Basis of reporting

SMS PLC 2022 Greenhouse Gas Emissions Data

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Contents

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1.   Introduction

To comply with the Streamlined Energy and Carbon Reporting (SECR) regulations, all UK quoted companies are required to report on their global energy use and greenhouse gas emissions in their annual Directors' Report. This document details the methodology used to collate and calculate this, and additional voluntary data, which is disclosed in our 2022 Sustainability Report and 2022 Annual Report and Accounts.

The scope of our environmental reporting covers our most material datasets as defined in our Materiality Assessment. The materiality of emissions resulting from owned and controlled sources (scope 1 and 2) emissions resulting from activities across our value chain (scope 3) is dependent on the following factors:

- Minimum requirement of SECR regulations
- Availability and quality of data, emissions factors, and calculation methodologies
- Magnitude of emissions
- Scope of influence
- Risk exposure
- Significance for our stakeholders

The threshold for excluding emissions from scope 1 and 2 has been set as 5% of overall emissions or energy.

2.   Targets

SMS have set long term targets that sit within our Environmental, Social and Governance strategy. The overarching environmental objective is to reduce environmental impacts across our operations in line with our net zero roadmap. SMS have set long-term quantitative reduction targets, listed in Table 1, that specifically target the most material aspects of our business greenhouse gas emissions (GHG) which result from the operation of our fleet and our building estate.

Target	Baseline	Performance Indicator	Sources of Data	Exclusions
50% decrease in fleet emissions by 2025	2019	$kgCO_2e$/vehicle	- Fuel transactions reports - Monthly Sustainability Report	Vehicles purchased through a salary sacrifice scheme.
50% decrease in building emissions by 2025	2019	$KgCO_2e/m^2$	Monthly Sustainability Report	No exclusions from sites considered material.

Table 1. SMS's long term carbon reduction targets, performance indicators and data source and scope.

3. Greenhouse Gas Emissions Reporting

3.1. Definition

We report GHG emissions across four areas:

- Scope 1: Direct GHG emissions from operational activities, including burning fossil fuels at our offices, warehouses and training centres, fugitive gas emissions from air conditioning systems, and use of petrol and diesel fuel to power our fleet.
- Scope 2 Location Based (UK Grid Average): Indirect GHG emissions from the consumption of purchased electricity.
- Scope 2 Market Based (accounting for purchased electricity generated from renewable energy): Indirect GHG emissions from the consumption of purchased electricity, where purchase of renewable electricity results in zero emissions.
- Scope 3: Other indirect emissions from our value chain.
- GHG per £m revenue intensity ratio includes scope 1,2 and 3 emissions. This indicator shows the amount of emissions that are generated to achieve the revenue realised.

3.2. Scope of reporting

Scope 1 and 2 GHG reporting covers 12-month calendar year and includes all operational sites that are considered material, found in Appendix 1.

Scope 3 GHG emissions data covers 12-month calendar year and includes emissions generated within our value chain from operational impacts considered to be material to our environmental footprint, as per the factors listed in section 1.

3.3. Data inventory, calculation methodology, source, and exclusions

Scope 1

Fleet

Methodology
These are company owned vehicles. GHG emissions generated from fleet vehicles are calculated by converting the amount of diesel or petrol purchased (litres) to $kgCO_2e$ using the BEIS conversion factors.

Source of Data
SMS' engineering workforce purchase diesel and petrol using fuel cards. The fuel vendors reporting platform is used to generate monthly transaction reports, which include the amount and type of fuel purchased.

Exclusions
Fuel purchased with personal cards and recharged are excluded from emission calculations if the amount of fuel purchased does not breach the threshold of 1% of total fuel purchased. Fuel purchased for vehicles that operate under the salary sacrifice scheme are also excluded as these are employee-owned vehicles and are captured under Scope 3 business travel.

Natural Gas

Methodology

Natural gas is used for heating six of our properties. Carbon emissions resulting from the combustion of natural gas are calculated by converting the amount of natural gas energy consumed (kWh) to $kgCO_2e$ using the BEIS conversion factors.

Source of Data

Gas consumption data is captured from invoices and from half hourly (HH) meters. We are able to analyse HH meter reads on our energy management platform, Smart Vision Pro. This platform gives us the capability to inspect consumption patterns, track KPIs and identify energy exceedances. Invoice data is validated using a bill validation software, Systems Link. Where data is not available, we estimate the consumption by extrapolating data of previous known periods of consumption. Benchmarks used in the extrapolation process include kWh/day and kWh/m².

Exclusions

No data has been excluded from the calculation.

Refrigerant Gas

Methodology

Refrigerants are used within mechanical cooling systems which serve office spaces and server rooms across eight of our sites. Refrigerant emissions are calculated from the amount of fugitive gas lost to the atmosphere each year. These are converted to emissions based on the Global Warming Potential (GWP) of the gas.

Source of Data

Gas leakage (kg) is recorded on annual maintenance reports. Where this information is not available, we estimate based on the annual leakage rate, following the methodology stated in the HM Government (2019) Environmental Reporting Guidelines: including Streamlined Energy and Carbon Reporting guidance.

Exclusions

No data has been excluded from the calculation.

Burning Oil (kerosene)

Methodology

Oil heating is used in one office building. Emissions from burning oil are calculated by converting the amount oil (litres) that is consumed to $kgCO_2e$ using a BEIS conversion factor.

Source of Data

Consumption data for burning oil (kerosene) comes from manual meter reads. Where data is not available, we estimate consumption by extrapolating data of previous known periods of consumption. Benchmarks used in the extrapolation process include kWh/day and kWh/m².

Exclusions

No data has been excluded from the calculation.

Scope 2 (Location and Market Based)

Electricity

Location Based Methodology

Electricity is consumed in properties leased or owned by SMS and battery sites operated by SMS. Emissions are calculated by converting the total amount of electrical energy consumed within properties and the net amount of electrical energy consumed by the battery sites (kWh) to kgCO2e. The grid average BEIS conversion factor for electricity is used to calculate indirect emissions generated from SMS properties and battery sites.

Market Based Methodology

Market based emissions consider the purchase of electricity from renewable energy contracts. Electricity consumption at sites with REGO electricity contracts amount to zero emissions, whist the emissions for non-REGO sites are calculated using residual grid mix factor published by the AIB.

Source of Data

Consumption data for electricity is captured from invoices and meters in the form of HH, Automated Meter Reading (AMR) and manual meter reads. We are able to analyse HH meter reads on our energy management platform, Smart Vision Pro. This platform gives us the capability to inspect consumption patterns, track KPIs and identify energy exceedances. Invoice data is validated using a bill validation software, Systems Link. In some instances, SMS only occupies an area of a building and if sub metering is not available, SMS is apportioned a percentage of the total consumption based on the percentage of the total floor area occupied. Where data is not available, we estimate consumption by extrapolating data of previous known periods of consumption. Benchmarks used in the extrapolation process include kWh/day and kWh/m².

Exclusions

No data has been excluded from the calculation

Scope 3

Water (Purchased Goods and Services)

Methodology

Water is consumed for sanitation services at properties used and controlled by SMS. Emissions for the supply and treatment of water are calculated by converting the amount of water consumed (m³) to kgCO$_2$e using a BEIS conversion factor.

Source of Data

Data for water consumption is captured from water invoices. Invoice data is validated using a bill validation software, Systems Link. Where data is not available, we estimate consumption by extrapolating data of previous known periods of consumption or we use actual data from a similar site to provide an estimate of water consumption. Benchmarks used in the extrapolation process include m³/floor area and m³/day.

Exclusions

No data has been excluded from the calculation.

Upstream emissions of purchased fuels (Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2)

Methodology

Energy and fuel related activities not covered in scope 1 & 2 emissions include the emissions related to the extraction, production, and transportation of fuels consumed by the reporting company. Well to tank (WTT) emissions are disclosed for the following fuels reported under scope 1 and 3:

•   Natural Gas

•   Diesel consumed by fleet

•   Petrol consumed by fleet

•   Burning Oil

•   Diesel consumed as a result of business travel

•   Petrol consumed as a result of business travel

WTT emissions are calculated by converting the amount of fuel consumed to $kgCO_2e$ using the relevant BEIS conversion factors.

Source of Data

Data on the fuel consumed by the fleet is captured in monthly fuel vendor transactions reports. Data for the consumption of natural gas at our sites comes from HH metered data or monthly invoice data. Burning oil data is taken from manual meter reads and business travel is taken from employee expense reports. Where data is not available, we estimate consumption by extrapolating data of previous known periods of consumption.

Exclusions

Fuel purchased with personal cards and recharged are excluded if the amount of fuel purchased does not breach the threshold of 1% of fuel purchased.

Transmission and distribution (T&D) losses (Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2)

Methodology

Emissions associated with electricity grid losses are not included in scope 2 and are therefore disclosed under scope 3 transmission and distribution losses. We report the emissions associated with energy losses by taking the total amount of electricity consumed by our sites and the net consumption of electricity of our battery sites and covert to emissions using the T&D emission factor.

Source of Data

Consumption data for electricity is captured from invoices and meters in the form of HH, Automated Meter Reading (AMR) and manual meter reads. In some instances, SMS only occupies an area of a building and if sub metering is not available SMS is apportioned a percentage of the total consumption based on the percentage of the total floor area occupied. Where data is not available, we estimate consumption by extrapolating data of previous known periods of consumption. Benchmarks used in the extrapolation process include kWh/day and kWh/m².

Exclusions

No data has been excluded from the calculation.

Generation of purchased electricity that is sold to end users (Exported Electricity)

Methodology

Emissions associated with the electricity that is exported from our battery energy storage sites and sold to end users are disclosed under scope 3. Emissions are calculated by subtracting the net electricity from the total supplied electricity, to give the total energy sold from the battery sites (kWh), which is then converted to kgCO2e. The grid average BEIS conversion factor for electricity is used to calculate indirect emissions generated from sold electricity.

Source of Data

Export data is captured from meters in the form of HH reads.

Exclusions

No data has been excluded from the calculation.

Waste

Methodology

Waste is generated across all our sites and includes general, recycling, WEEE, confidential paper, metals, and sanitary waste. Emissions are calculated based on the amount of waste collected and the disposal method specified by waste suppliers. The amount of waste disposed is converted to kgCO2e using the BEIS conversion factors.

Source of Data

Waste data is taken from supplier waste reports. Where data is not available, we estimate the amount of waste generated by extrapolating the data of a similar site with actual data. The benchmark used in the extrapolation process is kg/m².

Exclusions

No data has been excluded from the calculation.

Business Travel

Methodology

Journeys that are made by SMS employees in vehicles which are not owned or controlled by SMS, and are not for commuting purposes, are categorised as Business Travel. These vehicles are either owned by the employee and the employee claims a personal allowance per mile travelled, or these are hire vehicles and employees claim back the cost of purchasing fuel. Emissions from business travel are calculated using three data points:

- Mileage recorded on an expense report (miles)
- the amount expensed for fuel purchases (£)
- the amount expensed using the SMS personal allowance for distance travelled (£)

Assumptions:

- Vehicle type is estimated as 50% diesel and 50% petrol
- Vehicle size is assumed as average
- The ppL cost is estimated using the monthly average for Diesel and Petrol (source: BEIS Energy Prices Road Fuels and Other Petroleum Products Report)
- The personal allowance is forty-five pence per mile

Source of Data

Data is exported from expense reports.

Exclusions

Plane and train travel is excluded due to absence of data.

Teleworking

Methodology

Emissions associated with the energy used by employees working from home to power office equipment and space heating. This is calculated by estimating the number of full-time working hours worked from home within the reporting year and is converted to kgCO2e using a BEIS conversion factor. The number of hours worked from home is calculated by using the number of full time and part time office-based employees employed by SMS at the end of the reporting year, and the number of days per week they were instructed to work from the office.

Assumptions:

- Part time employees are contracted to work 7.5 hours a day and 3 days per week.
- Full time employees are contracted to work 7.5 hours a day and 5 days per week.
- Employees only worked 100% from home until 01/03/2022.
- From the 01/03/2022, full time employees worked 3 days a week and part time employees worked 2 days a week from home.

Source of Data

The number of full-time employees and part time employees were provided by the HR department.

Exclusions

Field based employees have been excluded from this calculation as they are not expected to work from home.

Leased Assets

Methodology

Emissions associated with the energy use and f-gas losses from an office space leased by SMS. In the absence of reported data, this is estimated by extrapolating the data of a similar site. Benchmarks used in the extrapolation process include kWh/m² and kWh/day, and kg/m² and kg/day.

Source of Data

Source data includes floor area of the leased site and the number of days leased.

Exclusions

No data has been excluded from the calculation.

3.4. External standards and guidance

SMS use the following external standards and guidance to report greenhouse gas emissions:

- Greenhouse Gas Protocol Corporate Accounting and Reporting Standard
- HM Government (2019) Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance.

4. Operational Energy Consumption

4.1. Definition

Operational energy consumption includes:

- Electricity consumed within properties occupied by SMS
- Net electricity consumption by BESS operated by SMS
- Fuels consumed specifically to provide operational sites or assets with power or heat. These include diesel, petrol, natural gas, and kerosene (burning oil).

These are converted into a common unit of energy use; kilowatt-hours (kWh) or megawatt-hours (MWh) using BEIS conversion factors.

4.2. Scope of reporting

Operational energy consumption covers 12-month calendar year and includes all operational sites considered as material. These include office, warehouse, training centres and battery sites.

4.3. Data inventory

- Electricity
- Natural Gas
- Burning Oil
- Petrol
- Diesel

5. Criteria for re-stating and re-baselining

We will restate data previously reported if an error has been identified or if more accurate data becomes available which results in a material difference. The difference is material if the amendment alters the originally reported figure by five percentage points or more.

6.   Appendix

1.   Buildings and battery sites considered material to SMS's environmental reporting

Material to Scope 1, 2 and 3	
• Floor 2 and 3, 48 St Vincent Street, Glasgow	• Office
• Prennau House, Cardiff	• Office
• Trydan House, Cardiff	• Office
• Floor 2 and 3, Oaktree, Cardiff	• Office
• Merlin House, Cardiff	• Warehouse
• Stadium House, Bolton	• Office
• Swan Mill, Bolton	• Training Centre
• Hoyland, Barnsley	• Warehouse
• Floor 3 Icon Centre, Doncaster	• Office
• Bullrush	• Office and warehouse
• Stirling House	• Office
• Lynx, Newmarket	• Office
• Solo, Cork	• Office
• Solo, Orkney	• Office
• Burwell 1	• Battery Energy Storage Site
• Barnsley	• Battery Energy Storage Site
• Brook Farm	• Battery Energy Storage Site
Material to Scope 3 only	
• Theale	• Office

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