

ARCO LIMITED AND SUBSIDIARIES
STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2021

Streamlined Energy & Carbon Reporting (“SECR”)

Progress over the Year

Arco recognises that a journey to a net zero carbon position for its business is a necessary one but one that requires a clear action plan and ambitious targets. This work is being undertaken by Arco's Sustainability Steering Group, which is overseen and supported by the ESG Committee of the Board. Arco has held ISO14001 certification since 2005 and its ISO14001 Environmental Management System (EMS) provides the framework to monitor and report on energy performance and drive continuous improvement.

In the short term, as well as implementing best practice and improvement activities across Arco's estate, Working with iOffset, Arco has offset its Scope 1 and Scope 2 carbon for the year through Verra-certified carbon reduction projects. Arco intends to continue to offset the Scope 1 and Scope 2 carbon in future years at the same time as developing and implementing an action plan to become a net zero business. Arco is also taking steps to accurately record wider Scope 3 emissions to enable offsetting as well as implementing clear reduction initiatives, including through increased engagement with its supply chain.

Over the year, a number of new properties have come into Arco's estate including the new head office building at Blackfriargate in Hull. The design and fit out of these properties is undertaken to deliver energy efficiency including use of LED lighting, heat pump technologies for heating and cooling, smart meters and smart controls. The new head office building is rated as BREEAM “Very Good” status, and has improved energy efficiency, incorporating energy efficient glazing, a Chill Beam Cooling system, and intelligent lighting systems.

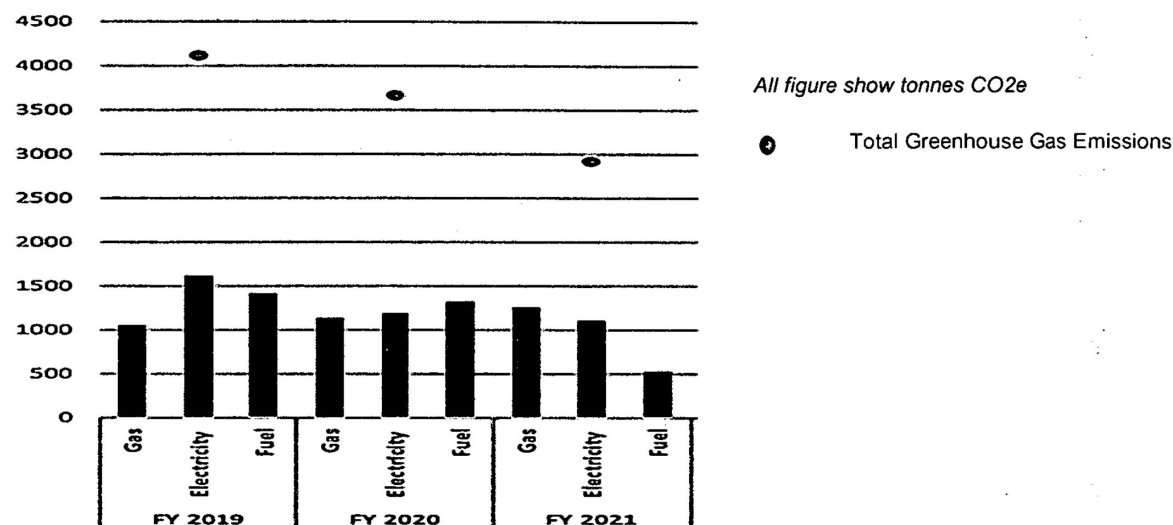
Arco sources its energy requirements through renewable energy tariffs and takes steps to monitor, control and reduce energy consumption. Arco continually reviews its estate to identify opportunities to improve energy efficiency and implements projects to deliver those improvements. For example, during the year, the Company initiated a full upgrade of the lighting in its original NDC building and a number of retail outlets in order to deliver significantly improved energy performance estimated to save 190 tonnes of carbon annually or 17% of Arco's scope 1 electricity consumption and 6.5% of Arco's overall scope 1 and scope 2 energy footprint. Alongside the new, more efficient NDC2 building which came online in early 2020, this project will materially improve the carbon impact of Arco's distribution and retail facilities.

The Company has also initiated a full review of its company fleet and as a result has taken the opportunity to improve accessibility to electric and hybrid vehicles for its colleagues within the company car scheme. The review will also facilitate changes to Arco's own fleet with the aim of further reducing emissions and Arco's carbon footprint. The Company is also exploring the provision of EV charging infrastructure across its estate.

Arco's Board has created an ESG Committee to support the Group's development of a new sustainability strategy and which oversees and supports the work of an executive-led, cross functional sustainability steering group. The new sustainability governance structure will enable development, monitoring and reporting of clear, stretching energy and carbon reduction targets.

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Our Energy Performance



The prior year (FY20) emissions were depressed as a result of the Covid-19 lockdown which, in the final quarter of the year, saw branches closed for a time and significantly less travel. The current year has seen significantly less travel (reflected in the fuel performance). It is recognised that there will be an increase in emissions once the Covid-19 restrictions end, although it is expected that longer-term changes to working patterns will continue to have a beneficial effect on emissions. The Company's planning for carbon reduction continues to take into account a return to a more 'normal' level of emissions once the pandemic restrictions end and reduction initiatives are identified and prioritised accordingly.

			2021	2020	Change		
Scope 1 emissions from gas, transport and other fuel use			1,801	2,349	-548	-23%	▼
Scope 2 emissions from electricity			1,115	1,198	-83	-7%	▼
Scope 3 emissions from indirect sources			7.5	116	-108.5	-94%	▼
Total greenhouse gas emissions			2,923	3,663	-740	-20%	▼
Greenhouse gas emissions per £m sales revenue			7.5	11.5	-4.18	-36%	▼

All figure show tonnes CO2e

The scope of this energy and carbon report includes all activities and sites operated and controlled by Arco. All sites and activities take place in the UK. Details of Arco branches are included on page 1.

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How we collect data

Energy data has been collected from the following sources:

<u>Data Type</u>	<u>Scope 1 Data Source</u>
Gas Consumption	Kinect online energy portal – collates data from AMRs installed in kWh. Invoices from supplier for those sites not on Kinect platform in kWh.
LPG Consumption	Invoiced LPG as per purchasing records in litres.
Van Fleet Diesel Consumption	Fuel Card monthly invoicing in litres.
Company Car Diesel Consumption	Fuel Card monthly invoicing in litres.
Fuel Oil Consumption	Invoiced Fuel Oil as per purchasing records in litres.
<u>Data Type</u>	<u>Scope 2 Data Source</u>
Electricity Consumption	Kinect online energy portal – collates data from AMRs installed in kWh.

Once the above data was collated, DEFRA's "Greenhouse Gas Reporting - Conversion Factors" have been used to convert all energy units to kWh. DEFRA's Conversion Factors were also utilised to convert the energy, now recorded in kWh, to tCO₂e.

How we verify data

Several processes are in place to ensure data collected is accurate, transparent and auditable. A series of records have been retained which contain the data utilised in this report.

Invoicing for fleet diesel, LPG and fuel oil is managed robustly by the Finance Department, as part of Arco Limited's accounting processes. LPG and fuel oil are purchased in standard size cylinders and containers, no meters are required for monitoring consumption. The use of fuel cards for purchasing diesel ensures company drivers obtain diesel from regulated commercial forecourts.

For those sites which have AMR (Automatic Meter Read) electricity and gas meters installed, consumption is automatically collated by the Kinect online energy portal. Consumption data on the portal is cross-checked to both the relevant invoicing and the consumption data from the previous year, with a $\pm 10\%$ tolerance. Invoice figures, including charges, are also verified by an external third party for accuracy.

For those sites currently without AMR gas meters installed, consumption is verified against invoicing by an external party, including a meter read by the supplier to rectify any estimations during the year, and an internal comparison to consumption data from the previous year, with a $\pm 10\%$ tolerance to account for changing weather conditions. All invoices are sent to Kinect to upload to the system.

An annual ISO 14001 Continuing Assessment is carried out by BSI on site over three days, which independently assures the completeness of our energy data and the effectiveness of the energy performance improvement actions taken.

Energy consumption data is compared to the previous year, as per the ISO 14001 monitoring and measurement process. Energy performance data is reviewed by top management as part of internal communication and Management Review processes.

Validating the Report

This energy and carbon report has been reviewed by independent environment and energy consultants, Environmental Strategies Limited, Company No. 3596465, in accordance with their peer review process for recalculation by a second consultant.