

## COOK TRADING LIMITED

### STRATEGIC REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2021

- Providing a further 491,846 meals to schoolchildren in Malawi via our partnership with the charity One Feeds Two. Every COOK for Kids meal sold delivers a free school meal in Malawi through One Feeds Two and its local feeding partners. We've provided over 2.5 million meals since 2014

#### ***Nourishing Relationships: With Business and Society***

*We believe business is the most potent instrument of positive change in the world today. We seek to show how business can create shared and durable prosperity for all rather than just maximise returns for shareholders.*

Highlights include:

- Successfully recertifying as a B Corporation with an "outstanding" B Impact Assessment score of 104.1 – one of only five UK Food and Drinks companies in the UK to have a score over 100
- Maintaining 100% renewable electricity in our kitchens and shops and, in April 2021, switching to 30% green gas at our kitchens
- Reducing our carbon footprint by 28% compared to the previous year
- Offsetting 100% of the carbon we emit in our direct operations so we are carbon neutral
- Installing solar panels on the roof of COOK Classics in partnership with Orchard Community Energy
- Taking the decision to repay the Furlough money we claimed in June 2020 – despite having over £1m of staff related COVID costs that we could have claimed for
- Paying our taxes – we believe that it is a key role of business to pay its taxes. This includes declining to engage in tax avoidance strategies – after all, what justification could there be for not wanting to pay for our share of nurses, teachers and care workers? We are therefore proud to have paid £878k of corporation tax and £1.3m via Employers National Insurance Contributions.

#### **Our 2020 to do list**

In April 2018 we published our 2020 To-Do list: 15 actions to complete over the following three years to make sure we're living our purpose of nourishing relationships. Of the 15, we completed 13 and made good progress on the remaining two. More details on the targets and our performance can be found in our Purpose Progress Report and we are putting together a new set of goals to make sure we're delivering a positive social and environmental impact through to 2025.

#### **S172 Report: COOK's Streamline Energy and Carbon Reporting for 2020/21**

Our ambitions around climate action are currently framed by two targets we have set ourselves:

- Reduce our Scope 1 & 2 emissions by 29% by the end of financial year 2024/25 (compared to a 17/18 baseline)
- To be Net Zero in our Scope 1 & 2 emissions by 2030

We believe 2020/21 represented an important step in our progress to achieving both targets as we put in place a decarbonisation roadmap; achieved a reduction in our location based and market-based Scope 1 & 2 emissions; and our carbon intensity is the lowest we have ever recorded.

Year	20/21	19/20
Total Location Based Emission (t CO <sub>2</sub> e)	5,174	5,481*
Total Market Based Emission (t CO <sub>2</sub> e)	2,201	3,057
Total Sales (£)	83,248,860	71,915,793
t CO <sub>2</sub> e (market based) per Million £ of Sales	26.44	42.5

\*revised from 19/20 report

A location-based method reflects the average emissions intensity of the grid on which energy consumption occurs. A market-based method reflects emissions from electricity and gas that companies have purposefully chosen to purchase.

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The main factor in these reductions was a considerably smaller footprint associated with refrigerant leaks, 277t carbon dioxide equivalent (CO<sub>2</sub>e) compared to 1,657t CO<sub>2</sub>e in 19/20. We recognise that when it comes to refrigerants the best approach is a move to gases with a lower global warming potential as preventing leaks all together is an extremely difficult challenge. We have begun work to replace R404a, the refrigerant with the highest global warming potential, with gases which will have a smaller environmental impact when a leak occurs. Our aim is to not be using R404a in any of our kitchens by the end of 2021/22 and we are already starting to scope a move to equipment that uses CO<sub>2</sub> in our main kitchen by 2025.

In 2020/21 the biggest contributor to our Scope 1 & 2 carbon footprint was the natural gas we used in our kitchens. Given our energy requirements we are not currently aware of alternative appropriate electricity-powered equipment, so our future reduction strategies are based on using gas more efficiently and purchasing Green Gas. Green Gas is a renewable fuel sourced from decomposing biodegradable material. It can be used in the same way as traditional natural gas but has an emissions factor very close to zero. In 2021/22 and 22/23 we have committed to 30% of the natural gas used in our two main kitchens being Green Gas.

The faster-than-expected roll out of a fleet of Home Delivery vans operating out of our shops resulted in our emissions from diesel use increasing by 229t CO<sub>2</sub>e. Electrical vehicles were considered but were deemed to not be viable at this point for several reasons, including that no suitable electric freezer van being available, along with the challenge of where shops would charge an electric vehicle. We see a move away from vehicles that are reliant on traditional fossil fuels as an important part of our decarbonisation road map and have already committed to trial an articulated lorry powered by biogas in 21/22.

In terms of electricity use, we continue to buy 100% renewable electricity for all our shops, offices, and kitchens and have now begun the onsite production of renewable electricity through the installation of solar panels on the roof of our new kitchen COOK Classics. These solar panels have been installed through a partnership with Orchard Community Energy meaning this project will both provide renewable electricity and financial support to local charities. In 21/22 we plan to install solar panels on the roof of our Puddings kitchen in Ilton.

As part of our Climate Action Plan, we offset our Scope 1 & 2 emissions working with fellow B Corp Climate Care, making us Carbon Neutral in our direct operations. Our 2020/21 emissions were offset through a project supporting the distribution of fuel-efficient stoves in Kenya and a project supporting the introduction of wind energy in India. While we believe offsetting our emissions helps us take responsibility for them, we also know offsetting is not the long-term answer and stopping the emissions from happening in the first place is the best course of action.

SECR Reporting				Emission Factor		Emissions (kg of CO <sub>2</sub> e)		
Scope	Emission Source	Consumption	Unit	Location* Based	Market Based	Location Based	Market Based	Unit
	Natural Gas Use	5,788,782	KWH	0.18	0.18	1,066,089	1,066,089	Kg CO <sub>2</sub> e
	LPG Use	91,673	KWH	0.21	0.21	19,665	19,665	Kg CO <sub>2</sub> e
	Diesel Use	322,543	Litres	2.6	2.6	838,663	838,663	Kg CO <sub>2</sub> e
	Refrigerant (R407F)	55	Kg	1,825	1,825	100,375	100,375	Kg CO <sub>2</sub> e
	Refrigerant (R404A)	45	Kg	3,922	3,922	176,490	176,490	Kg CO <sub>2</sub> e
	2 Electricity Use	8,493,225	KWH	0.35	0	2,972,629	0	Kg CO <sub>2</sub> e
Total Scope 1 & 2						5,173,907	2,201,278	Kg CO <sub>2</sub> e
Total Scope 1 & 2						5,174	2,201	t CO <sub>2</sub> e

\*A location-based method reflects the average emissions intensity of grids on which energy consumption occurs. A market-based method reflects emissions from electricity that companies have purposefully chosen to purchase.

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#### **Methodology**

To accurately calculate our Scope 1 & 2 carbon emissions we followed the Green House Gas (GHG) Protocol. We worked with The Carbon Trust to identify the appropriate boundaries for our Scope 1 & 2 emissions and emissions have been calculated using the emission factors set out in the 2019 UK Government Conversion Factors for Company Reporting.

As a final note, the Directors are aware of their duty under s.172 of the Companies Act 2006 to act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders, which includes having regard to other stakeholders.

#### **Principal Risks**

For now we remain in a world dominated by Covid-19 and society's response to the risks it creates. So far, we have been fortunate that the challenges for our business have been offset by the opportunities. We believe this will continue but the experience of November to March suggests it is a fine line we will be walking. We will continue to be flexible and responsive and trust the culture and people of COOK will allow us to rise to each challenge as it comes.

Given we see culture as our competitive advantage, it also represents a big risk. As we grow, we will have to work even harder to ensure our culture becomes deeper and richer in all parts of the business. We've made a good start at our new kitchen, COOK Classics, and plan to make further progress this year. We are also painfully aware that sustaining our culture in a socially-distanced world is challenging, especially for office-based teams who have been working from home for most all of the year.

Under our core value of Care is a vigorous focus on Health & Safety. As we grow rapidly, we must make sure we have the right level of protection for our staff and our customers.

Constant vigilance around food safety is essential. A major incident in this area would not only risk harm to our customers – always our top priority – but potentially cause significant damage to our brand. We therefore maintain close relationships with our suppliers to ensure quality in our ingredients at all times and have processes in place to monitor and enhance our food hygiene and safety standards which are assessed and validated as part of our ISO 22000 certification. We have also established new TACCP and VACCP programs to help us buttress our monitoring in this area. In all of this work we are indebted to the commitment and quality of our Technical team who act as our first line of defence.

As a vertically-integrated, branded manufacturer, we have a deep reliance on our own cooking capability. Should this cease for any reason for a prolonged period of time (such as fire or flood), there would be a big impact on the business. To help mitigate this risk, and for operational optimisation, we tend to hold approximately a month of stock. We also now have a second kitchen, COOK Classics, that gives us further protection in the event of disruption.

We continue to see ever increasing competition. Although there are no national, frozen ready-meal producers that can compete with our combination of consistent quality and taste, we are up against many different forms of food provision. Obviously, this includes chilled, premium ready meals but also home delivered recipe kits (a rapidly expanding market), hospitality generally, and of course eating at home. We continue to believe we have the best product and win in taste but cannot afford complacency. To re-iterate one of our co-founder, Ed's, favourite aphorisms (courtesy of rocker, David Lee Roth): "Just when you think you have the rat race licked – BOOM, faster rats".

The economic situation in the UK, influenced by both the pandemic and Brexit, continues to be a significant risk our business. We are beginning to see inflationary pressures on both our supply chain and staff costs. In mitigating and controlling this risk, the long term, close relationships that we nurture with our suppliers are key: this works both ways and it can mean supporting suppliers when their times are hard as much as relying on their goodwill when we see issues. Recruitment is also proving a big challenge, especially in our kitchens, as the labour supply in the UK is tight and showing limited signs of loosening.