



Strategic report
Sustainability report



Providing everyone with the opportunity to start their journey towards a fitter, healthier and happier life is our mission.

Delivering positive health outcomes is dependent on providing a healthy environment in which we all want to live. At The Gym Group, our comprehensive sustainability strategy has continued to deliver in all of these areas, built on the foundation of our purpose: breaking down barriers to fitness for all.



Sustainability

at The Gym Group

Sustainability has become a defining factor in today's business landscape, with increasing demand from consumers and enhanced regulatory compliance requirements. The actions required to meet these rising expectations produce multiple benefits, including risk mitigation, business resilience, market competitiveness, talent recruitment and direct cost reduction through energy efficiency.

We strive to be sustainability leaders within the health and fitness industry and demonstrate our value to building a sustainable economy by publishing the Social Value generated by our members. As members of ukactive and EuropeActive we engage and contribute to building a cross-sector approach on sustainability issues.

David Melhuish | Chief Development & Sustainability Officer



2023 performance highlights

Social impact

The increase of Social Value generated through our operations to a total of £890m is a reflection of our ability to make health and fitness more accessible and engaging for our members, delivering positive health outcomes.

In November 2023, we launched a charity partnership with NHS Charities Together, to further deliver on our commitment to supporting better health outcomes through fundraising and volunteering for NHS charities around the UK.

Good jobs and quality education

In October, we transferred to a new platform to measure employee engagement, supporting a more comprehensive approach to measuring and benchmarking.

We achieved our highest response rate to date at 90% survey completion. We were also proud to be shortlisted for the Investors in People UK Employer of the Year Award in recognition for our commitment to our people and culture.

Good health and wellbeing

The safety of our employees and members is of paramount importance to us. In 2023, we became the UK's first national gym chain to achieve accreditation to ISO 45001, the international standard for occupational health and safety management.

Diversity and equal opportunity

We remain committed to ensuring our culture and practices are inclusive, supportive and create the best environments for people to thrive.

We have continued to deliver actions to support our gender parity ambitions and launched several family-friendly policies to enhance flexibility and work-life balance.

Responsibility to the environment

A highlight of our year has been the validation of our target for net zero by the Science Based Targets initiative ('SBTi'); we're proud to be the first gym business in the world to achieve this and hope others will quickly follow. We are committed to reducing our carbon footprint and have outlined our ongoing initiatives to enable progress towards our net zero target within this Annual Report.



Strategic report
Sustainability report
 continued

Good health and wellbeing



“Through a rigorous evaluation process, The Gym Group demonstrated their unwavering commitment to health, safety and wellbeing, ultimately earning the coveted ISO 45001 certification. Organisations could benefit from understanding the importance of adopting a Health and Safety Management System in the way that The Gym Group has done.”

Jonathan Yates | Enterprise Account Manager at Alcumus ISOQAR (external certification body)

See Progress against 2023 strategy on **pages 16 to 21**

Our approach

Delivering positive health and wellbeing benefits to our members is at the heart of our business. The benefits of physical activity include a reduced risk of noncommunicable disease and improved mental health, sleep, and cognitive function. In 2020, the World Health Organisation (‘WHO’) published guidelines on physical activity and sedentary behaviour, which acknowledge and endorse these and other benefits.

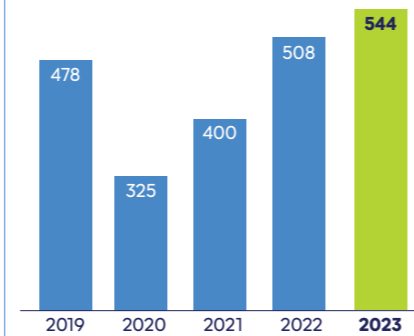


Our social impact

Measuring the social impact we have on the communities we serve is central to understanding whether we are fulfilling our purpose of breaking down barriers to fitness for all. Our wide-ranging and growing network of affordable, high quality gyms are accessible to over 53% of the UK population, and our services contribute to target 3.4 of SDG3 – Good health and wellbeing: to reduce premature mortality and promote mental health and wellbeing.

Since 2019, we have been reporting on the Social Value our business generates using an internationally recognised model created by Sheffield Hallam University and 4Global, focused on member participation and health outcomes of regular exercise. The model calculates the monetary value derived from reduced GP visits, improved mental wellbeing and individual development, as well as social and community development (see tggplc.com/Sustainability/Strategy for more details).

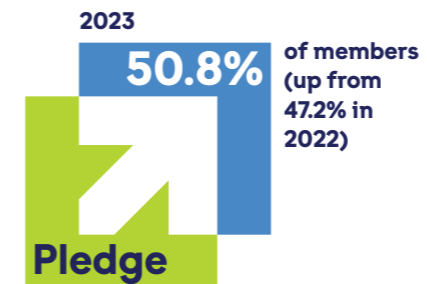
Social Value/member £



We have made great strides this year towards our goal to create £900m of Social Value by the end of 2025 and will work towards exceeding this target. Our 2023 contribution translates to £544 per member, therefore creating double the average membership fee in community benefits. This is not only driven by increased membership numbers, but also by record member engagement, with 50.8% of our members visiting our gyms at least four times per month.

These results indicate that our priorities of ensuring our members derive value from their memberships and supporting them on their journey to a healthy lifestyle are resonating with our base.

Targets and KPIs
Good health and wellbeing



Increasing the percentage of members visiting our gyms 4x or more per month



Delivering at least £900m in Social Value by end of 2025

Safety at our gyms

Protecting the health and safety of our members and employees is a key priority. We have a mature health and safety management system underpinned by digital solutions for risk management and training, as well as robust strategic and operational crisis management plans which are overseen by our Sustainability Committee.

In 2023, we successfully certified our health and safety management system to the international standard, ISO 45001, demonstrating our commitment to ensuring member and employee safety through continual evaluation and improvement.

Additionally, we also successfully certified to Level 3 of the FITcert[®] scheme and the new European standard for fitness centres, EN17229.

The European quality standard sets out requirements for operators to optimise health, safety and hygiene standards. We became the UK's first 24/7 operator to achieve certification to this level and are working on attaining Level 4 (full) certification in 2024.



We have seen great value from Wakefield Council, our Primary Authority partner for health, safety and environmental matters. This year, we successfully onboarded East Sussex Fire and Rescue as our second Primary Authority partner with a focus on fire safety and regulation. Both partnerships will support us in ensuring that matters are considered from a regulatory perspective.



Positive impact of exercise on health and wellbeing

Interview with Shilpa, member of The Gym Group Oadby

Why did you join our gym?

In 2022 I had very high blood pressure, was overweight, diagnosed with stage 2 diabetes and had severe back pain. I had also been diagnosed with MGUS the previous year, a precursor to myeloma which required me to go for quarterly screenings. I was devastated and felt like I needed to take back control. The Gym Group Oadby opened nearby and was offering everything I was looking for.

What is your experience at the gym?

The staff are incredibly friendly and helpful and the members are from all walks of life so I never felt out of place. I started working out with Tom, a Personal Trainer, and he helped me not only with a great exercise regime but also with nutrition advice. Now that I feel confident in what I am doing, I continue to exercise regularly without a PT.

How has exercise impacted your health?

My blood pressure is normal, I am now pre-diabetic rather than diabetic and I have lost a lot of weight. My back pain is under control and I no longer need an operation. Because my health has improved so much, the quarterly check-ups for MGUS have now been moved to annual. It has really changed my life.



* Public Health England Physical Activity: applying all our health, March 2022.

¹ Bull F, Al-Ansari SS, Biddle S, et al. World Health Organization 2020 Global Guidelines on physical activity and sedentary behaviour. Br J Sports Med. 2020;54(24). doi:10.1136/bjsports-2020-102955.

Strategic report
Sustainability report
 continued

**Good jobs,
 high quality
 education
 and lifelong
 learning**



“People across the country are discovering new careers as personal trainers, thanks to The Gym Group’s Accelerate PT programme backed by the Department for Work and Pensions.”

Jo Churchill MP | Minister for Employment

See Progress against 2023 strategy on **pages 16 to 21**

Our approach

The Gym Group’s ‘people first’ culture remains essential to our success, helping us to achieve our strategic priorities. Our commitment to delivering against our ‘people promise’ ensures that we provide career adventures, opportunities and a supportive environment.

Sustaining healthy and engaged teams remains a business priority for The Gym Group. Throughout the year, we delivered diverse development opportunities across all organisational levels with a focus on female health, personal growth, wellbeing and career progression. Furthermore, we have continued to evolve our approach to early careers, supporting equal opportunities and accessible pathways into a career in fitness.

Leaders in employee engagement

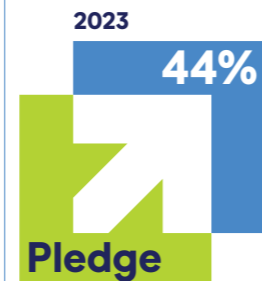
Our new employee engagement survey has provided a deeper level of insight into how our employees feel working at The Gym Group. Our overall engagement score was 8.5 out of 10, putting us in the top 25% compared to the benchmark data set of consumer services (hotels, restaurants and leisure). We also reported high satisfaction levels, with an overall diversity and inclusion score of 8.9 out of 10, measuring 0.5 above the benchmark for consumer services. Inclusiveness and sense of belonging was identified as a strength, with a score of 9.4 out of 10. Feedback and insights from the engagement survey will inform our actions for 2024 and beyond.



Targets and KPIs



Supporting 500 people to gain Level 3 Personal Trainer qualification between 2023 and 2030



Achieve and maintain a minimum of 60% internal progression rate by 2025

Accelerate Personal Training

Through the launch of our ‘Accelerate PT’ framework, we aim to provide equal opportunities through supporting people to achieve their Level 3 Personal Training qualification. Within the Accelerate PT framework, we created partnerships with the Department for Work and Pensions, The Prince’s Trust and The Shaw Trust to design a sector-based work academy programme to reach the long-term unemployed. The employability programme includes work experience, interview practice, skills-based learning and the opportunity to enrol onto our Accelerate PT programme.

Since its launch in May 2023, we have enrolled 45 trainees, providing them with a funded Level 3 Diploma in Personal Training and employment opportunities within our gyms.

We have made a positive start to investing in our local communities and building a pipeline of talent to support our workforce requirements. We look forward to rolling out further cohorts in 2024.

Career progression

To measure the career development opportunities at The Gym Group, we aim for 60% of our operational management team to be working in roles they have progressed into. We are pleased to report a 44% internal progression rate of our current workforce, including:

47%
of Assistant General Managers started as Fitness Trainers

42%
of Fitness Managers were Fitness Trainers

41%
of General Managers were Assistant General Managers

Throughout 2023, we delivered further cohorts of our ‘Emerging Talent’ management development programmes, providing Assistant General Managers and Fitness Trainers with the skills required to progress their careers. We continue to report high employee promotion rates following programme participation.

66%
promotion rate – Emerging Talent management development programme

41%
promotion rate – Emerging Talent Fitness Trainer programme

Alongside core programmes, we have provided upskilling and personal development sessions. These have included senior management development focused on leadership skills, wellbeing and enhancing expertise.

Our ‘Impossible is Nothing’ self-development workshops, ‘Women in Leadership’ programme and the continuation of apprenticeship-development and mentoring opportunities have broadened the availability of learning within our Central Support Office function.



“I joined The Gym Group in 2022 as an Assistant General Manager and have always enjoyed leading a team to deliver the best service possible.

Supporting women in health and fitness has been a passion of mine, and the ‘Female Health First’ (‘FHF’) programme allowed me to gain new knowledge and practical skills to support my team, members and clients.

The course has helped me develop myself as a manager and as a Personal Trainer. It has opened up new opportunities, including teaching bespoke classes in pelvic health and female functional fitness to England Netball at Loughborough University. I also collaborate with local health experts on creating a safe environment in our gym for women to thrive, feel seen and be heard.

Open discussions about female health are now a regular occurrence in The Gym Group classes and during my personal training sessions with clients.

Through the FHF programme, I have discovered my niche as a trainer and manager. It has enabled me to develop new expertise and will support our female members’ health.”

Laura Travis
 Assistant General Manager



Strategic report
Sustainability report
 continued

Diversity and equal opportunity



“Since collaborating in 2019, The Gym Group have progressed their EDI strategy and goals, placing importance on being data-driven in their approach to targets and accountability frameworks for gender and ethnicity. They remain hugely active in their commitment to WiHTL & DiR.”

Tea Colaianni | Founder/Chair of WiHTL & DiR

See Progress against 2023 strategy on pages 16 to 21

Our approach
 Driving an inclusive and friendly culture that breaks down barriers to progression remained a fundamental focus of our equality, diversity and inclusion (‘EDI’) strategy in 2023.

Aligning to our ‘people promise’, we continue to support our teams, ensuring equal opportunities to succeed. To deliver against this, we prioritised a focus on the following:

- improving employee wellbeing support,
- driving an inclusive culture, and
- providing equitable development opportunities.

We have continued to work towards the EDI targets established through our sustainability strategy, reporting quarterly to the Sustainability Committee. Our Chief Development and Sustainability Officer remains our Executive sponsor for the Equality, Diversity and Inclusion Group, playing a crucial role in raising the agenda and enabling positive action on diversity.

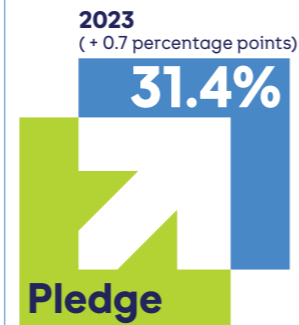
Gender

In 2023, we saw the female representation among our senior leaders decrease by 4.2 percentage points to 30.9%. This was impacted by female turnover within our leadership team and a higher percentage of male hires at this level. We have reported a small increase in female representation across our wider business and, overall, female turnover reduced by 12 percentage points from 72% in 2022 to 60% in 2023.

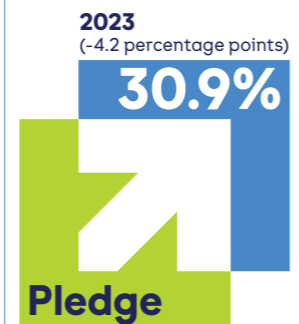
Implementation of our ‘Women in Leadership’ development programme, along with mentoring and apprenticeship opportunities, will support in developing our internal pipeline of future female leaders.

* Women in Hospitality, Travel and Leisure & Diversity in Retail.

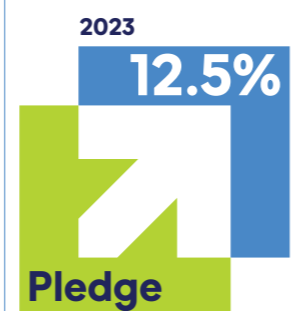
Targets and KPIs



50/50 gender balance by 2030



40% female senior leaders by 2025



20% leaders of ethnically diverse origin by 2030

Gender pay gap

We are pleased to report a significant reduction in our mean gender pay gap as of April 2023 which reduced to 0.6% (a decrease of 2.7 percentage points from 2022 reporting). Our median pay gap remains at 0%.

Ethnicity

Whilst our workforce is representative of the communities we serve, we have identified a lack of representation within senior levels of the organisation – with 12.5% identifying as Black, Asian, Mixed or Other Ethnic Background; we have therefore introduced an ethnic diversity Senior Leadership Team pledge of 20% representation by 2030 to drive greater focus and commitment to addressing this imbalance.

In support, we launched our reverse mentoring scheme, pairing eight culturally diverse mentors with members of our Senior Leadership Team to increase diversity of thought and elevate the experiences of our diverse talent.

Ethnicity pay gap

Our pay gap reporting is based on data collected from 98% of our employees. As of April 2023, our mean ethnicity pay gap was 22.7%, this is a 7.9 percentage point increase from 2022 reporting. Our median ethnicity pay gap remains at 0%.

Our full ethnicity and gender pay gap reports provide further detail and the actions we are taking (www.tggplc.com/sustainability).

Employee inclusion and retention

In May 2023, we concluded our ‘Mental Health Ambassador’ (‘MHA’) programme which provided refresher training and upskilling to 22 mental health champions, expanding MHA support to all operational regions and our Gym Support functions. Additional training was provided to 18 of our Cluster General Managers, strengthening the mental health knowledge, skills and support available within our operational teams.

Aligning employee health and wellbeing with our gender parity ambitions, we implemented the following family-friendly policies, giving greater opportunities for flexibility, and work-life balance through enhanced periods of leave for:

- Fertility treatment
- Pregnancy loss
- Carers
- Neonatal care

In December 2023, we were proud to be awarded the Menopause Friendly Employer Accreditation in recognition of our commitment to driving menopause awareness and inclusion.

Female health first

To support gender diversity, we launched our ‘Female Health First’ (‘FHF’) pilot programme in partnership with The Well HQ, providing employees with specialist knowledge in women’s health and focusing on the specific training and wellbeing needs of our female members. This eight-week programme upskilled 51 employees across 18 of our gyms and our Gym Support functions on topics such as menopause, midlife health and pelvic health, providing Gym Managers and Trainers with knowledge and practical skills to support female members’ health and wellbeing.

We have begun implementing female-specific classes within these gyms, such as pelvic health workshops and female functional health classes. We will continue to roll out further FHF cohorts in 2024, expanding this unique offering to 120 employees across 60 gyms.



Strategic report
Sustainability report
 continued

Responsibility to the environment

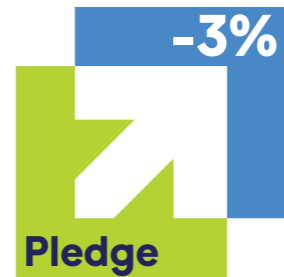


“We are the world’s first fitness operator to have a net zero emissions target validated by The Science Based Targets Initiative (‘SBTi’) in line with a 1.5°C trajectory.”

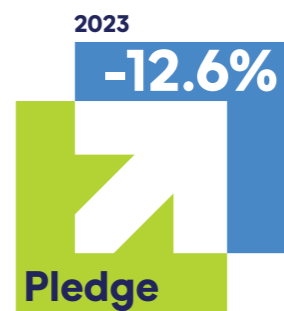
See Progress against 2023 strategy on pages 16 to 17

Our Commitment to net zero
 We are committed to reducing our carbon emissions, and we recognise the importance of the Paris Agreement to limit global warming to 1.5°C. Our near term and long term targets below demonstrate our commitment to ambitious short term reductions and steady progress towards net zero.

Targets and KPIs 2023



Scope 1 and 2 emissions compared to 2019



Reduction in energy consumption per gym from 2019 base year

Near term targets¹

- Reduce absolute Scope 1 and 2 greenhouse gas (‘GHG’) emissions by 50% by 2030
- Reduce Scope 3 GHG emissions covering purchased goods and services, capital goods, fuel

and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, and employee commuting by 55% per gym by 2030

- 25% of our suppliers by spend, covering purchased goods and services and capital goods, will have science-based targets by 2028.

Long term targets¹

- Reduce absolute Scope 1 and 2 GHG emissions by 90% by 2045
- Reduce Scope 3 GHG emissions by 97% per gym by 2045

Transition planning

The International Sustainability Standards Board (‘ISSB’) issued its first sustainability disclosure standards, IFRS S1 and S2, in June 2023. By continuing to report with reference to the Global Reporting Initiative and in alignment with the SASB Standards, we strive to ready our business for the reporting requirements of the ISSB.

Furthermore, the Transition Plan Taskforce (‘TPT’) Disclosure Framework was launched to develop a gold standard for best practice climate transition plans, building on IFRS S2 requirements. Our reporting aligns with the TPT Framework’s three principles: Ambition, Action and Accountability.

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 achieve net zero GHG emissions across the value chain by

2045

Ambition

Our science-based commitment to a net zero pathway aligned with a 1.5°C trajectory demonstrates our ambition to decarbonise. We have outlined our climate-related risks and opportunities within our TCFD schedule.

Alongside our net zero target and carbon neutrality status, we have four carbon reduction commitments:

Suppliers
 Engage with our key suppliers to set their own emission reduction targets, aligned with climate science, by the end of 2028

Members
 Develop a member engagement plan by the end of 2025 to drive our net zero ambition forward

Renewable energy
 Increase and maintain our annual sourcing of renewable electricity to 100% by the end of 2025

Abatement
 Develop our plan to remove and store carbon from the atmosphere. This will offset the impact of our unabated emissions; the maximum 10% of our carbon footprint, which will remain once we have achieved our 2045 target

Action

To support our transition to a net zero aligned economy, we are continuing to invest in decarbonising our operations. Our annual budgeting process includes allocation for sustainability initiatives within our maintenance capital expenditures, forming part of our climate-related transition plan.

This includes funding for both carbon and water-related initiatives, some of which are detailed below.

- Development of a high efficiency **air source heat pump (‘ASHP’)** solution for use in all new sites and to replace failed gas-fired boilers; 39 of our gyms now operate with an ASHP, while 78% of the estate operates with gas-fired hot water.
- We have two sites operating **photovoltaic (‘PV’) solar panels** as we continue developing our on-site power generation strategy. PV solar enables up to 30% of the required power to be generated on-site.
- Procurement of **100% renewable energy** across our gyms at all sites where we control the purchase of energy.
- **Voltage optimisation** was installed in 10 gyms in 2023 and, on average, delivered an 8% reduction in gym electricity consumption; we will continue the rollout in 2024 through an investment of over £1m.
- We are rolling out a system to automatically **capture and report gym water consumption** with a central reporting system, identifying any excessive consumption to prompt rapid action.

We recognise that our climate action must create deep emission reductions in the coming years, and we will continue to innovate and invest across our operations. With 67% of our emissions associated with our Scope 3 activities, engaging our extended value chain will be a significant step as we continue along our net zero pathway.

To this end, all new supply agreements will include contractual requirements for environmental performance.

In addition to the actions we take to decarbonise, our business model also includes natural climate resilience; we lease, rather than own the buildings we operate, limiting our liability in the case of climate-related physical impacts and providing enhanced flexibility to move locations as needed.

By closely monitoring climate change’s evolving effects, we aim to maintain this resilience in the years to come.

Accountability

Our sustainability strategy captures material ESG performance data, including energy consumption, GHG emissions, and waste production. We calculate our Scope 1, 2 and 3 GHG emissions following the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. We will further develop our suite of climate-related metrics to include cross-industry metrics that inform our understanding of our climate impact and exposure to climate-related risks and opportunities.

Our plans for 2024 include the development of a detailed transition plan to provide an outline of the actions, timeframes, and potential costs required to achieve our net zero targets. We are also further evaluating the adaptation costs necessary to enhance our overall resilience to the physical impacts of climate change.

As we continue our transition to net zero, we have chosen to offset our Scope 1, 2, and operational Scope 3 emissions to achieve carbon-neutral certification for our business through Climate Impact Partners. Putting a price on carbon helps to incentivise emissions reductions across our business operations and investment decisions while, in the meantime, contributing to credible emission reduction projects that are independently validated to recognised global carbon standards. We will, however, prioritise direct carbon abatement over purchasing carbon credits.



Carbon neutral since

2021



Strategic report
Sustainability report
 continued

2023 carbon emissions

Our Scope 1 direct emissions for 2023 are 1,884 tCO₂e, associated with natural gas combustion and estimated refrigerant leakage. This represents a consumption decrease of 8.4% from 2019, primarily as a result of our efforts to reduce gas consumption across our estate.

Scope 2 indirect emissions for this year are 8,701 tCO₂e, resulting from the consumption of 41,154,605 kWh of electricity and 995,005 kWh of direct heat, purchased and consumed in day-to-day business operations. This represents a decrease of 1.1% from 2019.

Whilst our energy consumption per gym decreased by 12.6% vs 2019, an increase in the number of gyms in our estate and higher UK grid carbon conversion factors contributed to a smaller decrease in carbon emissions.

Our operations have intensity metrics of 138 tCO₂e per gym and 519 tCO₂e per million visits for this reporting year. This represents a reduction in operational carbon intensity of 33% and 34%, respectively, from our base year.

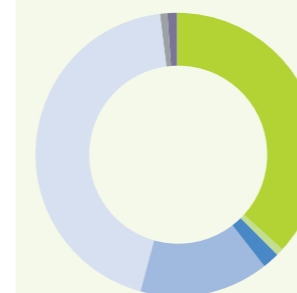
Our Scope 2 emissions have been calculated utilising location-based emission factors, as published by the Department for Business, Energy and Industrial Strategy.

Due to the renewable electricity procurement contract in place since 2019, our Scope 2 emissions calculated using market-based emissions would equal 1,305 tCO₂e.

The significant reduction in our Scope 3 emissions is largely due to a reduced number of new site openings in 2023 resulting in a 55% reduction in CO₂ emissions from capital goods.

100%
 renewable energy for all sites where we control the purchase of energy

Scope 3 emissions



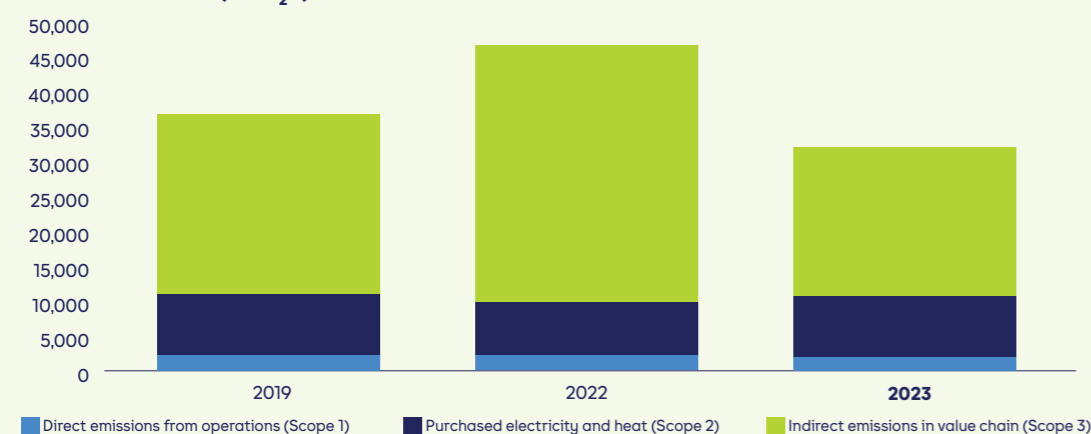
Scope 3 Category	Emissions (tCO ₂ e)				
	2019	2022	2023	to base	Contr.
Capital goods	17,544	21,856	7,948	-55%	36.7%
Business travel	272	205	224	-18%	1.0%
Employee commuting and homeworking	402	385	423	5%	2%
Fuel and energy related	2,343	3,031	3,140	34%	14.5%
Purchased goods and services	4,488	11,064	9,501	112%	43.9%
Upstream transport	375	80	184	-51%	0.9%
Water and Waste	236	216	237	0%	1.7%
Total	25,660	36,837	21,657	-16%	

Emissions year ended 31 December 2023

Total emissions (tCO ₂ e)	2019	2022	2023
Direct emissions from operation (Scope 1)	2,157	2,138	1,884
Purchased electricity and heat (Scope 2)	8,797	7,633	8,701
Indirect emissions in value chain (Scope 3)	25,660	36,837	21,657
Total emissions (tCO₂e)	36,614	46,608	32,242
% Change from base year Scope 1 and 2		-11%	-3%
% Change from base year Scope 1, 2 and 3		27%	-12%
Intensity metric (tCO ₂ e per gym)	206	203	138
% Change from base year		-1.5%	-33%
Intensity metric (tCO ₂ e per million member visit)	785	871	519
% Change from base year		11%	-34%

Total consumption (kWh)	2019	2022	2023
Scope 1 (Gas)	11,071,196	10,960,970	10,137,976
Scope 2 (Electricity)	34,409,373	39,435,614	41,154,605
Scope 2 (Heat)	10,907	38,880	995,005
Total (kWh)	45,491,476	50,435,464	52,287,586

Total emissions (tCO₂e)



Waste management

In 2023, we generated 816 tonnes of general and mixed recycling waste. This is a decrease of 23% despite the growth of our estate. This result was mainly achieved by a reduction of blue-roll waste. The average weight per gym has dropped to 4.4 tonnes per gym, a reduction of 27% but just short of our 4.3 tonnes per gym target.

We improved our landfill diversion from 95% in 2022 to 97% in 2023 and achieved 100% landfill diversion from September to December 2023.

100%
 landfill diversion from September to December 2023

Landfill diversion	2019	2022	2023
Total weight (in tonnes)	750	1,066	816
Average tonnes/gym	4.3	6	4.4
Diverted from landfill	90%	95%	97%

Water management

We recognise that water stress is expected to increase in the coming years, and we acknowledge our role in minimising consumption through our operations. As we do not operate any pools, saunas, steam rooms, or similar wet facilities, toilet and wash facilities are The Gym Group's primary source of water use.

We completed the replacement of legacy shower heads with low-volume units during 2023, potentially saving over half a million litres of water a week. We will continue to explore water reduction measures across our operations.



Strategic report

Our progress on TCFD

The Task Force on Climate-related Financial Disclosures ('TCFD') recommendations support the identification and assessment of our climate-related risks and opportunities; these inform how we respond to the physical risks of climate change and the transition risks associated with the UK progressing to a low carbon economy.

This is our third report in line with the recommendations of the TCFD, and includes disclosures across the four areas of governance, strategy, risk management, and metrics and targets. We assess that we are fully compliant with the Listing Rules (Disclosure of Climate-Related Financial Information) (No 2) Instrument 2021. The 2023 TCFD analysis further determines that while climate-related risks and opportunities do not currently impact the financial performance or position of the business, they have the potential to do so in the coming years.

We acknowledge the iterative nature of the TCFD, and we will continue to refine our approach as we develop our understanding of the climate-related financial risks and opportunities to our business.

Governance

Our Sustainability Committee ('the Committee') is one of four Board Committees delegated to manage associated responsibilities. The Sustainability Working Group, informed by the ESG workstream, works closely with the Committee to provide oversight at senior management level, ensuring the comprehensive governance of the business and successful execution of our strategy.

Management of climate-related risks and opportunities is included in the mandate of the ESG workstream.

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. Our Business Development and Sustainability Director supports the integration of sustainability across the business, overseeing the development of The Gym Group's net zero targets as well as engaging leaders from across the business to provide insight on the climate-related risks and opportunities in different areas, such as finance, procurement and facility management. Further details relating to climate and sustainability governance are found in the Sustainability Committee Report on pages 90 to 91.

Strategy

We undertook climate scenario analysis, examining climate and weather projections, socioeconomic trends and operating environment predictions to understand how The Gym Group's operations may be affected due to the impacts of climate change and the transition to a lower carbon economy. This included consideration of existing and future potential regulations and what risks they may pose to The Gym Group. The analysis enabled us to assess the resilience of our strategy to climate change.

This year, we enhanced our approach to climate scenario analysis in line with best-practice physical climate projections from the Intergovernmental Panel on Climate Change ('IPCC'). We also analysed three new transition scenarios from the International Energy Agency ('IEA'). The selected scenarios present a sharp contrast between potential futures, which allows us to plan for a range of possible climate impacts.

We assessed climate impacts over three time horizons: short term (present to 2039 with a 2030 milestone), medium term (2040 to 2059 with a 2050 milestone) and long term (2060 to 2079 with a 2070 milestone). Our near term emissions reduction target and the current business strategy align with our short term milestone, while the UK Government's net zero target date aligns with our medium term milestone. Considering that climate-related impacts often occur across longer time horizons (IPCC projections go up to 2100), the long term milestone considers potential impact materialisation as varying scenarios increasingly diverge from one another.

The scenario analysis assessed potential impacts for all our operations across the UK. Predictions regarding which regions are most at risk were documented where applicable, informed by the physical climate projections.

The Met Office's UK Climate Projections 2018 (UKCP18) Report and IPCC's Sixth Assessment Report (AR6) (IPCC, 2023) were used as the basis for the physical scenario analysis. AR6 introduces enhanced climate scenarios called Shared Socioeconomic Pathways ('SSPs'). Compared to the previously used Representative Concentration Pathways ('RCPs'), SSPs look at climate change projections alongside socioeconomic circumstances to better evaluate climate impacts and adaptation measures.

The three physical climate scenarios chosen are outlined below.

SSP1-2.6	A low greenhouse gas ('GHG') emissions scenario where emissions decline to net zero around 2070. Warming: 1.3°C–2.4°C by 2100.
SSP2-4.5	An intermediate GHG emissions scenario where emissions remain around current levels until 2050. Warming: 2.1°C–3.5°C by 2100.
SSP5-8.5	A very high GHG emissions scenario where emissions roughly double from current levels by 2050. Warming: 3.3°C–5.7°C by 2100.

Three new transition scenarios from the IEA's World Energy Outlook report (2022) provided the basis for transition scenario analysis and are outlined below.

Net zero emissions by 2050 Scenario ('NZE')	A scenario that maps out a way to achieve a 1.5°C stabilisation in the rise in global average temperatures, alongside universal access to modern energy by 2030.
Announced pledges scenario ('APS')	A scenario that assumes that all aspirational targets announced by governments are met on time and in full, including net zero and energy access goals.
Stated policies scenario ('STEPS')	A pragmatic exploratory scenario showing the trajectory implied by today's policy settings.

The most significant risks and opportunities are summarised on pages 52 to 53. Through our scenario analysis, SSP5-8.5 is recognised as the scenario in which the identified physical risks are the most significant for The Gym Group. By contrast, the identified transition risks and climate opportunities are most significant under the NZE scenario.

Risk management

The information identified through the scenario analysis was used to update our climate-related risks and opportunities register. Two collaborative workshops were subsequently held, during which the potential business and financial impacts of the risks and opportunities were evaluated.

The workshops were attended by senior leaders and key stakeholders from across the business who provided insights and supported the assessment of our risks and opportunities. The collective insight provided by this group meant that potential climate-related risks and opportunities could be assessed effectively across the areas they were projected to impact.

The output of these workshops included the identification of control measures already in place as well as areas where further work is needed to better understand risk exposures. Potential business impacts associated with each risk and opportunity were reviewed to support the evaluation of the risks.

Risks were evaluated in line with The Gym Group's corporate risk methodology. Our TCFD register assesses both the impact and likelihood of each climate-related risk, with an outline of current and future control measures. The risk scores were then calculated by multiplying impact, likelihood and control environment ratings together, each scored from 1 to 3. The risk management process is defined in more detail in the 'Principal Risks and Uncertainties' section of the Strategic Report.

Financial impacts were then evaluated. For our first year of financial impact reporting, the evaluation focused on key qualitative information rather than quantified financial impacts. The potential impacts to financial position (assets, liabilities, capital and financing) and performance (revenue and expenditures) were described for each risk and opportunity. Relative financial impact was evaluated to help determine which risks and opportunities are the most material to the organisation. This will enable us to focus our management and reporting of financial impacts on those risks and opportunities with the highest potential for financial materialisation.

Findings from the consolidated TCFD risks and opportunities register have been communicated to the Audit and Risk Committee and the Board. Our Finance Director is responsible for reviewing our Company-wide risk register and assigns ownership of risks and opportunities to the relevant senior managers. This assessment takes place twice per year, with the support of the Executive Committee, to ensure that actual and potential climate-related impacts are controlled, mitigated or transferred as appropriate and integrated into business decision-making.



Strategic report

Our progress on TCFD

continued

Climate-related risks and opportunities

Risk	Potential financial impact	Control measures	Emissions scenario	Materialisation
Physical climate-related risks:				
<p>Flooding: Increased frequency and intensity of extreme rainfall may lead to increased river and surface water flood events. Surface water flooding is predicted to pose the highest risk in the urban areas where The Gym Group operates.</p> <p>Flooding may also occur due to increased sea levels, putting gyms in some coastal regions at risk of flooding. Sea level rise is most likely to impact gyms in South East England.</p>	<ul style="list-style-type: none"> Revenue: Decreased revenue due to business disruption and/or closure of premises. Expenditures: Increased insurance costs; increased costs for flood mitigation updates. Assets and liabilities: Decreased asset value or write-offs due to water damage. 	<p>We lease our premises, providing flexibility to exit leases in flood-prone areas.</p> <p>Our corporate insurance includes flood coverage, and flood risk mapping is assessed at policy renewal. It is standard due diligence practice to determine any potential physical risks, including flood risks, during the acquisition of new sites.</p> <p>Our nationwide network allows members to use alternative locations should their primary gym be closed.</p>	Low emissions (SSP1-2.6)	Short term (2023-2040)
			Medium emissions (SSP2-4.5)	Short term (2023-2040)
			High emissions (SSP5-8.5)	Short term (2023-2040)
<p>Prolonged water stress: Changing precipitation patterns may lead to prolonged drought conditions in summer months.</p> <p>This could lead to potential water restrictions impacting The Gym Group's ability to provide shower facilities to customers.</p>	<ul style="list-style-type: none"> Revenue: Decreased revenues due to water restrictions impacting demand. Expenditures: Increased water costs. 	<p>Remote water monitoring has been introduced at selected sites, and this may be expanded in the future.</p> <p>Our approach to water management and current initiatives are detailed on page 49.</p>	High emissions (SSP5-8.5)	Short term (2023-2040)
			High emissions (SSP5-8.5)	Short term (2023-2040)
<p>High temperatures: Sustained increase in median temperature, leading to increased cooling requirements at gyms and offices and a potential decline in appetite for fitness.</p> <p>This risk is most likely to impact gyms in South East England.</p>	<ul style="list-style-type: none"> Expenditures: Increased costs associated with the installation and/or additional repair of air conditioning/cooling mechanisms. Assets and liabilities: Reduced lifetime of air conditioning equipment. 	<p>Our '20 is Plenty' model ensures gyms are operating at no lower than 20°C.</p> <p>Building insulation minimises the cooling demand. The Gym Group is working to attain a minimum EPC rating of 'C' across all gyms by 2025.</p>	High emissions (SSP5-8.5)	Medium term (2040-2059)
			High emissions (SSP5-8.5)	Medium term (2040-2059)

Risk	Potential financial impact	Control measures	Emissions scenario	Materialisation
Transition climate-related risks:				
<p>Supply chain costs: Increased supply chain cost of raw materials for constructing and refurbishing gyms.</p>	<ul style="list-style-type: none"> Expenditures: Increased costs due to changing input prices and output requirements. 	<p>The control measures for this risk are outlined in our Principal risks and uncertainties section – Risk 8: Reliance on key suppliers – on page 59.</p>	Net zero emissions ('NZE')	Short term (2023-2040)
			Low emissions (APS)	Short term (2023-2040)

Opportunity	Potential financial impact	Control measures	Emissions scenario	Materialisation
Climate-related opportunities:				
<p>Onsite energy generation: Implementing on-site energy generation (e.g., solar panels) at gyms may reduce grid dependency and lower exposure to fluctuating fossil fuel prices.</p>	<ul style="list-style-type: none"> Expenditures: Reduced operating costs (e.g., through efficiency gains and cost reductions). 	<p>Onsite energy generation has the potential to enhance energy efficiency and lower operating costs. Our approach to onsite energy generation and current initiatives are detailed on pages 46 to 47.</p>	NZE	Short term (2023-2040)
			Low emissions (SSP1-2.6)	Short term (2023-2040)
			Medium emissions (SSP2-4.5)	Short term (2023-2040)
<p>Indoor exercise demand: Increased demand for indoor exercise in climate-controlled gyms may occur during extreme heat events (chronic and acute).</p>	<ul style="list-style-type: none"> Revenue: Increased revenue from gym memberships. Capital and financing: Increased investment from shareholders and higher share price. 	<p>Outdoor workouts may become less viable due to storms, heat waves, hotter summers, and wetter winters. Thus, there is an opportunity to attract more customers who previously exercised outdoors.</p>	High emissions (SSP5-8.5)	Medium term (2040-2059)
			High emissions (SSP5-8.5)	Medium term (2040-2059)

Metrics and targets

Metrics and targets play a significant role in climate-related risk and opportunity management, with linkages to governance, strategy and risk management. They enable the Board and senior management to make informed, data-driven decisions and communicate to stakeholders how we track and manage climate performance. Metrics and targets also measure and describe the impact of climate-related risks and opportunities on strategy and financial planning, helping to enhance the resilience of the business against different scenarios.

Lastly, they help with the measurement of risk exposure as part of the business's broader risk management processes.

Through our sustainability strategy, we capture material ESG performance data that informs our understanding of transition risk exposure and enables us to track the effectiveness of the climate-related initiatives detailed within the 'Strategy' section above.

We have established climate-related targets, headlined by our commitment to achieving net zero emissions by 2045, which has been validated by the SBTi. Further details about our climate-related metrics and targets are outlined on pages 46 to 47. In 2024 and subsequent years, we will further develop our suite of climate-related metrics to include additional cross-industry metrics that inform our understanding of our climate-related risks and opportunities.

