

Smart Metering Delivery

Contract No: C-04093

PQQ October 2023

D. Carbon Management

D1 Does your organisation measure its carbon footprint?

Your answer must include the following:

- Relevant accreditation, including ISO14064-1 or equivalent
- Whether your carbon measurement is reported externally
- What measures your organisation is taking to reduce carbon in the course of its business

Our 2 page response is overleaf.



Introduction

At a strategic level, the M Group Services Executive Board, led by Chief Executive Andrew Findlay sets overall carbon management policy and reviews the carbon impact of Group operations, including MWS; demonstrating leadership from the top.

Since 2021, M Group Services has engaged with one of the top global ESG risk ratings agencies (Sustainalytics) to conduct an independent assessment of our Group's exposure to material ESG issues and the effectiveness of our ESG&I (Environmental, Social, Governance & Innovation) policy (**Appendix D1.A**).

M Group Services' practical and prudent approach to innovation is a key element to delivering its ESG strategy. In addition to delivering customer centric and efficient innovation for our clients, we also align with seven of the UN Sustainable Development Goals (UNSDGs). With a growing index of over 50 individual examples of innovation and best practice, we also align with the following UNSDG's; Good Health & Wellbeing; Gender Equality; Affordable Clean Energy; Decent Work & Economic Growth; Industry, Innovation, & Infrastructure; Sustainable Cities & Communities and Climate Action.

Taking this holistic view enables M Group Services to continually improve its management practices when benchmarked against those organisations considered to be peers, and organisations in different sectors and geographies that are a potential source of innovation or learning.

In September 2022, M Group Services established a new company-wide Carbon Reduction Group responsible for coordinating a Group-wide action plan for carbon reduction across our divisions. In doing so, we have identified bold and ambitious targets for our team to drive and innovate towards. The group of 10 experienced professionals from across the Group and its operating businesses offer valuable insight into their specific sectors which we they use towards co-developing our carbon reduction plans.

Decarbonisation Policy

M Group services is committed to reducing its carbon emissions; with carbon management an agenda item on the monthly Operational Board Reviews for each contract – chaired by the respective Contract Director.

Our Achilles Carbon Reduce certification (formerly Carbon & Energy Management and Reduction Scheme – CEMARS) demonstrates that, following an in-depth audit and review process, the Group complies with the rigorous ISO14064:2018 carbon reporting standards (**Appendix D1.B**). We have used Carbon Reduce, the world-class standard adopted by Achilles, to establish a baseline from which to measure reductions in our carbon footprint.

We have been working with a wide range of external reporting and auditing organisations to ensure our governance of ESG is measured and meaningful. We are particularly proud of our work with Sustainalytics, whose measurements help us examine how exposed we are to certain risks and assess the processes we have in place to control or mitigate those risks from an ESG perspective. In 2020-2021 we reported a market leading outcome of 9.6 which puts us at negligible risk and we have improved that score to 8.6 for 2021-2022 – meaning we are a top-rated company and placed in the top 2% of companies globally.

Carbon reporting

As a participant in Achilles Carbon Reduce, we monitor, measure and externally report our Carbon Reduce measurements with the continued aim of further minimising our carbon footprint. We use these externally verified carbon emission measurements, together with our ISO 14001:2015 certified environmental management system to drive continuous improvements in our environmental performance and to reduce the carbon emissions associated with our operations.

As part of M Group Services, MWS has adopted a Group-wide approach to carbon reduction based on the Science Based Targets initiative (SBTi) three-stage model. Our commitment is to develop a near-term science-based target aligned to maintaining the global average temperature rise to below 1.5 degrees C. SBTi are the international gold standard for deriving meaningful and transparent reduction targets.

In developing this target, we now understand what we need to do to achieve our goal of halving carbon emissions by 2030 – and reaching net-zero by 2050. We will continue finalising our plans in 2023 before we present them to the SBTi for endorsement by March 2024. We have undertaken a Scope 3 value chain assessment with specialist carbon consultants EcoAct and are now working on the required reduction trajectory to 2030. The SBTi targets provide a pathway for MWS to reduce greenhouse gas emissions (GHG) across three scopes.

Scope 1 – direct emissions

We are working hard to reduce our direct emissions through the following strategies.

- The use of HVO (hydrotreated vegetable oil) as a replacement fuel for diesel, on our meter installation vehicles.
- Using our Green Fleet & Plant Strategy – replacing our current fleet and plant with reduced-carbon types.
- Installing solar panels on welfare units.
- Utilising existing assets rather than constructing new assets.

Scope 2 – indirect emissions

Our procurement team are currently:

- Mapping out the supply chain process identifying all participating organisations.
- Working with the supply chain to identify areas of carbon reduction including; product selection; transportation methods; recycling green energy sourcing.
- As part of Scottish Water's Net Zero Construction Expert Panel, we are currently assisting with the development and commercialisation of next generation low-carbon concretes in Scotland, working with strategic partners Network Rail, SSE and Scottish Power.
- Continually researching and updating products from alternative suppliers.

Scope 3 – emissions generated in our supply chain

This refers to all indirect upstream and downstream emissions excluding indirect emissions associated with power generation (Scope 2). Recognising 75% of our emissions are from purchased goods and services from our upstream supply chain, we plan to implement a number of measures to achieve Scope 3 targets:

- We will measure, reduce, verify and report these emissions with specialist support from international climate consultants EcoAct.
- We are investigating various areas where we can, work collaboratively together with our clients and supply chains to reduce carbon emissions and achieve the Scope 3 target.

Managing carbon emissions associated with our services

MWS has determined that 80% of its emissions are from our fleet of vehicles and the mechanical plant utilised on site. We have worked with M Group Plant and Fleet services to establish the carbon footprint of our plant and fleet by inputting our fuel utilisation data into Achilles Carbon Reduce. Having established a baseline, we set about reducing the carbon footprint of our fleet by adopting a green fleet policy. This aims to create a sustainable transport fleet that is updated as emerging technology is available, mitigating environmental degradation by reducing fuel consumption and greenhouse gas emissions. Key aspects of Green Fleet & Plant Strategy are:

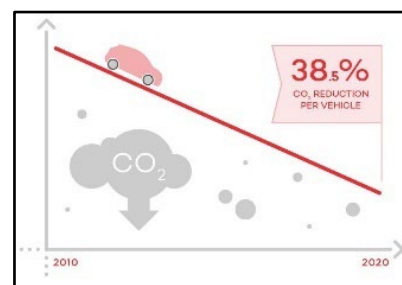
- a) Adopting a policy of acquiring or hiring in vehicles with the latest technology and most fuel-efficient engines. The current fleet is being replaced as each vehicle comes to the end of its lease and the replacement vehicles will all be of the reduced carbon type. We are currently at 8% EV penetration, up from less than 5% a year ago. As the EV charging infra structure is rolled out, we will be utilising more and more electric vehicles and less internal combustion and hybrid engines. Our fleet department is investigating the use of hydrogen vehicles where larger vehicles are required.
- b) Implementing a programme of targeted Hydrotreated Vegetable Oil (HVO) produced from reclaimed oil. This greener fuel is a direct replacement for diesel in both plant and vehicles and is estimated to be 90% greener than diesel.
- c) Installing trackers in all our fleet with vehicle speed, braking and cornering being monitored. Drivers with more aggressive and therefore more polluting driving styles are identified as “red drivers” and are provided with training and coaching to improve their driving style.
- d) Adopting the use of mobile digital work scheduling software to plan work and vehicle movements with maximum efficiency and reduced overall mileage, as used on our TWUL metering contract.
- e) Raising awareness of all our management and staff to reduce our carbon footprint by challenging journey necessity and further utilising video conferencing such as Teams.

Through these initiatives we have achieved a 38.5% reduction in CO₂ per vehicle.

Shaping the future

We are continuing to develop our Carbon Reduction plan with the following aims:

- Reducing Scope 1 & 2 GHG emissions by 50% by 2030.
- Achieving Net Zero by 2050.
- Achieving zero waste to landfill by 2030.
- Developing a Scope 3 supply chain emissions reduction plan.



These initiatives are directly linked with UN Sustainable Development Goal No.13 – Climate Action.

Emissions from plant

The emissions from the plant utilised by our operational teams are the second area of direct emissions being addressed as part of our carbon reduction approach. Our plant team is continually engaging with our supply chain and are currently trialling electric powered plant at several locations such as our Edinburgh Trams Swept Path project where electric excavators are being utilised.

Local supply chain initiative

Where possible we recruit all operatives locally and use subcontractors that are based in the area we are working. This minimises travel time which contributes to reducing carbon footprint as well as increasing wellbeing of operatives.