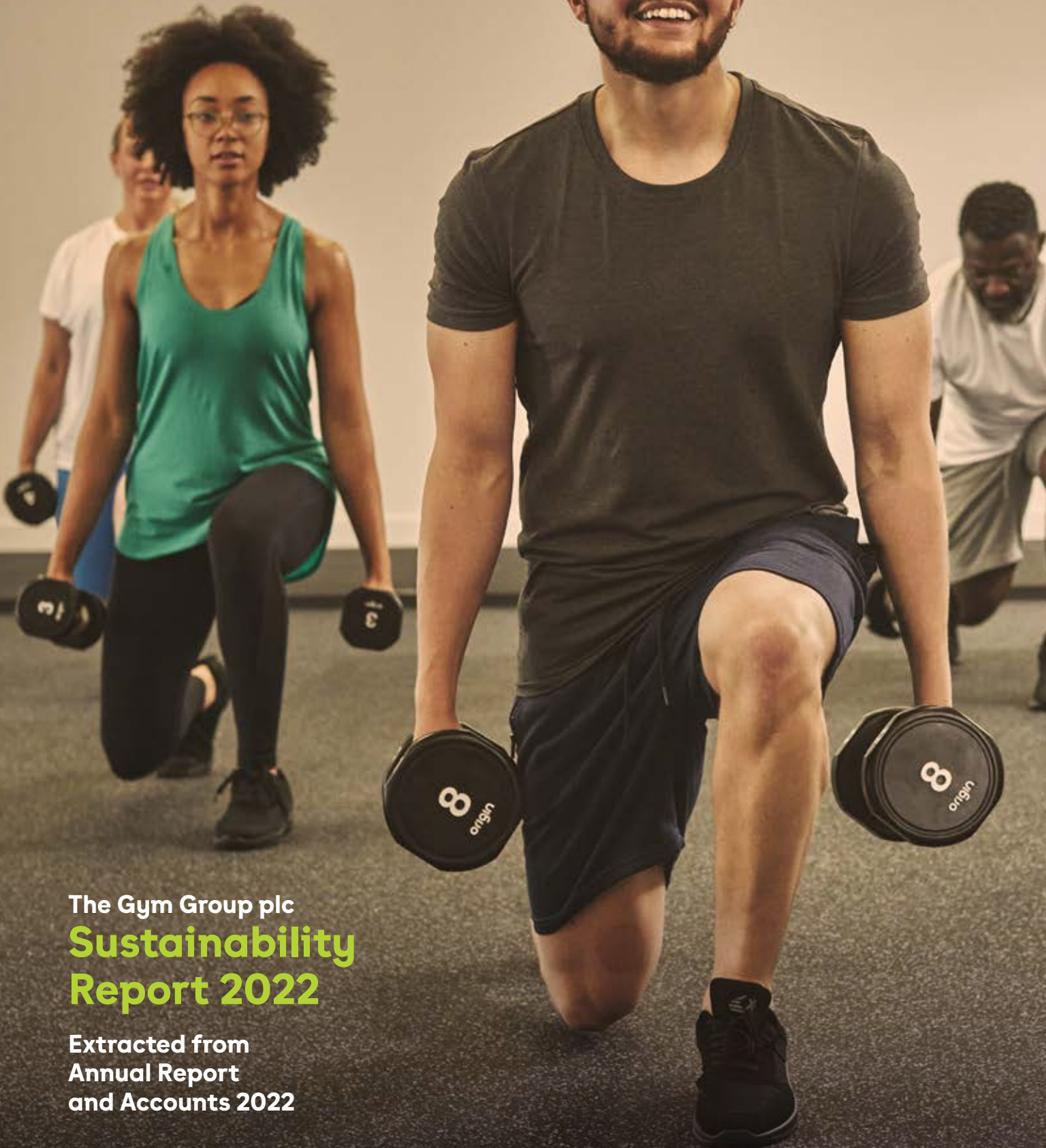




the
gym
group



The Gym Group plc
**Sustainability
Report 2022**

Extracted from
Annual Report
and Accounts 2022

Strategic report
Sustainability report

Sustainability at The Gym Group



CarbonNeutral.com

Strategic report



Governance report

Financial statements



At The Gym Group, we remain committed to breaking down barriers to fitness, enabling everyone to live healthier and more rewarding lives, within the natural balance of the planet. The cost-of- living crisis, driven by high inflation and compounded by the soaring cost of energy, has presented a range of challenges for UK society, including The Gym Group and our members. Our low cost and accessible gym model, which is delivered in a resilient and sustainable way, is therefore more compelling than ever.

Our sustainability strategy was created to help deliver our purpose and consists of five key pillars, as defined by our 'sustainability wheel'. Our 2022 report highlights our performance and activities during the year, in line with our strategy.

We continue to report with reference to Global Reporting Initiative 2021 Universal Standards and against Sustainability Accounting Standards Board Leisure Facilities Standards. Full reporting can be found on our website along with our sustainability strategy, materiality matrix, and sustainability governance structures.

We were the first carbon neutral gym chain in the UK and have again offset our remaining carbon emissions for 2022 through investment in carefully chosen and Gold Standard certified carbon offset projects in support of our journey to net zero.

Social impact

Research into the benefits of exercise clearly shows that when our members visit our gyms at least four times a month, improvements in their physical health, mental wellbeing and social development (social value) are achieved. We therefore introduced a new performance metric in 2022, to help us track our positive social impact. In 2022, the Covid-19 pandemic continued to impact our ability to deliver this societal benefit, with further disruption from the pandemic in January and February. This report sets out how we have achieved our target and delivered an increase of 8% in social value compared to 2019 by enabling over 53 million gym visits.

The environment

The UK saw a record temperature of 40.3°C in July 2022, 1.6 °C higher than the previous record. Across the globe, 2022 has been a year of extreme climate events claiming hundreds of thousands of lives and displacing millions of people. We are in a period of 'climate changed' as well as climate change, and we are evaluating both risks and opportunities to ensure our business is resilient to this change.

We have expanded our assessment of climate-related impacts within our Task Force on Climate-Related

Financial Disclosures ("TCFD") reporting and explored further water management measures.

At COP27, UN Secretary General António Guterres made some of his strongest comments yet on global warming, saying, "our planet is fast approaching tipping points that will make climate chaos irreversible". The UN's environment agency ("UNEP") reported that there is "no credible pathway to 1.5°C in place", and the only way to limit the worst impacts of the climate change crisis is a "rapid transformation of societies". The report highlights that, if current pledges of action were delivered in full by 2030, then we would experience a rise in global temperature of about 2.5°C, with catastrophic effects.

Our commitment to net zero has taken a significant step forward this year, with a full submission to the Science Based Targets initiative ("SBTi"); this includes the recalculation of our 2019 carbon footprint – our baseline year.

Our Green House Gas ("GHG") emissions are therefore restated in this report and we have removed data for 2020 and 2021; this is due to the lack of comparability owing to the significant impact of Covid-19 on our operations. Our 2022 emissions are stated in line with this revised calculation for direct comparison.

Diversity and equal opportunity

The Gym Group is a place where we want everyone to feel included and accepted, with equal opportunities to succeed, and we continue to make progress towards our goals. We were also delighted to be recognised by Reward Gateway in their Engagement Excellence Awards.

Good jobs and quality education

This year was our first time assessment for the We Invest In Wellbeing accreditation where we achieved silver. We also received the Best Places To Work award by Glassdoor and maintained our Investors In People Gold accreditation.

Human rights, anti-bribery and anti-corruption

We conduct our business honestly and ethically wherever we operate. Our Human Rights Policy Statement and Anti-Bribery and Corruption Policy Statement can be found on our website. We also have a detailed Anti-Bribery and Corruption policy, which is available to all employees via our intranet along with training.


David Melhuish

Chief Development and Sustainability Officer


Strategic report

Sustainability report continued

Good jobs and quality education



4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH

Engagement survey


83%

Participation rate
(decrease of 2 percentage points from 2021)


Overall engagement score

67%


(increase of 6 percentage points from 2021)



glassdoor
BEST PLACES TO WORK 2022



INVESTORS IN PEOPLE®
We invest in people Gold



INVESTORS IN PEOPLE®
We invest in wellbeing Silver

Our people first culture is vital to our success and remains a business focus at The Gym Group. Through our ‘people promise’ we are committed to supporting our employees in their career adventures, providing new opportunities and a culture where people can achieve their goals.

The impact of the increase in the cost-of-living brought us new challenges in 2022 and looking after our people’s wellbeing and talent development has remained a business priority. To deliver this, we have implemented development programmes across a variety of roles and continued to provide wellbeing support through the delivery of our LeadWell programme in partnership with Outliers Wellbeing, covering topics such as psychological safety and tackling burnout.

Employee engagement
We have continued to utilise our annual engagement surveys to listen to our teams’ experiences, and we have used the findings to shape our people strategy. Feedback from

our 2021 engagement survey results indicated that our people were looking for additional opportunities to learn and develop. In response to initiatives launched in 2022, we have seen key drivers of employee engagement, such as job satisfaction and opportunities to learn and develop, increase by 8 and 10 percentage points respectively.

Employee learning and development
We relaunched our ‘Emerging Talent’ management development programme in May 2022, providing high potential Assistant General Managers with development pathways into General Manager roles. This achieved huge success, with a 95% retention rate and 42% promotion rate in this first cohort. In June we expanded the ‘Emerging Talent’ framework by launching a bespoke Fitness Trainer programme, which serves to provide the skills required to progress. This resulted in an 83% retention rate, with 65% of participants securing promotions to Assistant General Manager positions. By providing opportunities to develop into management roles, we hope to grow and retain our internal talent pipelines and will continue to deliver our Emerging Talent programmes in 2023.

We also introduced new apprenticeship development opportunities across our Gym Support function, which enables existing employees to undertake a professional qualification relevant to their role, such as accountancy, marketing and leadership. In 2023, we will expand apprenticeship opportunities to support our Gym Operations teams.

13

employees enrolled on apprenticeships

42%

promotion rate – Emerging Talent management development programme

65%

promotion rate – Fitness Trainer Emerging Talent programme

As we move into 2023, we will remain focused on delivering internal development programmes and aim to introduce targets to measure the effectiveness of these programmes. Development in 2023 will be focusing on female leadership, conscious leadership and building a future leader’s pipeline for gym operations.

In our communities
The UK Government’s Kickstart Scheme — designed to provide job placement opportunities for young adults at risk of long term unemployment — concluded this year. Since joining the scheme in December 2020, we have given 234 young people the opportunity to gain work experience and a qualification in fitness.



Fitness Trainee Kickstart programme

66%

of participants converted to a Fitness Trainer role at The Gym Group


Kickstart Business Support programme

38%

of participants converted to permanent roles within our Gym Support function

Due to the success of the Kickstart programme, we have decided to create a Grow Your Own talent development scheme in 2023. Within this scheme we will launch The Gym Group Academy to provide a framework for multiple pathways into a career in fitness. The scheme will deliver further education, experience and the personal training certifications required to become a Fitness Trainer. The Gym Group Academy will focus on those currently on universal credit, hard to reach demographics and women. Programmes will run throughout the year and range from five day work experience placements to 16 week Grow Your Own Fitness Trainer programmes.

Whilst our partnership with the Rio Ferdinand Foundation pilot ‘Find Your Future’ programme did not generate the participant engagement anticipated, we were active in delivering engagement visits to supported community projects.



Miranda Jeffery, General Manager at our Northampton gym, shares her career and development adventure at The Gym Group.

I joined The Gym Group in 2019 as a Fitness Instructor but was always really interested in the operational side of the business. With the ongoing support and encouragement of my manager, I applied for the Assistant General Manager role and in 2021, achieved my first step into management. I instantly knew this was the right path for me and loved leading, educating and motivating my own team of Fitness Trainers, as part of my new role.

In 2022, I was selected to take part in the Emerging Talent leadership development programme. This programme was a huge support in fast tracking my career at The Gym Group, and I was soon promoted to General Manager. The modules within the programme helped build my understanding of the role and the skills and knowledge required to deliver in this position.

“Completing the Emerging Talent programme has not only fuelled my knowledge but also my passion for working at The Gym Group.”

Strategic report

Sustainability report continued

Good health and wellbeing

3

GOOD HEALTH AND WELLBEING

Social value generated in 2022

£756m

(vs £700m in 2019)

70%

Of social value comes from direct NHS cost savings and mental wellbeing benefits to our members



The World Health Organisation ('WHO') has long recognised that regular physical activity is proven to help prevent and manage diseases, such as heart disease, stroke, diabetes and several cancers. Exercise can also improve mental health, quality of life and wellbeing.

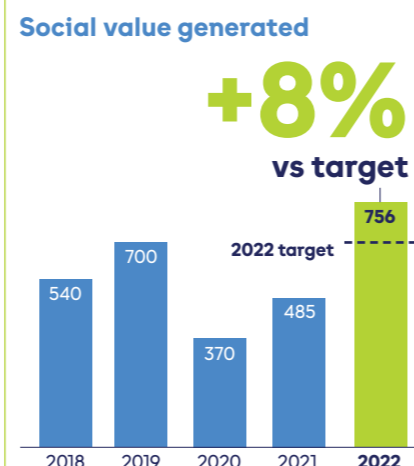
2022 saw a dramatic increase in the cost-of-living, with the crisis disproportionately impacting lower income demographics. Offering affordable facilities to exercise is therefore increasingly important.

With 28 new gym openings in 2022, we continue to locate 32% of our growing estate in the 20% most deprived areas of the UK, reinforcing our commitment to tackling inactivity in disadvantaged communities.

At The Gym Group, we have made it our purpose to break down barriers to fitness, and not only provide access to low cost, safe and high quality fitness facilities to our members, but also to motivate our members to use our gyms regularly.

Our network of 229 gyms affords access to 52.5% of the UK population

The social impact of The Gym Group
Growing the positive impact our business has on our members and the communities we serve is central to our purpose. We are proud to have increased the social value generated in 2022, beyond our target by 8% to £756 million.

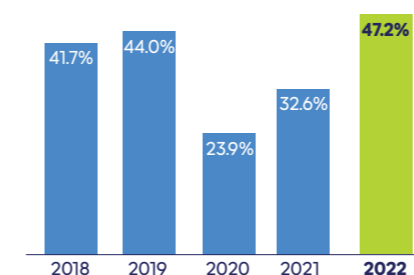


This incredible result was not only driven by higher membership numbers (up 14.3% on 2021) but was also the result of our focus on motivating our members to exercise in our gyms regularly.

As a business dedicated to generating social value, we created a new KPI for the Executive Committee to drive social value. Performance is measured on the percentage of members who visit our gyms at least four times a month. Our target for 2022 was to return to 2019 levels; we exceeded this target and achieved a 71% increase on 2019 to 47.2% by launching a range of initiatives including celebrating member visits, creating member challenges and welcome videos for new members to increase the accessibility of our gyms.

Information on how the social value is calculated and the Social Value Model can be found on our website.

% of members visiting at least 4x per month¹



¹ Calculated as a rolling 12-month average.

Safety at our gyms

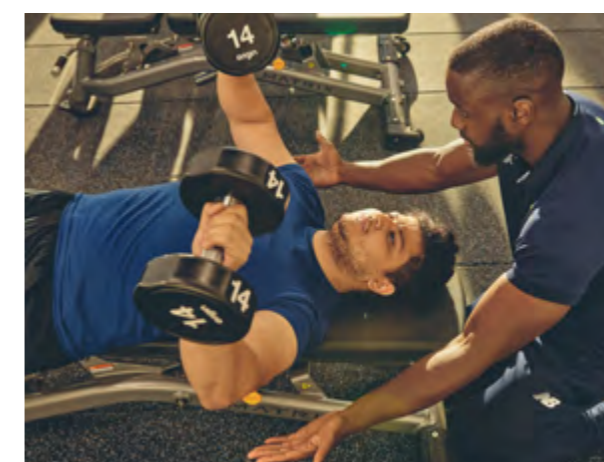
The safety and security of our people remains a priority focus, and we have improved processes for both our members and employees. This is supported by a more sophisticated approach to reviewing risk, as well as robust strategic crisis management plans and emergency action plans.

Our main focus throughout 2022 was to conform our health and safety management system to ISO 45001:2018. We are now working on certification to the ISO standard in 2023.

Our Primary Authority partner, Wakefield Council, provides valuable insight from a regulatory perspective into our management system and processes and supports us in responding to regulatory queries from other Local Authorities. We have begun seeking a secondary partnership with a Fire Authority.

2022 was the first year of delivering an unannounced health and safety audit schedule across the business; as a result, we observed a marginal reduction in our Group audit results, in which we obtained an audit score of 96%.

Our overall headline accident rate hasn't seen a material change. We have developed additional rates for more serious accident types which demonstrate whilst our overall rate remains static, we have seen positive reductions in our more serious accident and incident types.



Average Audit Score

96%

(2021: 97%)



Positive impact of exercise on mental wellbeing

Interview with Fraser, member at The Gym Group Greenwich

Why did you join The Gym Group Greenwich?

I joined The Gym Group because I felt that I needed to do a bit more for my fitness and find an outlet from university stress.

What do you like about The Gym Group?

The community that is led by Jason at The Gym Group Greenwich is incredible. When I go to the gym, I know I am seeing people that genuinely care about me. The staff and members are incredibly friendly. Importantly, I don't feel judged - it is a social space as well as a place to exercise, and whilst I go to the gym mostly on my own, there are always people around for me to talk to and workout with.

What role does The Gym Group play in your general wellbeing?

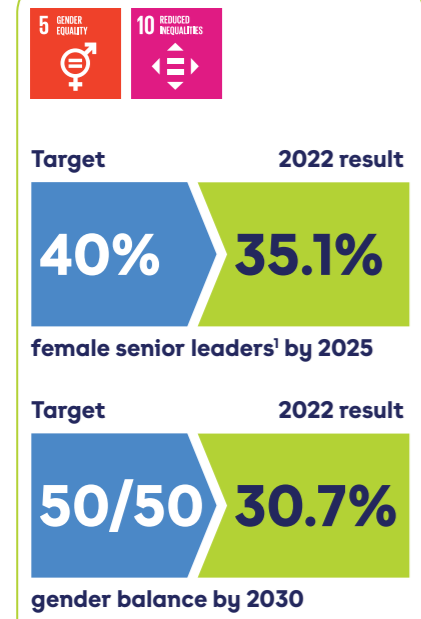
I was diagnosed with depression and anxiety and was prescribed anti-depressants to cope with day-to-day living. I also had some therapy sessions with the NHS and my university. However, it felt like I had to find my own path to improve my mental wellbeing. When gyms opened again post pandemic, I went regularly. I always look forward to going to the gym and feel so much better afterwards. That positive feeling doesn't leave me, it stays with me for the rest of the day.



Strategic report

Sustainability report continued

Diversity and equal opportunity



Breaking down barriers to fitness and ensuring The Gym Group is a place where everyone feels included and accepted, with equal opportunities to succeed, remained a core focus in 2022.

Last year, with the impact of the cost-of-living crisis, we prioritised reviewing our diverse and inclusive recruitment practices and representation. To support our Equality, Diversity and Inclusion ('EDI') pledges launched in March 2022, we developed recruitment and retention KPIs and targets and report progress quarterly to the Sustainability Committee. Our Chief Development and Sustainability Officer, David Melhuish, remains the sponsor of the EDI group, playing a crucial role in raising the agenda and positive action on diversity. Overall, we are pleased to have reported positive progress against our EDI targets, however, we recognise that more work is required.

Inclusion at The Gym Group Approach to recruitment
To reduce bias and ensure an inclusive hiring approach, we introduced standardised competency based

interviews for all operational positions. We also revised job adverts to reflect gender neutral language and tone, and provided alternative application routes for those who require adjustments. Additionally, we promote flexible working practices within our recruitment adverts. To further attract diverse talent, we released our series of inclusive brand videos to showcase the diversity of our people and their experiences working at The Gym Group.

We launched our Inclusive Traineeship in October 2022, the first of which was in partnership with the Down's Syndrome Association, and welcomed five amazing trainees. The programme has delivered valuable work experience within our gyms, whilst supporting our trainees with their Active IQ Level 1 Award in Fitness and Physical Activity. The Traineeship has been a success and we intend to continue the programme under our Gym Academy framework, with further cohorts planned for 2023.

Employee inclusion and retention

We have continued to embed our employee led EDI working groups throughout 2022, which are focused on age, cultural diversity, disability, gender and LGBTQI+ to drive inclusion in the business.

In May 2022, we relaunched our wellbeing strategy to the business. In response to the cost-of-living crisis, we focused on providing financial and emotional wellbeing support, highlighting available resources and bringing forward pay reviews. We launched the first cohort of our new Mental Health Ambassadors programme in October, a six-month programme providing refresher training and upskilling to 24 (existing and new) mental health champions to further support our colleagues.

To improve the retention of female talent, we investigated the key factors impacting our female employees' experiences and drivers to leave the business. In 2023, we will use these insights to inform our EDI strategy and support our gender pledges.

This year, we also joined ukactive's Everyone Can disability taskforce, contributing to thought leadership and influencing change within our sector.

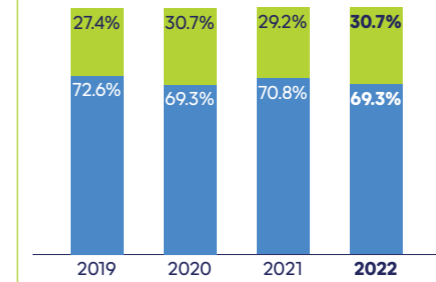
EDI pledges 2022-2030 Gender

Throughout the year, we have taken positive action to support movement towards our gender pledges.

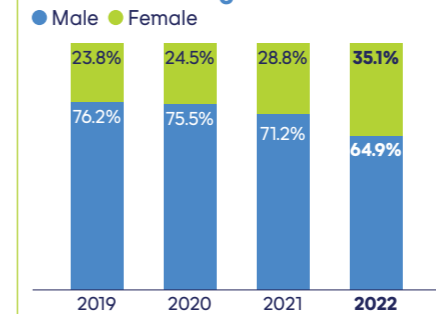
In 2022, female representation among our senior leaders' increased by 6.3 percentage points to 35.1% and across the business by 1.5 percentage points to 30.7%. Whilst some progress has been made, a focus on female retention and development will be key to achieving our targets.

¹ Senior leaders includes senior managers, heads of department, directors and members of the Executive Committee.

The Gym Group gender balance



Senior leaders gender balance



Ethnicity

We continued to collect and monitor our employee ethnicity data in 2022. Using ethnicity data collected from communities within a five-minute catchment area of our gyms, we established how reflective our workforce is of the communities we serve. Within Gym Support, those identifying as Black, African and Caribbean increased by 2.3 percentage points compared with 2021. Across Gym Operations, whilst those identifying as ethnically white increased by 1.8% percentage points from 2021, overall ethnic diversity remains broadly above census data and in line with catchment data. However, we are aware that Asian employees are currently under represented; more work is required to understand reasons for this trend.

Gender pay gap

In January 2022, we introduced a new director level to the business. This resulted in an initial increase in males at a senior level, creating a rise in our mean gender pay gap to 3.3% (versus 1.6% in 2021). Our median pay gap remained consistent with 2021 reporting as most of our employees undertake the same role and are therefore on the same pay rate, regardless of whether they are male or female.

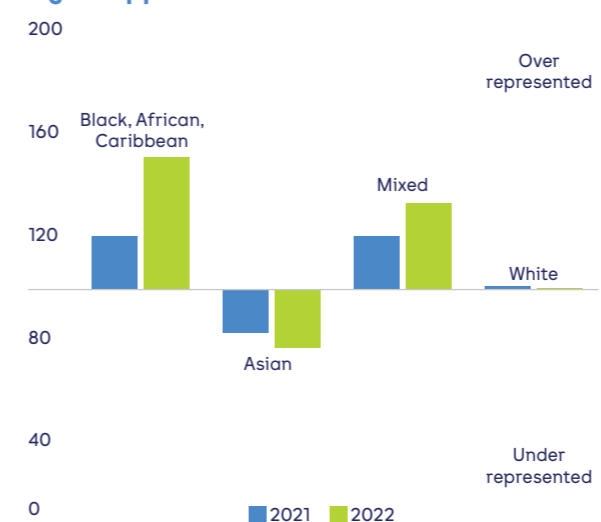
Ethnicity pay gap

We collected ethnicity data from 98% of our employees enabling greater accuracy in our pay gap reporting in 2022. We are pleased to report our mean ethnicity pay gap as of April 2022 has improved, falling to 14.8% (versus 16% in 2021). Our median ethnicity pay gap remains at 0% as most employees did not change roles or pay during the year. We recognise that more work is required to reduce our mean ethnicity pay gap.

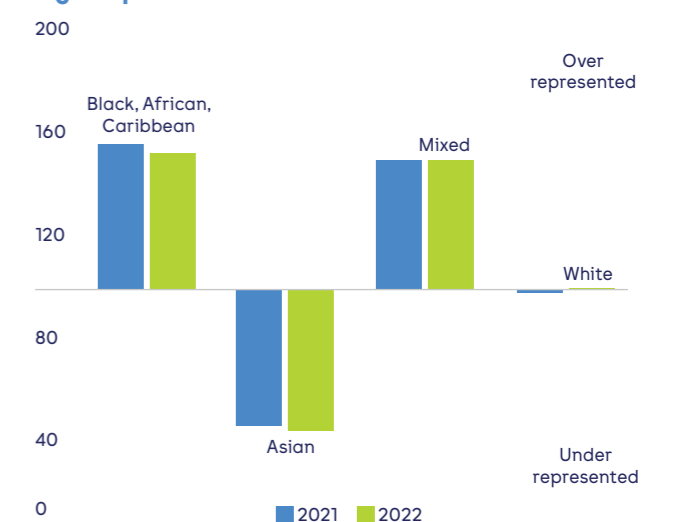
Our full ethnicity and gender pay gap reports, which provide further detail on our figures and the actions we are taking to address these gaps, will be available on our website by the end of March 2023.



Gym Support: Index vs communities we serve



Gym Operations: Index vs communities we serve



Strategic report

Sustainability report continued

Responsibility to the environment



Purchasing
100%
Renewable energy¹

Carbon neutral since
2021

Scope 1 and 2 emissions
-11%
compared to 2019



¹ For all sites where The Gym Group controls the purchase of energy.

We are committed to reducing our carbon emissions at The Gym Group, and we recognise the importance of the Paris Agreement to limit global warming to 1.5°C. Our sustainability strategy acknowledges this and sets out our responsibility to the environment.

Our road to net zero

Our stated commitment to net zero was accepted by Science Based Targets initiative (SBTi) in March 2022, and we have now made our full submission; this defines our pathway to net zero in compliance with the latest science based standards and guidelines. As part of this process, we have extended our Scope 3 emissions boundary to include all materially relevant activities, as well as restating and aligning our baseline year of 2019.

Our level of ambition has not changed, and we remain committed to decarbonising our estate of Scope 1 and 2 emissions by 2035. However, alignment with our Scope 3 emissions trajectory determines a SBTi net zero target of 2045. We recognise emission reductions are only a part of achieving net zero.

Our carbon reduction target^{1,2,3}

We are committed to achieving our near term target of a 50% reduction in Scope 1 and 2 emissions by

2030

And decarbonising these emissions by

2035

We have committed to a science based target to achieve net zero by

2045

Our carbon reduction commitments

Our wider climate-related targets are outlined below and we will review these over time as we continue to develop our net zero plan.

Suppliers

We commit to engaging with all our key suppliers to set their own emission reduction targets, aligned with climate science, by 2028

Members

We commit to developing a member engagement plan by 2025 to drive forwards our net zero ambition

Renewable energy

We commit to increasing and maintaining our annual sourcing of renewable electricity to 100% by 2025

Abatement

We will develop our plan to remove and store carbon from the atmosphere. This will serve to offset the impact of our unabated emissions, which remain once we have achieved our 2045 net zero target

Our GHG emissions reporting in 2020 and 2021 was significantly impacted by Covid-19 restrictions and was therefore not representative of our typical performance. As published in our Annual Report 2021 on page 45, our Scope 1 emissions in that year were 1,282 tCO₂e and Scope 2 6,420 tCO₂e. Owing to materially lower levels of activity than usual, we have chosen not to restate these years, and we will report against our 2019 baseline going forward to demonstrate progress towards our net zero commitment. Our 2022 emissions are stated in line with this revised operational boundary for direct comparison.

Energy management and reduction

A volatile energy market has been a feature of 2022, and there have been significant increases in utility costs that remain into 2023, and beyond. The increasing cost of energy, combined with the need for net zero, makes energy reduction and management more important than ever.

Across the UK, we have a team of specialist Facilities Managers ('FMs') who maintain a consistently high standard across our gyms.

In 2022, we undertook detailed energy measurement, monitoring and reporting at several sites. Our energy reporting is now being built into a centralised system to allow full visibility, both centrally and locally, of all sites. We also introduced a standardised energy audit that FMs now complete each year at every site. The energy audit seeks to identify any issues that may be driving excessive energy consumption. Examples of when we successfully reduced our energy use are found in the below table:

The issue	The solution	The outcome
Air handling unit controls An anomaly with the control system on our air handling units resulted in the unit running at high speed overnight.	Corrected so that the units are run at approximately 50% capacity at periods of low occupation. We produced a training video on the correct configuration for all engineers to prevent any reoccurrence.	Applied to 100 sites, this initiative would deliver a carbon reduction of approximately 46 tCO ₂ per year.
Lighting upgrade Prior to 2016, all our sites were fitted with T5 fluorescent lamps, with LED lighting introduced in May 2016.	Completion of our lighting replacement programme in 2022, with all gyms now operating LED lighting. Reduction of power consumption on a like-for-like basis and fewer lamps needed due to the improved output.	Reduced energy and power consumption on a continuous basis. Replacing 20,000 T5 lamps with LED will deliver a carbon reduction of approximately 2,000 tCO ₂ per year.
Air conditioning systems and temperature control With record breaking high temperatures this summer, the demand on our air conditioning was significant.	On World Environment Day we launched our '20 is Plenty' campaign to ensure gyms were operating at no lower than 20°C. We also continued to rollout and develop our remote monitoring and control systems for air conditioning.	Published studies vary, but it is generally reported that increasing the air conditioning temperature by 1°C can save 5-10% of running costs. Data logging and remote access enhance our understanding and lead to optimisation of energy consuming systems.

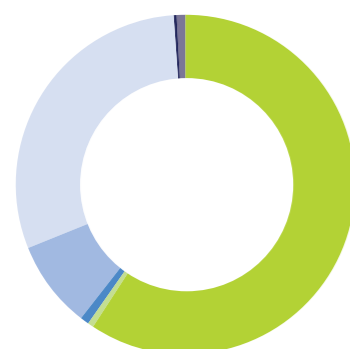
¹ From a 2019 baseline.
² Aligned with the UK governments commitment for grid decarbonisation as published in 2021.
³ Reduction in Scope 3 emissions by 54% per gym by 2030 and 97% per gym by 2045 to achieve the absolute long term target of 90% reduction for Scope 1, 2, and 3.



Strategic report

Sustainability report continued

Scope 3 emissions



Scope 3 Category	Emissions (tCO ₂ e)			
	2019	2022	Var	Contr.
Capital goods	17,544	21,856	25%	59.3%
Business travel	272	205	-25%	0.6%
Employee commuting and homeworking	402	385	-4%	1.0%
Fuel and energy related	2,343	3,031	29%	8.2%
Purchased goods and services	4,488	11,064	147%	30.1%
Upstream transport	375	80	-79%	0.2%
Waste	236	216	-15%	0.6%
Total	25,660	36,837		100%

Low carbon technology

We have continued to rollout our hot water systems using air source heat pump (‘ASHP’) technology. Last year, working in partnership with our key suppliers, we developed a highly efficient system that incorporates carbon dioxide (‘CO₂’) as the refrigerant with a global warming potential of just 1.0. We are now able to successfully generate hot water using this method at all new sites and currently operate 30 sites using ASHP, removing the need for gas fired boilers. We will actively replace old gas fired systems with ASHP as they reach their end of life, supporting our pathway to net zero.

To further support our net zero roadmap, we are installing photovoltaic solar panels to generate local onsite power. Typically, up to

30% of our gym’s power requirements can be met by onsite solar panels, and we are able to consume up to 100% of the power generated, avoiding emissions of over 35 tCO₂e per year for a typical gym. We have already completed detailed site appraisals at several sites and are in discussion with landlords to agree the installation.

We will continue to make capital investments to reduce energy consumption in 2023. Due to the increased energy costs, capital investments will have a reduced payback period and improved return on investment. We will explore further opportunities as they arise, including investment in low carbon technologies and energy-saving initiatives.

2022 carbon emissions

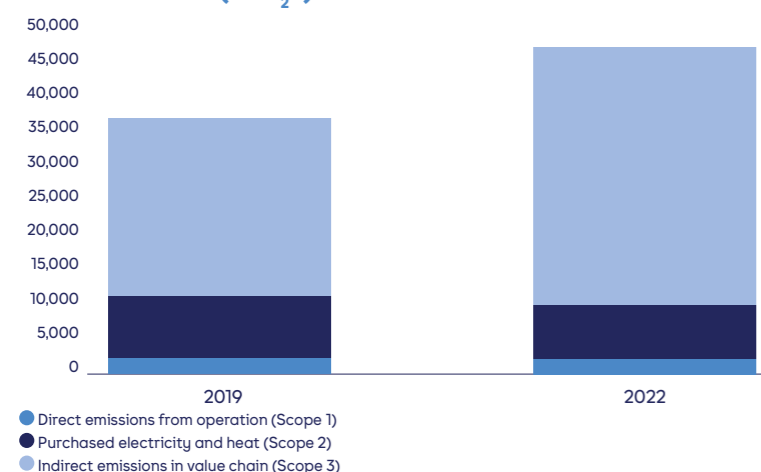
Our Scope 1 direct emissions for this year are 2,138 tCO₂e, resulting from the direct combustion of 10,960,970 kWh of natural gas. Both 2019 and 2022 now include emissions resulting from loss of refrigerants. This represents a carbon decrease of 1% from 2019.

Scope 2 indirect emissions for this year are 7,633 tCO₂e, resulting from the consumption of 39,435,614 kWh of electricity and 38,880 kWh of direct heat, purchased and consumed in day-to-day business operations. This represents a carbon decrease of 13% from 2019.

Our operations have an intensity metric of 203 tCO₂e per gym and 871 tCO₂e per million visits for this reporting year. This represents a reduction in operational carbon intensity by 1.5% and an increase of 11% respectively from our base year.

Our emissions have been calculated utilising location based emission factors, as published by the Department for Business, Energy and Industrial Strategy. Due to the renewable electricity procurement contract that we have had in place since 2019, should we utilise market-based emissions factors to calculate carbon emissions, our Scope 2 would reduce by 6,002 tCO₂e.

Total emissions (tCO₂e)



Emissions year ended 31 December

	2019	2022
Total emissions (tCO₂e)		
Direct Emissions from Operation (Scope 1)	2,157	2,138
Purchased Electricity and Heat (Scope 2)	8,797	7,633
Indirect Emissions in Value Chain (Scope 3)	25,660	36,837
Total emissions (tCO₂e)	36,614	46,608
%Change from base year Scope 1 and 2		-11%
% Change from base year Scope 1, 2 and 3		27%
Intensity Metric (tCO ₂ e per gym)	206	203
% Change from base year		-1.5%
Intensity Metric (tCO ₂ e per million member visit)	785	871
% Change from base year		11%
Total consumption (kwh)		
Scope 1 (Gas)	11,071,196	10,960,970
Scope 2 (Electricity)	34,409,373	39,435,614
Scope 2 (Heat)	10,907	38,880
Total (kWh)	45,491,476	50,435,464

Waste management

2022 marked the start of our initiative to extend the lifespan of our gym equipment. We kicked off a programme to remanufacture and overhaul kit within our aged estate to extend the lifespan of our core product offering. Machines have been taken from existing gyms to create a baseline stock holding, which can then be repurposed elsewhere within the estate, shifting the balance from ‘remove and replace’ to ‘remanufacture and recycle’. Any kit that cannot be remanufactured is responsibly recycled through our buy back programme.

Throughout 2022, we gradually reduced the volume of blue roll cleaning tissue used by members in our gyms as the intense Covid-19 cleaning regimes relaxed. By modifying member communications and reducing the number of cleaning stations in each site, we observed a lower volume of waste without any

negative response from members or impact on the cleanliness of equipment.

As well as reducing the amount of waste generated, we have reduced the number of waste collections, which has subsequently eliminated transport and handling emissions.

This has resulted in a reduction of 32% in our overall waste (by weight) in the second half of 2022. Landfill diversion has remained consistent with 2021, seeing 95% of our waste being recycled or sent to waste to energy plants.

2022 has seen a full year of waste generation compared with the nine months of operation in 2021, with new gyms also adding to the total amount generated. Against this background, the amount of waste generated per gym has remained the same, and after adjusting for the closure period in 2021, we witnessed a gross reduction in total waste by 19%.

Water management

We concluded our estate-wide water audit in 2022. Only eight sites were identified as having issues, all of which were quickly remedied. We have also installed data loggers with remote monitoring to capture water consumption data at several sites. We will evaluate the findings in the first half of 2023 to gain greater insight into our water consumption and establish an ongoing monitoring and targeting system.

As we do not operate any pools, sauna, steam rooms or similar wet facilities, toilet and wash facilities are the main water use. Most of our gyms are equipped with low water volume shower heads to reduce consumption, and we have identified up to 80 locations where replacing the original showers can reduce water consumption by over 30%. This work is ongoing and will be completed in 2023, with the potential to save over half a million litres of water a week.

Landfill diversion	2019	2020	2021	2022
Total weight (in tonnes)	750	443	942	1,066
Average tonnes/gym	4.3	3.5	6	6
Diverted from landfill	90%	90%	95%	95%

Strategic report

Task Force on Climate-Related Financial Disclosures (‘TCFD’)

In meeting the requirements of Listing Rule 9.8.6 R, we have concluded that for FY22:

- we fully comply with recommended disclosures 2, 3, 6, 7, 8 and 10; and
- we partially comply with recommended disclosures 1, 4, 5, 9 and 11.

TCFD pillar	TCFD recommended disclosures	Cross-reference and compliance status	Next steps and further comments
Governance	1) Describe the Board’s oversight of climate-related risks and opportunities.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Governance – Report of the Sustainability Committee (pages 90-91). <p>Partially compliant – climate-related risks and opportunities are discussed as part of the Board Committees, however further work could be done to delve deeper into the financial and business strategy implications of such impacts.</p>	We will conduct a training needs analysis of key climate skills required at the Board level and review the provision of climate-related remuneration.
	2) Describe management’s role in assessing and managing climate-related risks and opportunities.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Governance – Report of the Sustainability Committee (pages 90-91). <p>Compliant</p>	We will continue to ensure our senior management plays a key role in climate-related management and assessment, including reviewing our organisational strategy against climate impacts.
Strategy	3) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). <p>Compliant</p>	We recognise that we need to undertake further work to review the relevance of our selected time horizons for climate scenario analysis.
	4) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Sustainability report – Responsibility to the environment (pages 46-49). • Strategic report – Strategy in action (pages 28-35). <p>Partially compliant – work has commenced in this area, however further work is to be conducted on how our commercial strategy will be impacted by our identified climate-related risks and opportunities, including the financial impact.</p>	Using both identified climate scenarios (RCP 4.5 and RCP 8.5), we plan to undertake a financial quantification assessment of climate-related impacts on our business.
	5) Describe the resilience of the organisation’s strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). <p>Partially compliant – we have begun climate scenario modelling for two distinct futures, however further work is to be conducted on the resilience impacts for our business.</p>	We will review and disclose the resilience of our strategy against identified climate scenarios, focusing on mitigation measures for those most significant.

TCFD pillar	TCFD recommended disclosures	Cross-reference and compliance status	Next steps and further comments
Risk management	6) Describe the organisation’s processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Strategic report – Principal risks and uncertainties (pages 54-63). <p>Compliant</p>	We will assess and disclose the current and future regulatory drivers of our approach to climate change.
	7) Describe the organisation’s processes for managing climate-related risks.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Strategic report – Principal risks and uncertainties (pages 54-63). <p>Compliant</p>	We will continue to manage and monitor climate-related risks and opportunities for our business.
	8) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). • Strategic report – Principal risks and uncertainties (pages 54-63). <p>Compliant</p>	We will continue to review the status of climate change as an emerging risk and monitor any changes in its immediacy of impact.
Metrics and targets	9) Disclose the metrics used by the organisation to assess climate-related risks and opportunities.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Climate and Carbon (pages 46-49). • Sustainability report – Responsibility to the environment – Taskforce on Climate-Related Financial Disclosures (pages 50-53). <p>Partially compliant – whilst we have developed ESG remuneration for Executives, we have not yet considered the integration of climate into remuneration policies.</p>	We will explore additional climate-related performance metrics, such as climate-related remuneration for our employees and metrics to monitor physical climate risks to our business and on our organisational strategy.
	10) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Climate and Carbon: Carbon emissions (pages 46-49). <p>Compliant</p>	We are committed to continually reducing our greenhouse gas emissions in line with SBTi.
	11) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> • Sustainability report – Responsibility to the environment – Climate and Carbon (pages 46-49). <p>Partially compliant – we have made great progress in setting climate-related targets for our business.</p>	We will review relevant metrics and targets, such as capital deployment towards responding to and preparing for climate-related risks and opportunities, as well as water and waste metrics for our business.

Our progress on TCFD

At The Gym Group, we are committed to tackling both the immediate and long term impacts of climate change on our business and the communities we serve. This year marks our second year of reporting against TCFD. We are proud to have made progress against the disclosures over the past year: comprehensively reviewing our climate-related risks and opportunities; evaluating qualitative financial impacts on the business; and completing our first

submission to Carbon Disclosure Project (‘CDP’). In 2023, we will continue to work towards meeting the recommendations in full in order to meet the legal requirements of The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Governance

Our Board and Executive Committee remain fully committed to identifying and addressing the immediate and longer term climate-related impacts

on our business. Our Board has overall accountability for managing the business risks and opportunities posed by climate change.

Our Sustainability Committee (‘Committee’), chaired by Non-Executive Director Wais Shaiffta, meets at least three times per year and reports directly to the Board. Members of the Committee further report climate-related issues to the Senior Management Team (‘SMT’), as key topics arise.

Strategic report

Task Force on Climate-Related Financial Disclosures (TCFD) continued

Our Chief Development and Sustainability Officer, David Melhuish, continues to lead the management and oversight of The Gym Group's sustainability strategy and is responsible for monitoring and overseeing our climate-related progress. As outlined within the Committee's terms of reference, this includes, but is not limited to, reviewing progress against our goals and targets to achieve net zero (see pages 90-91) and managing physical and transition risks through our identified control measures (see Principal risks and uncertainties, pages 54-63). Last year, through the Committee and our focused ESG workstream, we added an ESG-related metric to the annual Executive bonus.

Strategy

Our process for managing climate-related impacts is embedded in the responsibility to the environment pillar

of our sustainability strategy and we strive to be at the forefront of best practice within the health and fitness industry. As a business, we have pledged to decarbonise our Scope 1 and 2 emissions by 2035, and become net zero by 2045, against a 2019 base year. We have successfully submitted our net zero trajectory to the SBTi.

Last year, we worked with an independent sustainability consultancy to assess the resilience of our strategy against climate change. We undertook climate scenario modelling and identified two distinct transition and physical scenarios to assess our UK business operations. The selected scenarios present a sharp contrast between potential futures, which allows us to plan for a range of possible manifesting climate impacts, such as the likelihood of flood risk at future site selection.

To identify climate impacts, we adopted three time horizons: short term (2030), medium term (2050) and long term (2080). The time horizons use the Met Office's UKCP18 Projections as the basis for the physical risk identification. To ensure a consistent approach, the same timeframes were selected for the transition risk identification. In the short term, alignment with the current business strategy presents the milestone for risk and opportunity materialisation. The UK Government's net zero target date and the typical lifespan of our assets (including our buildings) presents the milestone for the medium term; whilst the long term time horizons directly mirrors the physical scenario.

The two physical climate scenarios chosen, as defined by the Intergovernmental Panel on Climate Change, are outlined below.

Physical climate scenarios	Representative Concentration Pathway 4.5	Representative Concentration Pathway 8.5
	A cautious scenario with a predicted global temperature increase between 1.7°C and 3.2°C. This is in line with current trends, climate change policies, pledges and commitments.	A worst case scenario with a predicted global temperature increase between 3.2°C and 5.4°C, where carbon emissions continue growing unmitigated.

Consistent with TCFD, climate-related physical risks were then categorised as follows:

- Acute physical risks: event-driven risks, including increased severity of extreme weather events, such as hurricanes, floods and heat waves.
- Chronic physical risks: longer term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level rise or chronic heat waves.

The selected transition climate scenarios, as defined by The Energy Transition Risks & Opportunities (ET Risk) research consortium, are outlined on page 53.

Transition climate scenarios	Ambitious climate transition	Limited climate transition
	An optimistic scenario in line with a 2°C temperature increase where technological solutions drive the low carbon economy forwards.	A conservative scenario in line with a 3-4°C temperature increase where policy interventions continue as usual and global climate targets and commitments are not reached.

Consistent with TCFD, climate-related transition risks were then categorised as Policy and legal, Market, Technology and Reputation.

The most significant risks are summarised on page 53. Through the scenario analysis, RCP8.5 is recognised as the scenario in which the identified physical risks are the most significant. By contrast, the identified transition risk and climate opportunity are most significant under the RCP4.5 scenario.

TCFD risk category	Identified climate risks	Business impact	Financial impact	Control measures	Time horizon for materialisation
Physical: acute	Heat wave	<ul style="list-style-type: none"> • Potential reputational damage with employees, members and the public owing to heightened health risks (such as asthma, fatigue and heat stroke). 	<ul style="list-style-type: none"> • Revenues: Decreased revenues due to reduced demand for products and services. 	We are reviewing our business plan to select new sites with passive design elements, energy efficient technology and ventilation systems, and temperature monitoring systems.	Short term (2030)
Physical: chronic	Changing climatic temperature	<ul style="list-style-type: none"> • Sustained temperature rise leading to overheating at indoor facilities, resulting in health risks to staff and members. 	<ul style="list-style-type: none"> • Expenditures: Increased operating costs associated with additional air conditioning to regulate indoor temperature. 		Medium term (2050)
Transition: reputation	A lack of supplier engagement in the transition to net zero	<ul style="list-style-type: none"> • Inability to realise The Gym Group's net zero commitments due to a lack of value chain engagement on Scope 3 emissions. 	<ul style="list-style-type: none"> • Expenditures: Increased operating costs associated with higher carbon taxes. 	We are currently establishing supplier engagement targets in line with SBTi requirements and, in 2022, we began calculating our material Scope 3 emissions.	Short term (2030)

The most significant opportunities are summarised below:

TCFD opportunity category	Identified climate opportunity	Business impact	Financial impact	Control measures	Time horizon for materialisation
Markets	Setting a science based target to deliver a decarbonisation roadmap ahead of current UK policy.	<ul style="list-style-type: none"> • A reduced dependency on fossil fuels and a resultant reduced sensitivity to the changing cost of carbon. 	<ul style="list-style-type: none"> • Expenditures: Operational savings as a result of reduced greenhouse gas emissions. 	We are currently modelling our net zero pathway for our Scope 1, 2 and 3 emissions in line with SBTi, as well as establishing wider climate targets (including renewable energy procurement and beyond value chain mitigation).	Short term (2030)

Risk management

We assess climate impacts through our TCFD risk and opportunity register and communicate the findings to our management team, Executive Committee and the Board. Our TCFD register assesses both the impact and likelihood of each climate-related financial impact, and outlines current and future control measures. We have identified a significance threshold for escalating climate risks and opportunities, and have introduced this into our group-wide risk register as an emerging risk.

As set out in the Principal risks and uncertainties section on pages 54-63, the Group's principal risk register is made up of those strategic risks and functional risks that are believed would have the greatest impact on operations. The risk register is reviewed twice yearly by the SMT and discussed with the Audit and Risk Committee. This process ensures that actual and potential climate-related impacts are controlled, mitigated or transferred as appropriate, and integrated into business decision making.

Metrics and targets

As a business, we are committed to significantly reducing our Scope 1, 2 and 3 greenhouse gas emissions in accordance with the Greenhouse Gas Protocol Standard. Our 2022 carbon footprint and metrics relating to energy, water and waste can be found on pages 48-49.

We have now submitted our net zero commitment for validation to SBTi. In line with the SBTi requirements, we are developing our pathway with a near term target of 50% reduction by 2030, and a long term target of net zero by 2045 against a base year of 2019.

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