



WALTER LILLY

1924

CARBON REDUCTION PLAN

(PPN 06/21)

March 2024

This Carbon Reduction Plan has been prepared by Scotch Partners LLP on behalf of Walter Lilly in line with the requirements of Procurement Policy Note PPN 06/21 “Taking Account of Carbon Reduction Plans in the procurement of major government contracts” published in June 2021 and the supporting “Technical Standard for the Completion of Carbon Reduction Plans”.

Walter Lilly has pledged to achieve net zero carbon by 2040 for Scope 1 and 2 emissions and by 2050 for Scope 3 emissions.

INTRODUCTION

In 2019 the UK became the first major economy to adopt a legal commitment to achieve net zero carbon emissions by 2050. To support this objective, the UK Government introduced Procurement Policy Note (PPN) 06/21 in 2021 to reduce emissions within its supply chain. PPN 06/21 requires suppliers of government departments and associated bodies to create a Carbon Reduction Plan (CRP) and commit to achieving net zero by 2050 if they are bidding for contracts above an anticipated value of £5 million per annum (exc. VAT) which are subject to the Public Contracts Regulations 2015¹.

This Carbon Reduction Plan has been prepared by Scotch Partners LLP on behalf of Walter Lilly. Walter Lilly is a progressive business who understand the importance of tracking emissions and delivering on decarbonisation across their practices to support the urgency of the climate change agenda. Walter Lilly has committed to achieve net zero carbon by 2040 for Scope 1 and 2 emissions and net zero carbon by 2050 for Scope 3 emissions. To achieve this goal, progressive reductions in carbon emissions will be required across their Scope 1, Scope 2 and Scope 3 carbon emissions.

The 'operational control' approach has been used to determine the emissions for which Walter Lilly has taken responsibility for. Walter Lilly accounts for 100% of the emissions for which it has operational control over (aligned with the GHG Protocol's consolidation approaches). Walter Lilly applies the following principles:

- All construction projects are deemed to be within Walter Lilly's operational control until the point of completion; and
- Emissions associated with all office spaces owned or leased by Walter Lilly are included in emissions reporting.

Using the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard and emissions factors provided from the UK Government GHG Conversion Factors for Company Reporting, emissions have been calculated for the reporting period of October 2022 – September 2023, this period also acts as the baseline year for this report. This CRP will be published and clearly signposted on the Walter Lilly website (www.walterlilly.co.uk). This CRP will be updated at least annually.

Definitions

Throughout this document, 'emissions' refers to carbon dioxide equivalent emission (CO₂e). Each GHG has a unique global warming potential (GWP) value: for example, one unit of methane will cause approximately the same amount of global warming as 28 units of carbon dioxide. Presenting emissions as CO₂e allows for a company's contribution to climate change to be quantified in one figure. The UK Government GHG Conversion Factors for Company Reporting include emissions from the seven main GHGs as defined by the Kyoto Protocol: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). This is in line with accepted industry standards.

The GHG Protocol categorises emissions sources into three Scopes:

Scope 1: Direct GHG emissions from sources that are owned or controlled by the company (e.g., natural gas, company vehicles, refrigerants);

Scope 2: Indirect GHG emissions from the generation of purchased electricity, steam, heat and cooling consumed by the company; and

Scope 3: All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (e.g., business travel, employee commuting, upstream transportation and distribution of goods from suppliers, downstream transportation of goods from company sites and waste generated in operations).

¹PPN 06/21 Taking Account of Carbon Reduction Plans (gov.uk)

The emissions boundary (i.e., the sources of emissions included within Walter Lilly's emissions reporting and carbon reduction plan) has been pre-defined by the UK Government's Procurement Policy Note 06/21. All Scope 1 and 2 emissions and the following subset of Scope 3 emissions must be included, where applicable:

- Category 4: Upstream Transportation and Distribution;
- Category 5: Waste Generated in Operations;
- Category 6: Business Travel;
- Category 7: Employee Commuting; and
- Category 9: Downstream Transportation and Distribution.

Emissions Sources

Inclusions

Scope 1

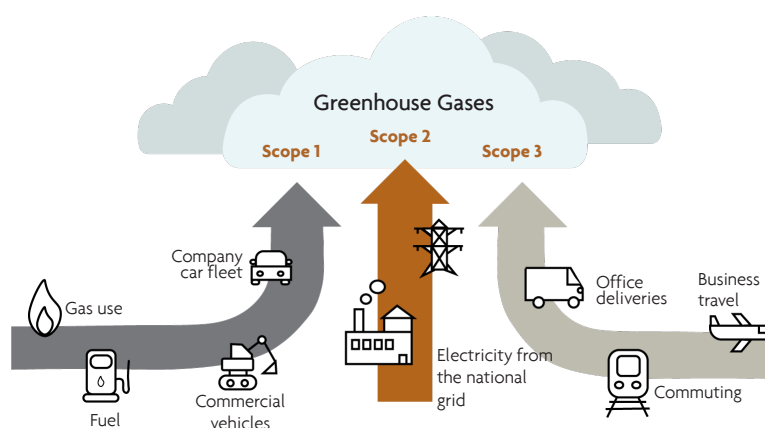
- Natural Gas: Natural gas consumption on project sites and in Walter Lilly's offices. Emissions were calculated based on kWh consumption.
- Fuels: Diesel and HVO consumption for projects. Emissions were calculated based on litres consumed.
- Refrigerants: Refrigerant consumption on project sites and in Walter Lilly's offices. Emissions were calculated based on the approximate weights of refrigerants purchased within the reporting year.

Scope 2

- Electricity: Electricity consumption on project sites and in Walter Lilly's offices. Emissions were calculated based on kWh consumption using a market-based approach for Walter Lilly's offices and certain projects which are powered by a REGO-certified electricity contract. A location-based approach was used for the remaining projects. The electricity used on these projects is procured by Walter Lilly's clients: as a result, Walter Lilly does not have control over whether REGO-certified electricity contracts are used.

Scope 3

- Category 4: Upstream Transportation and Distribution
 - Emissions associated with courier distribution were calculated based on distance travelled.
- Category 5: Waste Generated in Operations
 - Emissions associated with the disposal of waste from project sites and Walter Lilly's offices were calculated based on data provided by waste disposal companies.
- Category 6: Business Travel
 - Emissions from business-related travel were calculated based on recorded rail, air and road journeys. Hotel stays were also included.
- Category 7: Employee Commuting
 - Emissions from employee commuting were calculated based on an employee commuting survey.



² Global Warming Potential Values (ghgprotocol.org)

Exclusions

Scope 3

- Category 4: Upstream Transportation and Distribution
 - Whilst courier emissions were included within this category, it was deemed impractical to obtain information relating to the deliveries of all materials through our supply chain to Walter Lilly's sites. This data has not historically been recorded, however, Walter Lilly intend to investigate the feasibility of recording this data within new operating systems.
- Category 9: Downstream Transportation and Distribution
 - Downstream transportation and distribution emissions are not applicable to Walter Lilly's operations.

Principles of GHG accounting

As outlined within the GHG Protocol and ENCORD Construction CO₂e Measurement Protocol, Walter Lilly is committed to following the following key principles when reporting emissions:

Relevance

Walter Lilly will ensure the GHG inventory appropriately reflects their GHG emissions and serves the decision-making needs of users of the data (both internal and external to the company).

Completeness

Walter Lilly will account for and report on all GHG emission sources and activities included within the operational control approach. Any key exclusions will be disclosed and justified.

Consistency

Walter Lilly will use consistent methodologies to allow for meaningful comparisons of emissions over time. Any changes to the data, inventory boundary, methods, or any other relevant factors in the time series will be transparently documented.

Transparency

Walter Lilly will address all relevant issues in a factual and coherent manner, based on a clear audit trail. Any relevant assumptions will be disclosed and appropriate references to the accounting and calculation methodologies and data sources used will be provided.

Accuracy

Walter Lilly will ensure that the quantification of GHG emissions is systematically neither over nor under actual emissions, and that uncertainties are reduced as far as practicable. Sufficient accuracy will be achieved to enable users to make decisions with reasonable assurance as to the integrity of the reported information.

WALTER LILLY STRATEGIC AIMS

In line with the government's Procurement Policy Note 06/21, the entire bidding entity of Walter Lilly is committed to achieving Net Zero by 2050. This is consistent with the UK Government's commitment under the Climate Change Act and will contribute to the decarbonisation of the UK as a whole.

The Net Zero goal will be achieved for all UK operations. Net Zero requires a reduction in emissions and (if necessary) that any residual emissions are balanced by schemes to offset an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technologies such as carbon capture and storage. Only offsets verified to a high standard will be used to ensure their reliability.

To ensure long-term success of the business, manage risk, drive efficiencies and offer the best value to clients, the following carbon reduction initiatives have been implemented, or will be implemented, as part of achieving Walter Lilly's strategic aims:

Current Carbon Reduction Initiatives:

- 95% of waste diverted is from landfill;
- All recyclable waste from construction projects and Walter Lilly's offices is separated;
- 100% of cardboard and paper is targeted to be recycled at Walter Lilly's offices;
- 100% of timber is always targeted to be recycled on projects: where this is not possible, combustion is prioritised over landfill. Emissions arising from landfilled timber waste are approximately 38 times higher than timber disposed of via combustion;
- Waste arising from subcontractor-related packaging is reduced wherever possible e.g., excessive packaging is rejected and returned to the supplier;
- 100% of electricity purchased by Walter Lilly is procured via renewable electricity tariffs;
- Walter Lilly encourages the use of renewable energy in construction projects (where Walter Lilly does not have control over electricity tariffs);
- Where temporary electrics are installed on construction projects, Walter Lilly always aims to connect to mains supply rather than using generators: where this is not possible, the most sustainable solutions are sought as a priority;
- In construction projects, energy efficient site lighting and site offices are provided by Walter Lilly;
- In construction projects, environmentally-sustainable site hoarding is used wherever possible;
- Walter Lilly joins local schemes for repurposing site materials; and
- A salary sacrifice scheme for bicycles is available to Walter Lilly's employees.

Planned Future Carbon Reduction Initiatives:

- 99% of waste will be diverted from landfill;
- Any vans leased in the future will be fully electric;
- HVO will be preferentially used, rather than diesel;
- Refrigerants with low GWPs will be preferentially used;
- RGGO-certified renewable gas contracts will be explored as a replacement to current contracts, where possible;
- Suppliers will be engaged with to determine the weight of purchased goods and how far these have travelled from the supplier's dispatch address to the delivery address;
- Further sustainable forms of employee commuting will be encouraged, potentially through initiatives such as encouraging car sharing or offering a salary sacrifice scheme for electric vehicles;
- Clients will be engaged with to determine whether electricity used on projects is derived from renewable sources and, if so, what percentage of supply originates from these renewable sources. It will also be determined whether these renewables are on-site or procured via REGO-certified contracts or PPAs;

- Consideration will be encouraged during procurement of clean plant alternatives, utilising the company's Clean Plant brochure; and
- Further sustainable best practice initiatives will be encouraged on site, where possible. A dedicated Social Value Champion on every project and head office will be responsible for the oversight and implementation of embracing best practice.

BASELINE EMISSIONS FOOTPRINT

Baseline year emissions are used as the reference point against which emission reductions can be measured. Walter Lilly reported the baseline year as October 2021 – September 2022 in the previous PPN 06/21 Carbon Reduction Plan, however, this has been reset within this report due to the effects of COVID-19 and an improvement in the reliability of the data used within this assessment. Emissions between October 2021 – September 2022 were likely to still be somewhat affected by changes in employee commuting, office usage and project activities as a result of COVID-19. Data collection processes were also still being improved within this timeframe.

October 2022 – September 2023 is expected to be the first 'normal' year of operations since COVID-19 and displays an improvement in the reliability of emissions activity data: therefore, the baseline year is not anticipated to change again in future reporting.

Baseline Year:

October 2022 – September 2023

CURRENT EMISSIONS REPORTING

Reporting Year:

October 2022 – September 2023

Additional Details:

Business activities within the 2022 – 2023 reporting year are not expected to have been impacted by COVID-19.

Table 1: Oct 2022 – Sep 2023 Emissions by Scope

Scope	tCO ₂ e	%
Scope 1	528.28	60%
Scope 2	135.24	15%
Scope 3	215.05	25%
Total	878.56	

Figure 1: Oct 2022 – Sep 2023 Emissions by Scope

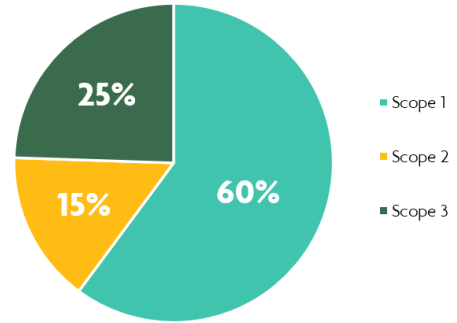


Table 2: Oct 2022 – Sep 2023 Emissions by Emissions Source

Emissions Source	Scope	tCO ₂ e	%
Gas	1	19.16	2%
Fuels	1	337.88	38%
Refrigerants	1	171.24	20%
Electricity	2	135.24	15%
US T&D	3	0.68	<1%
Waste	3	22.38	3%
Business Travel	3	6.86	1%
Commuting	3	185.13	21%
DS T&D	3	N/A	N/A
Total		878.56	

Figure 2: Oct 2022 – Sep 2023 Emissions by Source

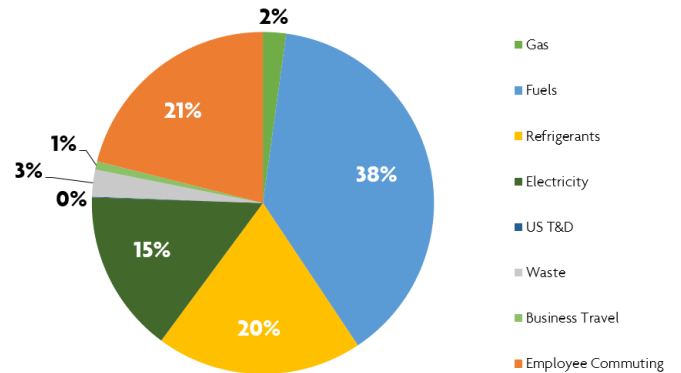


Table 3: Oct 2022 – Sep 2023 Emissions Intensity

Metric	Value (2022-23)	Intensity
Revenue (tCO ₂ e per £mil)	£74,000,000	11.87
Employees (tCO ₂ e per employee, exc. contractors)	150	5.86
Employees (tCO ₂ e per employee, inc. contractors)	4,138	0.21
Floor Area (tCO ₂ e per m ²)	56,692.30m ²	0.015

TARGETS

There are two methods for expressing GHG targets:

- **Absolute targets** are expressed in terms of a reduction over time in a specified quantity of GHG emissions to the atmosphere, the unit typically being tCO₂e.
- **Intensity targets** are expressed as a reduction in the ratio of GHG emissions relative to another business metric. The comparative metric(s) should be uniquely selected for each business: the most appropriate metric will differ depending on business activities. Common metrics include revenue (tCO₂e per £), floor area (tCO₂e per m²) and number of employees (tCO₂e per employee), but many more metrics may be used.

Walter Lilly's annual floor area, employees and revenue can change significantly due to the nature of the business's operations. As a result, Walter Lilly has chosen to set absolute targets.

Absolute Targets

In order to continue progress towards net zero, Walter Lilly have adopted the following carbon reduction targets in relation to the 2022-23 baseline:

- Net zero carbon emissions by 2040 for Scope 1 and 2; and
- Net zero carbon emissions by 2050 for Scope 3.

There is no single definition of 'net zero'. However, the Science-Based Targets Initiative's (SBTi) definition of net zero is the most widely accepted. The SBTi states that to achieve net zero, emissions must firstly be reduced as far as possible: for most businesses, this should be at least a 90% reduction in emissions from the baseline year by 2050.

The remaining emissions which cannot reasonably be avoided are called 'residual emissions'. These residual emissions must be offset using verified carbon offsets (also called carbon credits) before net zero claims can be made. The number of offsets purchased should be equal to the quantity of residual emissions remaining. PPN 06/21 guidance also states that any remaining residual emissions should be offset using schemes such as afforestation or carbon capture and storage. The targets within this section for 'net zero' have therefore been set as a 90% reduction in emissions by 2040 for Scope 1 and Scope 2 and a 90% reduction in emissions by 2050 for Scope 3. Once these targets are met, options for carbon offsets can be explored.

Options for carbon offsets can also be explored before the net zero targets are met. If Walter Lilly continues to make emission reductions and decides to purchase carbon offsets equivalent to its annual emissions, Walter Lilly can claim carbon neutrality. Once the 90% net zero targets are met, Walter Lilly can then claim net zero.

Figure 3 shows a potential path to net zero for Walter Lilly. It shows a potential projected emissions path until 2050 based on the carbon reduction initiatives detailed in Section 2.1. The dashed black line denotes the combined targets to meet net zero by 2040 for Scope 1 and Scope 2 and by 2050 for Scope 3.

The projected emissions path is dependent on Walter Lilly effectively implementing the carbon reduction initiatives and is therefore subject to change. It is also dependent on the UK's electricity grid becoming fully decarbonised: this is currently targeted for 2035. There is scope within the targets to allow for delays in the UK's electricity grid decarbonisation.

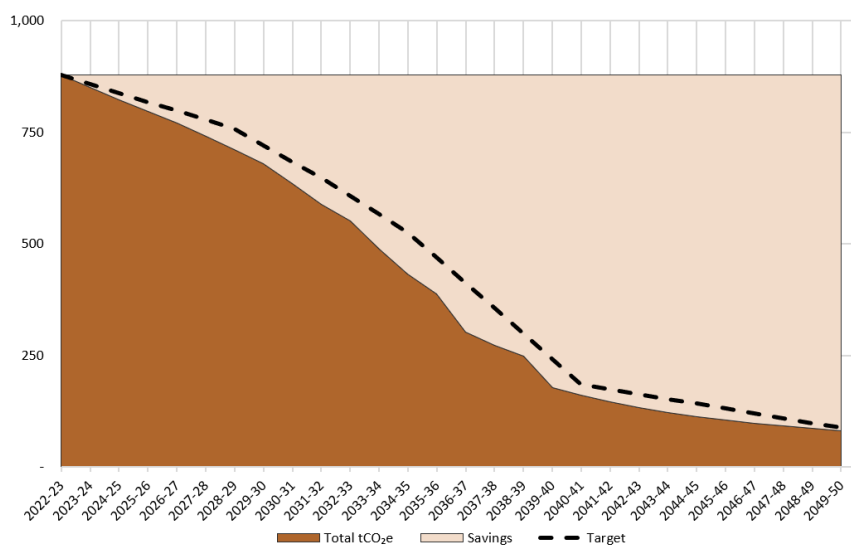


Figure 3: Indicative Path to Net Zero

DECLARATION AND SIGN OFF

This Carbon Reduction Plan has been completed in accordance with PPN 06/21 and associated guidance and reporting standard for Carbon Reduction Plans.

Emissions have been reported and recorded in accordance with the published reporting standard for Carbon Reduction Plans and the GHG Reporting Protocol corporate standard and uses the appropriate Government emission conversion factors for greenhouse gas company reporting.

Scope 1 and Scope 2 emissions have been reported in accordance with SECR requirements, and the required subset of Scope 3 emissions have been reported in accordance with the published reporting standard for Carbon Reduction Plans and the Corporate Value Chain (Scope 3) Standard.

This Carbon Reduction Plan has been reviewed and signed off by the board of directors (or equivalent management body).

Signed on behalf of the Supplier:



A. Postlerhwaite

Andrew Postlerhwaite
Board Director
Walter Lilly & Co Limited

Date: 15 March 2024