We are investigating high efficiency electric ovens, or maybe even one day running our ovens on biogas produced from within our supply chain! We haven't completely cracked the oven challenge yet, but we know it's a big focus in the short- to medium-term.



REFRIGERANTS

Gases can leak out of fridges and freezers into the atmosphere, directly contributing as emissions into the environment. To reduce the impact of these refrigerants, we are switching our systems over to a gas with far less warming potential (over 1000 times less!) than those we currently use. All our fridges and freezers will be updated by 2030, making significant emissions reductions within our own restaurants.

WASTE AND RECYCLING

We organise our processes and systems so, wherever possible, waste never has an opportunity to occur – waste not, want not! For those unavoidable areas, we make sure to work closely with our waste management provider to maximise recycling rates. In fact, we divert 99% of all waste from landfill (in sites where we manage waste collections).

We've worked hard to make sure that any waste we do produce is less harmful than the alternative – for example, we're working with our suppliers to source non-plastic alternatives to remove single-use plastics from our restaurants and delivery services. We've already removed 99% of all straws from our restaurants, replacing the rest with bamboo, and have moved to wooden cutlery for all takeaways. Whilst these items are still single-use, moving away from plastic reduces our emissions and our impact on the environment. Of course, over 75% of our guests dine-in with us, meaning the majority of our meals are served with reusable plates and cutlery – avoiding packaging waste altogether!

ENGAGING OUR TEAMS

Our teams are what make our restaurants such a success – and managing our footprint is no different. Each individual and team has their own part to play, and we make sure to support them and set them up for success.

We carry out quarterly assessments in-restaurant which include sustainability metrics, engaging team members with their piece of the puzzle and allowing regular reporting of our practices, and colleague engagement in a positive way. No-one other than our restaurant teams can impact the parts of our footprint like gas usage, water, or waste – so by regularly checking in and discussing these issues, we keep the issue front of mind and make our teams proud of doing their bit and seeing the positive impact they can have.

This year, we have also included an employee engagement survey within our quarterly assessments. This allows our teams to give direct feedback about their experience at work. By including this feedback in our restaurant reporting, we get a good picture of how our teams are feeling, and each restaurant manager also sees this reported against the restaurant's success and efficiency metrics. This gives us a rounded picture across each restaurant and our whole business, giving us the insight to manage our sites in the best way possible for our guests, our teams, and the planet.



WHAT'S NEXT?

The work to decarbonise our food system is hugely complex – and we know we have our small part to play in a huge change to how we produce food on a global scale. We'll be dealing with uncertainty and ambiguity over the next year and into the future. Our approach needs to be flexible, so we can respond to new information and changing circumstances as they come our way.

That said, there are several priority areas we expect to focus on in 2024...

- **Reporting:** we will continue to calculate and report on our carbon footprint annually.
- **Collaboration:** we will keep working closely with our suppliers and peers, leveraging groups such as the ZCF and SRA, to learn and drive change as a group.
- **Suppliers:** we will ramp up our supplier engagement, adding momentum to existing projects and encouraging our suppliers to join us in decarbonising our value chains
- **Engagement:** we will engage our teams across the business, educating and empowering individuals to take actions that reduce our impact on the environment.
- **Risk management:** we will begin to understand the existing impacts of climate change on our supply chains and start taking actions to manage anticipated risks.