

Environment

Key Issues

Carbon emissions:

Due to the impact of the Covid-19 pandemic, passenger numbers, sailings, business travel and the use of heating fuel and electricity in our ports and head office decreased. As a result, total carbon emissions have decreased 20% to 102,442 tCO₂e from 2019/20 levels and relative carbon footprint has increased by 18% to 0.1173 kg CO₂e passenger km.

Waste:

Procurement of new waste contracts and recycling stations across the network as well as a decrease in general waste due to the impact of the Covid-19 pandemic have had a positive impact on recycling rates and diversion of waste from landfill as we have seen total waste produced fall. Total waste produced decreased by 36% from 2019/20 levels and the proportion of our waste sent for recycling increased to 60%, a 16% increase from 2019/20 levels and that sent to landfill decreased to 37%.

Engagement in 2021

We carried out extensive engagement across the business to identify significant environmental aspects and propose actions to reduce environmental impact. The actions which align with the four core priorities of our Environmental Strategy form an Action Plan 2021-23 with progress tracked and reported quarterly to the Board.

We carried out extensive engagement across the business to identify and rank each department's significant environmental aspects and identify actions to reduce environmental impact. The actions which align with the four core priorities of our Environmental Strategy form an Action Plan 2021-23 with progress tracked and reported quarterly to the Board.

We engaged with Scottish Government on topics including the national litter strategy, restrictions on single-use plastics and the Deposit Return Scheme.

We supported national campaigns including Scotland's Climate Week, Recycle Week and the #ReuseBeatsSingleUse campaign through internal and external communications.

Wildlife Fact File blogs and educational material were created by the ORCA Hebrides Wildlife Officer - designed for school age children to access during lockdown and posted on our Marine Awareness webpages.

Shareholder

Key Issues

Group Financial Performance, including the strength of our Balance Sheet.

Understanding and supporting delivery of our Group strategy and operations.

Strong relationships, with open communication channels to the Board.

Engagement in 2021

Annual Report:

The Annual report provides details of Group financial performance, as well as progress against key priorities, with clear and transparent messaging.

DML Board meetings are held throughout the year with our Sponsor (Shareholder representative) in attendance.

Shareholder engagement meetings were held throughout the year to discuss Group growth and operational strategy.

Board discussions and decisions taken during 2021, where stakeholder views were considered and informed the decision.

Online Refunds & Customer Insights

Policies, processes and structures supporting the customer journey were reviewed in detail, and we took the decision to introduce an online refunds process for our customers at the start of the Covid-19 lockdown. We removed all cancellation and amendment fees without requesting evidence.

We continue to invest in better understanding our customers with the creation of a customer insights team and development of a customer experience strategy. This ensures the business is making decisions based on insights and acting in the areas which are important to our customers.

In the past year, the business has continued its commitment to making data-informed decisions that place the customer at the heart of all we do. The profile of the insights team has been raised and capability grown through the approval of additional resource and procuring new tools and systems; a Customer Experience Measurement Solution (VOC platform) and Customer Journey mapping software. Combined, these will allow us to track and monitor customer sentiment and Customer Experience metrics in real time for all touchpoints in the customer journey, presenting results and actionable insights to those responsible for making real improvements to our service.

Financial Planning

Financial Planning, funding allocation and dividend policy decisions.

In line with our agreed policies this year's plan was approved by the Board following a comprehensive review of our strategic priorities and risks. We regularly review how we are performing against plan and report monthly and year to date financial results compared with the Board approved plan. This is in addition to reviewing the financial forecast outlook for the

Streamlined Energy and Carbon Reporting

Environmental Policy

The Group is committed to its ISO14001 certified Environmental Management System and recognize that protection of the environment, of its employees, customers, the coastal communities, and contractors affected by its operations, is an integral part of the organisation's business performance and is a management priority. The Group recognise that its activities and services can be directly and indirectly responsible for environmental impacts, which we aim to eliminate and reduce to a practicable minimum.

The Group is committed to minimising the environmental impacts of its operations, continual improvement in its environmental performance, training and communication of environmental policy and programmes to all staff, sustainable procurement, and employment of Best Practicable Environmental Option (BPEO) in its activities.

Environmental Strategy

The Group's Environmental Strategy aligns with the UN Sustainable Development Goals and the Scottish Government's 2020 Environmental Strategy. The four core priority areas of the Strategy are Climate Action to reduce emissions from fuel combustion and energy consumption, Climate Action to prepare for climate change and manage climate risk, Responsible Consumption and Production to minimize waste and move towards circular economy thinking and Life under Water to protect biodiversity.

Current environmental programmes supporting the strategy include investments in monitoring, measurement and reporting, transitioning to more energy efficient, low emission transport assets, working with academia to reduce the impact of existing transport assets, operational efficiency and sustainability projects, improved understanding of the environment DML operates in and its impacts on the environment, reduction and improved recycling of wastes, ongoing staff training and communication, a public marine awareness programme and engagement with external stakeholders on related environmental programmes.

Climate Resilience

The Group recognises Scotland's long-term trends of warming temperatures, shifting rainfall patterns, rising sea levels, changes in seawater salinity and increases in coastal erosion and have been experiencing some of these changes as highly variable weather conditions, which bring a range of challenges to DML's operations. Future climate change will bring additional challenges to transport infrastructure.

High-level climate related risks and opportunities have been identified and categorized as critical and non-critical. Climate risk has been embedded into the Environmental Strategy as a core action area to be addressed by the Group.

Methodology

The methodology used for the categorisation, quantification and reporting of the organisation's GHG emissions is based upon and consistent with, the British Standard EN ISO 14064-1:2019, identical to International Organisation for Standardisation ISO 14064-1:2018.

Conversions from volumetric fuel supplies to GHG emissions and energy (kWh) have, where possible, been carried out using UK Government GHG Conversion Factors for Company Reporting version 2020.

Energy input (kWh) for biomass is converted to CO₂e emissions using the woodchip conversion factor from Biofuels in UK Government GHG Conversion Factors for Company Reporting version 2020.

The Group is reporting consolidated GHG emissions for all operating subsidiaries within its operational boundaries.

GHG emissions and energy use data	2021	2020
Energy consumption used to calculate emissions		
Total Energy Consumption kWh		
Scope 1, 2 & 3	401,308,619.83	504,122,608.52
CO2e Emissions from energy consumption		
Total Emissions tCO_{2e}		
Scope 1, 2 & 3	102,417.94	128,380.41
Scope 1: Direct Emissions tCO_{2e}		
Mobile transport (vessels, fleet vehicles)	100,586.88	126,625.35
Stationary combustion (gas, heating oil, wood chip)	96.82	162.73
CO ₂ from biofuels (Out of scope)	88.20	129.15
Scope 2: Indirect Emissions from imported energy tCO_{2e}		
Electricity	863.00	906.72
Scope 3: indirect Emissions tCO_{2e}		
Business travel (private vehicle, train, coach)	537.37	683.64
Other (EV charging)	2.15	1.97
Waste disposal	297.88	
Intensity Ratio		
kg CO _{2e} / passenger km (vessel emissions only)	0.1151	0.0976
kg CO _{2e} / passenger km (whole organization emissions)	0.1173	0.0991

99% of the organisation's total emissions are derived from robust, verifiable data. Vessel related emissions (included within direct emissions: mobile combustion, transport) which make up 98.52% of the organisation's total emissions figure are produced from metered, receipted fuel supplies. Of the remaining balance of total emissions (1.48%) the emissions from electrical consumption (indirect emissions: from imported energy) makes up 53%. Of the total electricity supply data, 94.5% is meter data from 'actual' readings and so is also verifiable.

Where verifiable data could not be obtained, estimates of consumption were produced from supplier estimates, pro-rata extrapolation or, where no details of supply/consumption were made available, then benchmark locations of a comparable size and range of services was used or data from the previous year was used.

Business travel (train and coach) and waste disposal are not included in the total energy consumption (kWh) figure due to the lack of published CV conversion factors.

Materiality

All sources of energy consumption and carbon emissions within scope have been included in the assessment. No sources have been excluded on a materiality basis.

Intensity Measurement

The organisation's primary measure of emissions performance is expressed as kilograms of CO₂ equivalent (CO_{2e}) per passenger per kilometer. This ratio allows the organisation to measure its primary, material emissions from vessel and entire operations relative to the primary activity level (passenger volume carried) in a reporting period. It allows for both passenger numbers and cargo weight to be incorporated and provides a relevant and consistent measure of operational efficiency and emissions whilst accommodating normal fluctuations in operational capacity.

Measures taken to improve energy efficiency

Due to the impact of the pandemic, no target was set for the reduction of carbon footprint or fuel consumption during the reporting period and the data from the reporting year will be treated as anomalous when assessing carbon reduction progress.

During the reporting period, the Group adapted timetables to reduce the number of sailings in response to the coronavirus pandemic whilst maintaining lifeline services. Emissions from the consumption of marine gas oil were reduced by 25,894 tCO_{2e} during the reporting period.

The Environmental Strategy sets a target to reduce fuel consumption by 2% year on year from the 2019 baseline figure. Several actions have been planned to deliver this fuel saving, including trialing fuel additives, enhanced vessel maintenance and upgrades, continued operational behavior change and implementation of vessel energy efficiency plans.