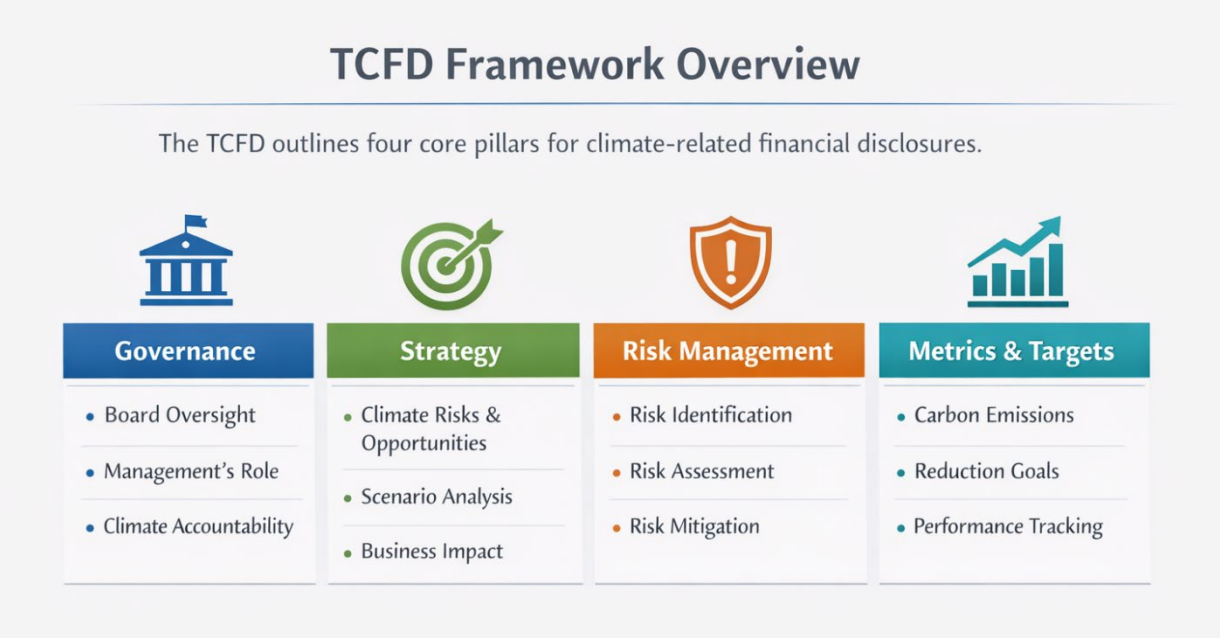
Loungers Ltd. – TCFD Report FY2025

TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) provides a consistent and principles-based framework for organisations to disclose climate-related financial risks and opportunities in a way that supports informed decision-making by investors, lenders and other stakeholders. In the UK, the Financial Conduct Authority (FCA) has adopted the TCFD framework as the basis for mandatory climate-related financial disclosures, recognising the importance of integrating climate considerations into business strategy, governance and risk management.

The TCFD framework is structured around **four core pillars**, which together describe how organisations consider climate-related issues within their governance arrangements, strategic planning, risk management processes, and performance measurement.



Governance addresses the role of the Board and senior management in overseeing climate-related risks and opportunities, including how responsibilities are allocated and how climate considerations are embedded within existing governance structures.

Strategy focuses on the actual and potential impacts of climate-related risks and opportunities on the organisation's business model, strategy and financial planning over the short, medium and long term. This includes consideration of the resilience of the organisation's strategy under different climate-related scenarios, including a transition to a lower-carbon economy.

Risk Management considers the processes used to identify, assess and manage climate-related risks, and how these processes are integrated into the organisation's overall risk management framework. This ensures that climate-related risks are assessed alongside other principal risks and managed in a consistent and proportionate manner.

Metrics and Targets covers the metrics used to assess and monitor climate-related risks and opportunities, including greenhouse gas emissions, as well as the targets set to manage performance and track progress over time.

Together, these four pillars provide a structured approach for organisations to assess and disclose the financial implications of climate change. This report has been prepared in line with the TCFD framework and the FCA's expectations for climate-related financial disclosures, with the aim of providing clear, balanced and decision-useful information on how Loungers identifies, manages and responds to climate-related risks and opportunities.

Loungers TCFD Report – Executive Summary

Governance
Climate-related risks and opportunities are overseen by the Board, supported by the Executive Board and a dedicated Sustainability Committee established in FY2023. Climate risk is embedded within the corporate risk matrix and reviewed at least annually, with quarterly reporting to the Executive Board.

Strategy
Loungers has identified material transition and physical climate risks across:

Short (1–2 years), Medium (2–5 years) and Long-term (5+ years) horizons.

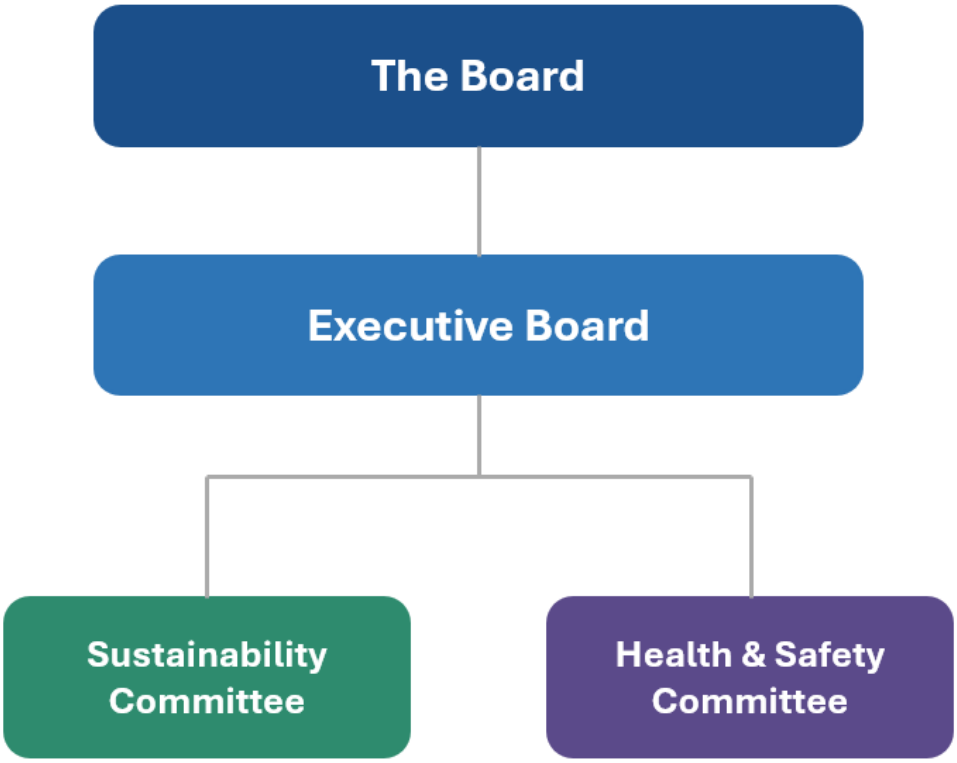
The Group has committed to achieving **net zero emissions by 2040**, prioritising absolute emissions reductions over offsetting and aligning with Science Based Target principles in emission reduction and target setting.

Risk Management
Climate risks are assessed alongside principal business risks and categorised as physical or transition risks. These are managed through mitigation, transfer (insurance), operational controls and strategic adaptation.

Metrics & Targets
Scope 1 and 2 emissions represent ~9.5% of total emissions, with Scope 3 accounting for ~90.5%. The primary Board-level metric is **tCO2e per £m turnover**.

Loungers aims to reach net zero for Scope 1 & 2 by 2030 and Scope 3 by 2040, supported by precise capital deployment, improved efficiency, supplier engagement and improved data quality.

1. Governance



- The **Board** retains ultimate accountability for climate-related risks.
- The **Sustainability Committee** owns delivery of the climate strategy and reports quarterly. Support from External non-executive specialist in ESG
- Climate considerations are embedded into:
    - Capital allocation decisions being brought into policy – based on internal trials HVAC for e.g. VO in trial
    - Property selection, design standards and use of materials
    - Procurement and supplier engagement

Loungers intends to introduce climate-related KPIs into executive performance metrics, linked to energy intensity and emissions reduction

2. Financial Impacts of Climate Risks and Opportunities

The assessment of climate risk has been carried out with details provided within the appendix of this document.

The summary of the findings are listed below:

Risk / Opportunity	Financial Impact Pathway	Indicative Magnitude
Flooding of sites	Loss of trading days, repair costs, insurance excess	£0.1m–£0.5m p.a. (increasing post-2030)
Energy price volatility	Higher operating costs driven by increased energy demand from a growing estate; increased capex for electrification	£0.5m–£1.5m p.a. unmanaged
Food price volatility / scarcity of key products	Higher purchase prices of key goods, effects of climate change now impacting the supply of key ingredients, e.g. coffee, cocoa	£0.1m-£1m p.a.
Carbon pricing / taxation	Increased cost of residual emissions	£80–£300 per tCO2e exposure
EPR packaging regime	Supplier cost pass-through	Low–medium margin pressure
Energy efficiency upgrades	Reduced operating costs	£0.3m–£0.6m savings p.a.

Scenario Analysis

Scenario	Description	Financial & Strategic Implications
Orderly transition (≤2°C)	Gradual policy action, stable markets	Manageable capex; long-term cost savings; business resilient
Disorderly transition	Late, abrupt regulation	Short-term cost shock; accelerated investment required
No / failed transition (>4°C)	Severe physical impacts	Higher insurance costs; supply disruption; site-level risks

Loungers' business model is assessed as **most resilient under an orderly transition**, with increasing financial stress under a no-transition scenario. **>2C**

3. Strategy – Sustainability Roadmap & Delivery Plan

Loungers has identified the following areas for a sequenced roll out to the business in the Short, Medium and Long term.

Short Term (12–18 Months)

Focus: FY2026 Baseline, insight, and mobilisation

Key Actions:

- Benchmark sustainability performance against peers
- Review industry best practice through the Zero Carbon Forum.
- Enhance GHG emissions reporting for actionable insights
- Scenario analysis – risk focused on maintaining growth with an unstable supply chain

Output / Outcome:

- Clear summary of strategy, targets, and initiatives for Board review

Medium Term (18 Months – 5 Years)

Focus: Embedding strategy and operational delivery

Key Actions:

- Develop risk-based climate transition plan
- Build employee engagement framework
- Establish KPI reporting across all scopes
- Define Board reporting cadence
- Deliver annual ESG / UK Sustainability Disclosure Requirements
- Monitor regulatory developments
- Engage with industry bodies

Output / Outcome:

- SDR - compliant reporting (FY25 onwards)
- Formal ESG Policy
- Monitoring and reporting framework embedded

Long Term (5+ Years)

Focus: Full integration and strategic maturity

Key Actions:

- Implement integrated Sustainability Strategy covering Values, People, Healthy Hospitality, Responsible Supply Chain and Communities

Output / Outcome:

- Sustainability embedded into core business strategy
- Delivery of long-term net zero and ESG objectives

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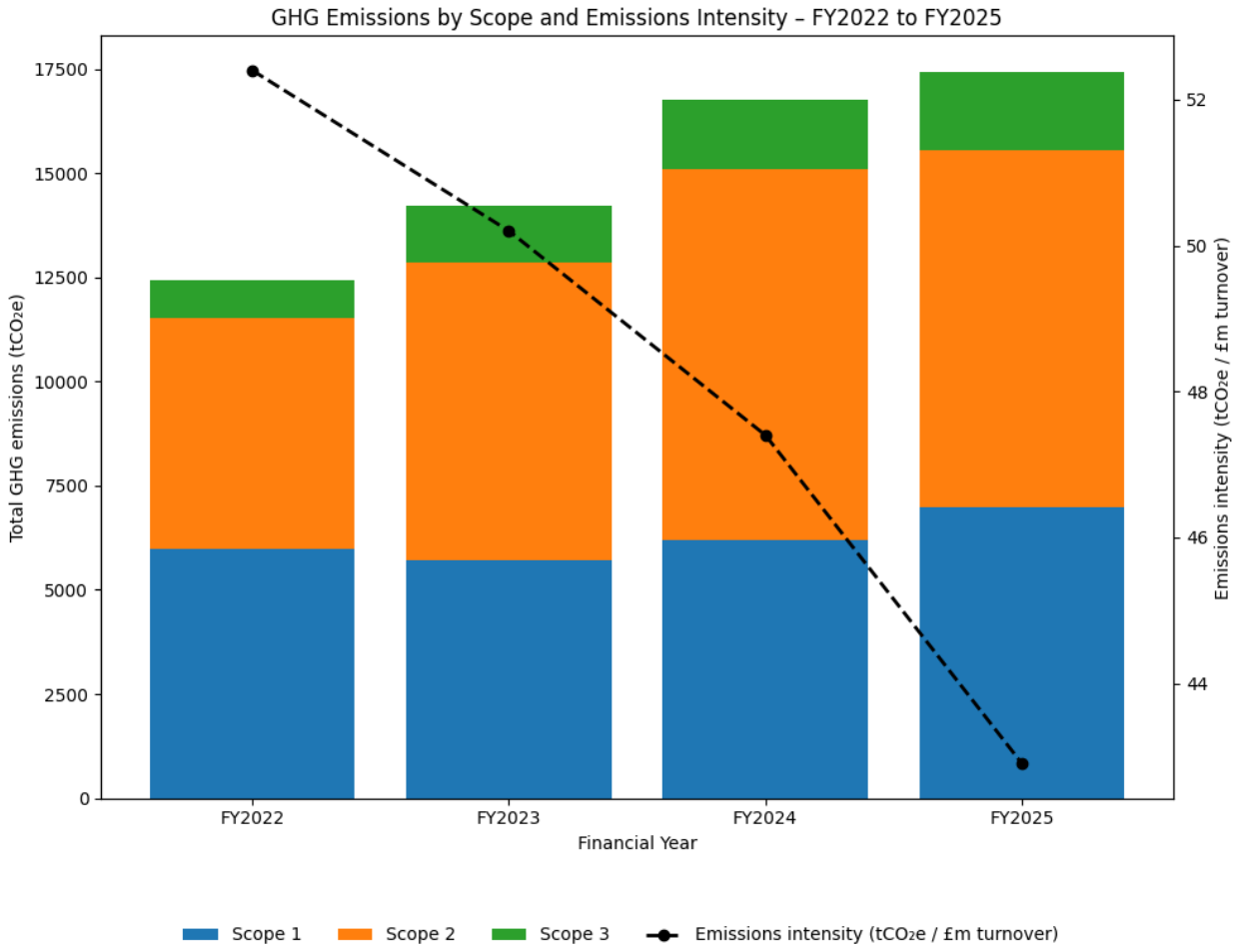
4. Metrics & Targets –Zero Carbon Forum Aligned

Loungers has aligned its reduction targets to those of the Zero Carbon Forum

Area	Target	Timeline
Scope 1 & 2 emissions	Net zero	2030
Scope 3 emissions	Net zero - Reduction	2040
Scope 3 data quality	≥60% emissions covered by primary / hybrid data	2026

Loungers will transition from the spend-based Scope 3 calculations within its current GHG inventory to volumetric and supplier-specific data for material categories across FY2026. This will primarily be across Purchased Goods & Services food and beverage from its supply chain.

Streamlined Energy & Carbon Reporting performance since 2022



The Group's greenhouse gas emissions as part of their Streamlined Energy & Carbon Reporting by scope alongside emissions intensity over the period FY2022 to FY2025 is shown above.

Absolute emissions have increased over the period, reflecting estate growth and improved Scope 3 data coverage. Emissions intensity has reduced consistently year on year. This demonstrates improved carbon efficiency relative to turnover and supports the assessment of progress against the Group's transition objectives.

There has a consistent reduction in the energy intensity used over the previous 4 years, built around operational efficiency and targeted capital expenditure.

Scope 2 Reduction - 665,384kWh during the last 12 months have been saved through energy monitoring and behaviour change program.

Regulatory Alignment Statement

This report is prepared in alignment with: - FCA TCFD Listing Rule requirements - Streamlined Energy and Carbon Reporting (SECR) - ESOS obligations - UK Climate Change Risk Assessment (CCRA3)

Loungers will continue to monitor developments under the UK reporting framework and ISSB climate standards.

Appendix

Risk & Opportunities Register

Risk Sector	Climate Risk	Key Impacts	Mitigation & Actions
Transition – Policy & Regulation	Climate change regulation & reporting	Increasing mandatory disclosure requirements. Need to expand Scope 1–3 reporting depth.	TCFD/ESG reporting implemented. Expand carbon reporting in 2025. Sustainability Committee oversight. SECR & ESOS compliance.
Transition – Policy & Regulation	Products, packaging & built environment regulation	Plastic tax and EPR-related cost increases. EPC Band B requirements by 2030.	Reduce plastic use. Improve recycling. Ensure compliant new builds. Assess retrofit requirements. Improve carbon measurement.
Transition – Policy & Market	Carbon pricing exposure	Internal carbon pricing highlights cost exposure. Risk of future taxation on emissions.	Use internal carbon pricing in decisions. Improve data consistency. Prioritise abatement over offsets.
Transition – Reputation	Stakeholder concern	Increasing ESG expectations impacting brand, recruitment and customer choice.	MSC/ASC certified sourcing. Free-range eggs. Fairtrade products. Zero waste initiatives. Plant-based menu expansion. Customer insight tracking.
Transition – Technology	Low emission procurement	Need for embedded carbon data in supplier decision-making.	Integrate carbon into procurement. Engage suppliers for primary data.
Transition – Technology	Low emission technology	Opportunity to reduce emissions via electrification and improved equipment.	Electrification strategy. Energy-efficient kitchen technology (e.g. sensor grills).
Physical – Acute	Flooding & rainfall	28 sites at river risk; 13 at coastal risk. Increased extreme weather events.	Board-level planning. Insurance review. Refine risk mapping in 2026.
Physical – Chronic	Temperature rise	Approx. 15% increase in cooling demand.	Planned maintenance programmes.

		Equipment stress and reduced productivity.	Energy-efficient design. Balanced site portfolio.
Physical – Chronic	Water availability	Drought risk and water stress. Uncertainty in long-term infrastructure.	Monitor water usage. Efficiency improvements. Assess regional risks.
Physical – Chronic	Supply chain disruption	Climate impacts on key commodities. Cost and availability risks.	Supplier diversification. Contingency planning. Improve supply chain transparency.