Net zero roadmap

Financial Year July 2022 to June 2023

Executive summary

Current footprint:

12,336.9 tCO_2e*

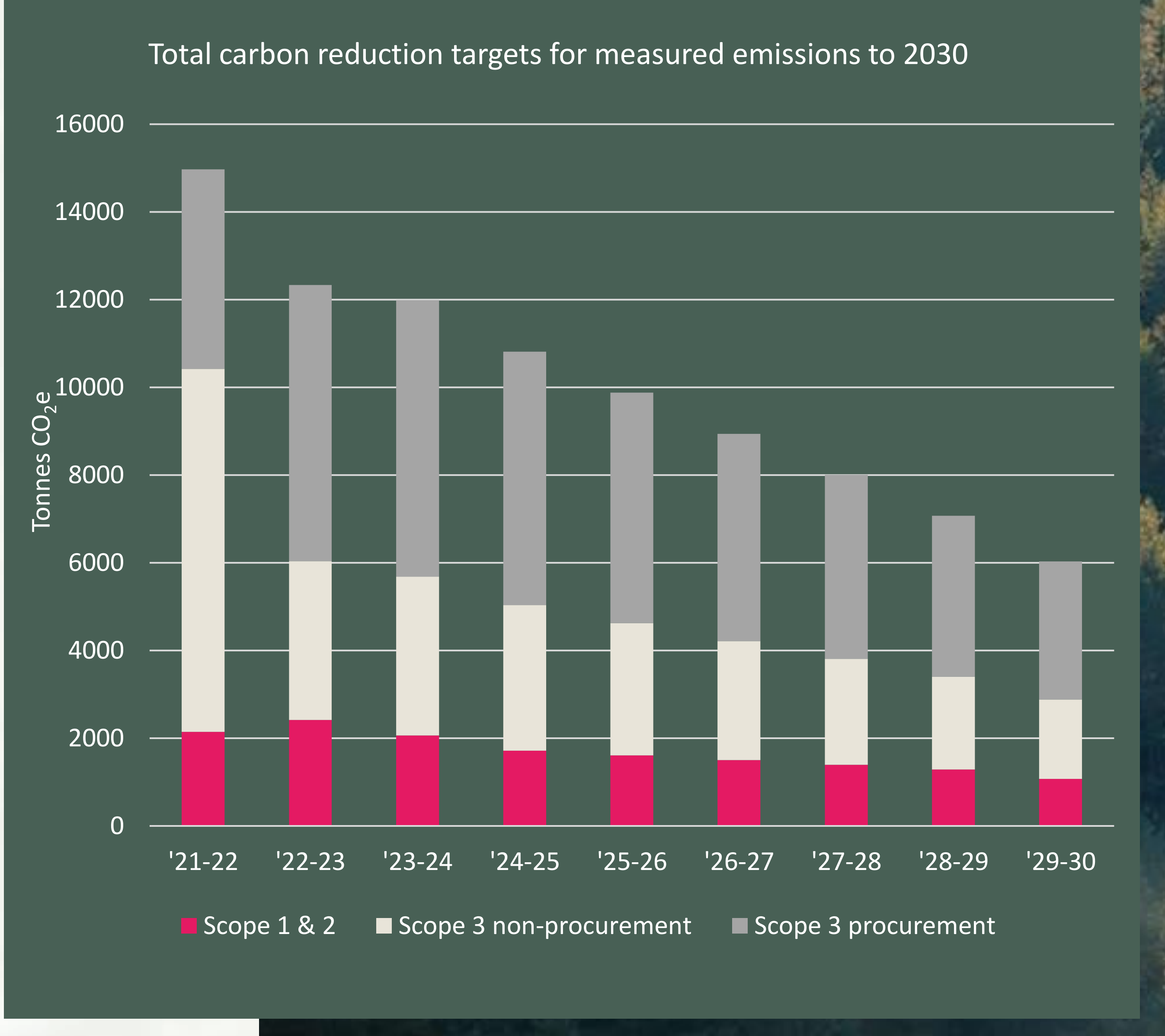
Our highest emitting categories in 2022-23 were:

- Machinery purchases
- Purchased distribution
- Mobile combustion

We intend to:

- Reduce scope 1 emissions by 20% by 2025, and by 50% by 2030
- Reduce scope 2 emissions to zero by 2030
- Reduce scope 3 emissions by 20% by 2025, and by 50% by 2030
- Reach net zero by **2050**

** excluding downstream leased asset emissions*



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Our Why

Why we're taking action

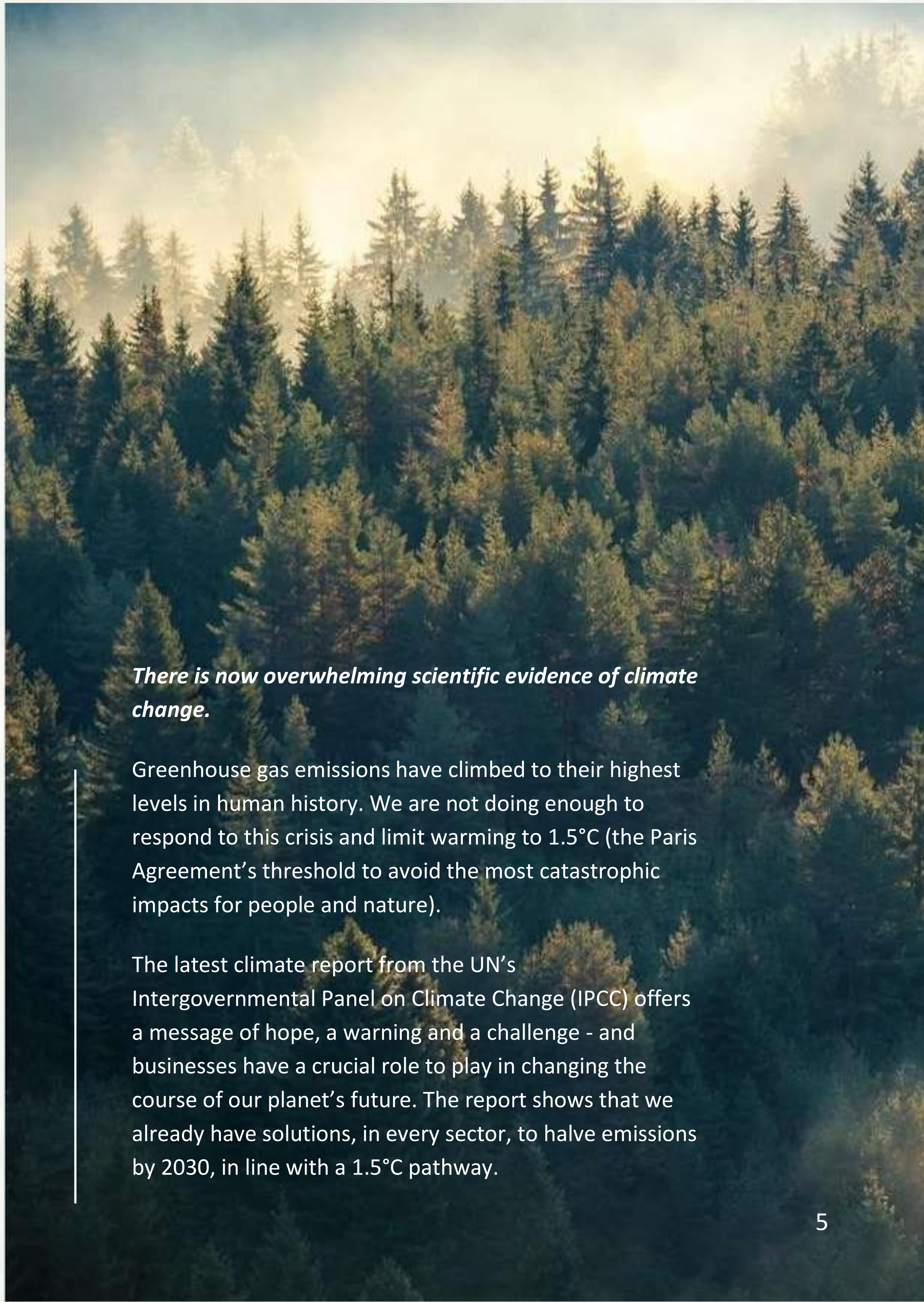
The climate crisis is arguably the most critical challenge of our times. Because **small businesses collectively account for around half of UK business emissions***, we must play our part in driving emissions down, to prevent catastrophic global impacts on our planet and its people – including me, you, our children and our grandchildren.

Transitioning to net zero is also (rightly) becoming a business choice we must take. Customers are increasingly making choices based on a company's environmental ethos, whilst governments and investors in general are increasingly mandating ever cleaner companies and practices.

Our Net Zero Roadmap lays out, until 2030, which activities our emissions come from and how we plan to drastically reduce them in line with internationally recognised standards. It also builds on our previous work, which is stated in this report as well as on our website.

Not only do we aspire to reduce Pickerings Hire emissions to Net Zero by 2050, but we also hope to inspire our customers, supporters, suppliers, industry, and communities to take action.

*british-business-bank.co.uk/research/smaller-businesses-and-the-transition-to-net-zero/



There is now overwhelming scientific evidence of climate change.

Greenhouse gas emissions have climbed to their highest levels in human history. We are not doing enough to respond to this crisis and limit warming to 1.5°C (the Paris Agreement's threshold to avoid the most catastrophic impacts for people and nature).

The latest climate report from the UN's Intergovernmental Panel on Climate Change (IPCC) offers a message of hope, a warning and a challenge - and businesses have a crucial role to play in changing the course of our planet's future. The report shows that we already have solutions, in every sector, to halve emissions by 2030, in line with a 1.5°C pathway.

Risks and Opportunities

It is important that we acknowledge both the climate risks to business, and the opportunities presented by embracing environmental sustainability.

Risks

- Supply chain disruptions (due to extreme weather)
- Human health risks (due to extreme weather and pollution)
- Rapidly changing regulations
- Changing customer demands
- Increased insurance costs
- Increased heating and cooling costs
- Reputational risks

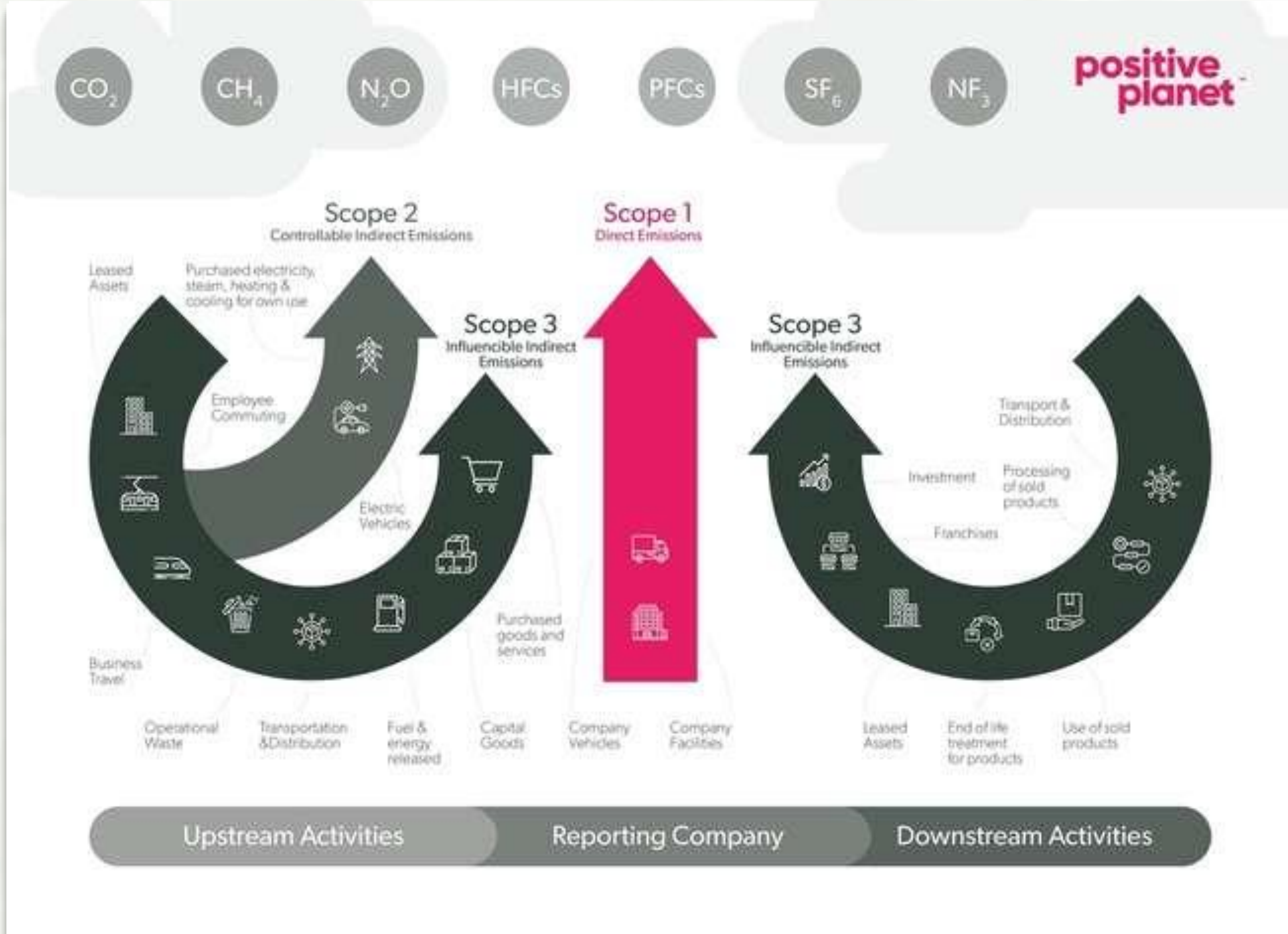
Opportunities

- Attract and retain talent and customers
- Develop new offerings
- Attract investment
- Decrease insurance costs
- Optimise efficiencies, reduce costs
- Increased resilience to change

Our Carbon Footprint

How we measure our footprint

In devising a carbon reduction plan with the goal of achieving net zero, it is critical that we first understand where our emissions come from. To support this, we have partnered with Positive Planet to measure our emissions.



How our carbon footprint is calculated

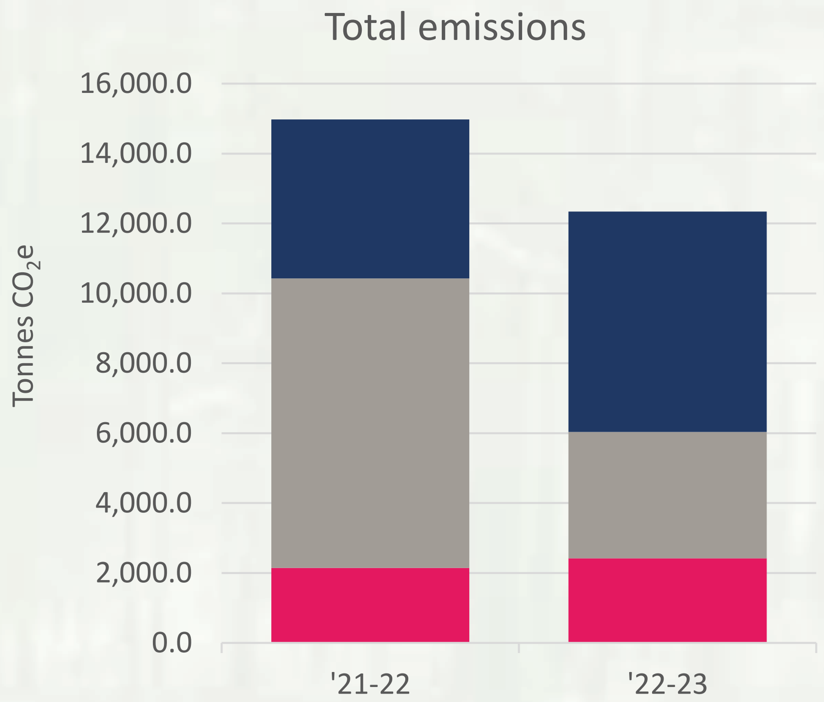
Using the GHG Emissions Protocol Standard, business emissions are identified using three scopes of emissions.

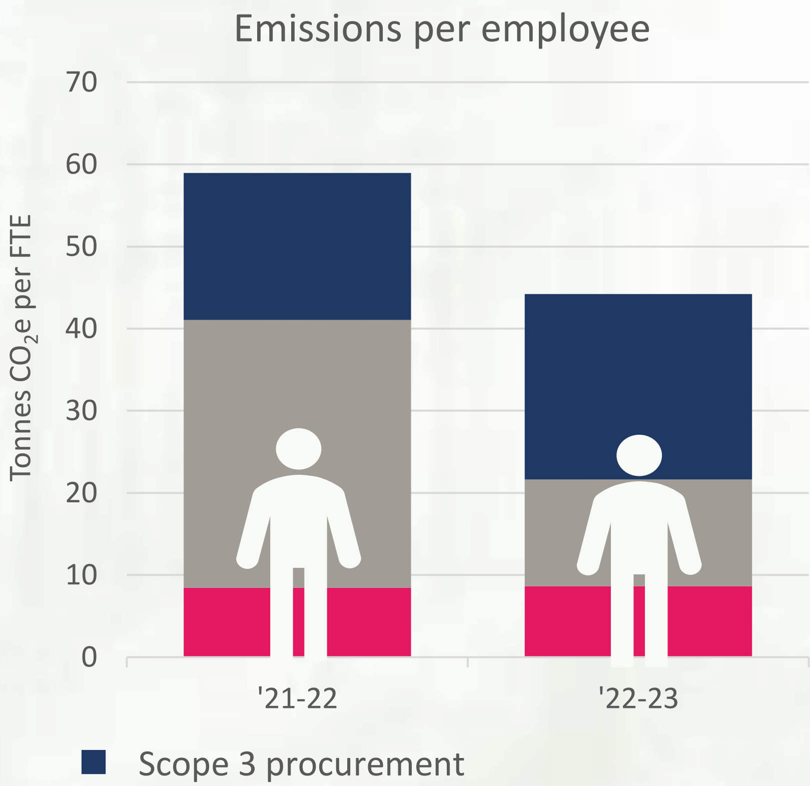
Six Greenhouse Gases are calculated as part this emissions report, known as the six Kyoto Protocol GHGs. These gases occur the most often as a result of business activities, with the highest Global Warming Potential. For the purposes of emissions reporting, these gases are simplified and measured in the unit of tonnes of carbon dioxide equivalent (tCO_2e).

We have measured our scope 1, 2, and upstream and downstream scope 3 emissions.

Our baseline and financial year 2022-23

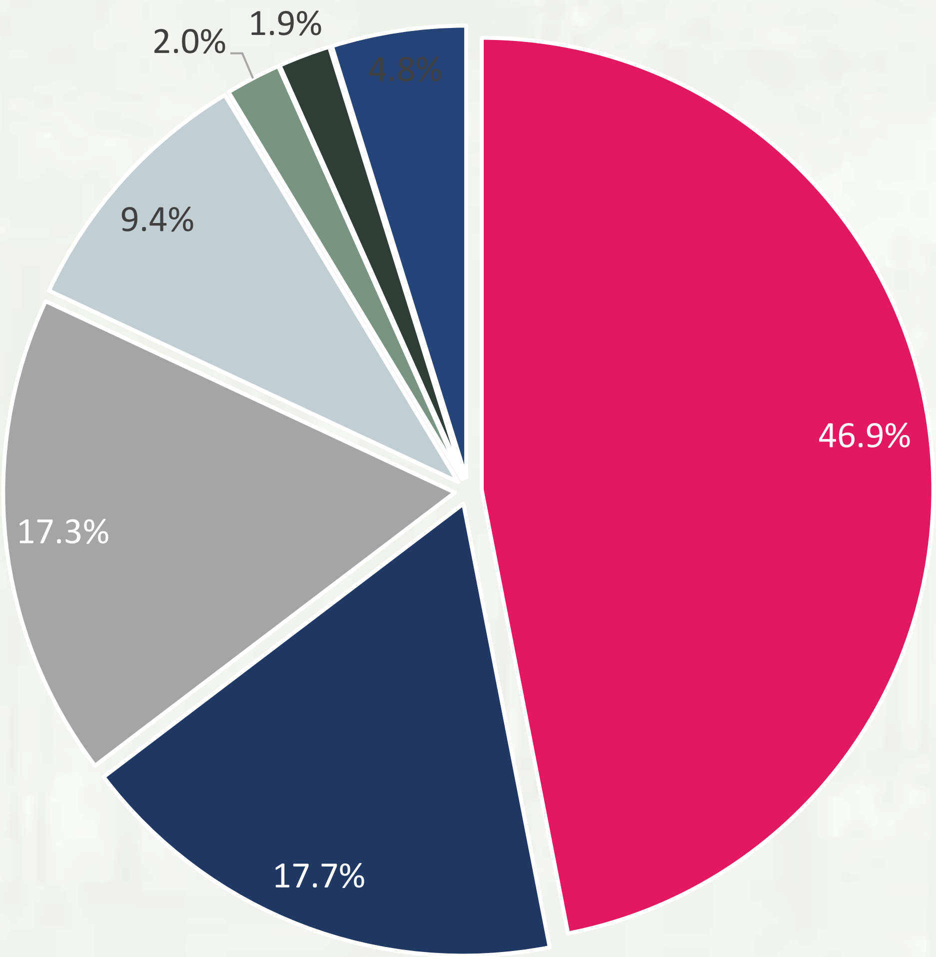
Total emissions*	Scopes 1 & 2	Scope 3 non-procurement	Scope 3 procurement
12,336.9 tCO_2e	**2,415.6 tCO_2e**	**3,619.5 tCO_2e**	**6,301.8 tCO_2e**
44.2 tCO_2e/FTE	8.7 tCO_2e/FTE	13.0 tCO_2e/FTE	22.6 tCO_2e/FTE





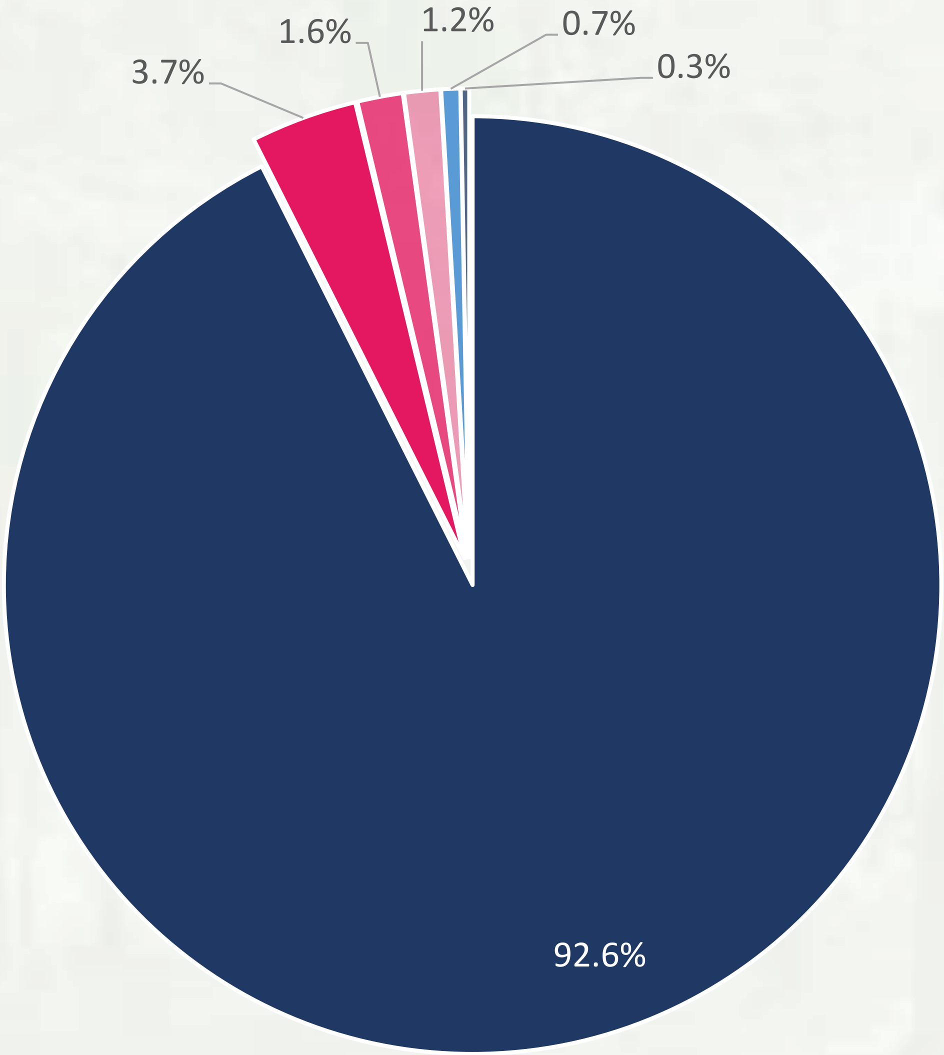
*excluding downstream leased asset emissions. 2,278.2 tCO_2e was from scope 1, and 137.4 tCO_2e market- and location-based scope 2 emissions.
Intensity metric based on 279 FTEs. Our reporting year ran from 1 July 2022 to 30 June 2023. Our baseline year ran from 1 July 2021 to 30 June 2022.

Breakdown of all emissions: financial year 2022-23



An easier way to view our emissions is by category instead of scopes. We have measured our scope 1, 2, and upstream and downstream scope 3 emissions. These categories appear in our footprint:

Breakdown of procurement emissions: 2022-23



Because the majority of our currently measured emissions is from procurement (i.e., purchased goods and services and capital goods), we’ve broken this down into subcategories:

Our Net Zero Targets

What does net zero mean?

To achieve net zero, companies aim to reduce emissions in line with science-based targets (SBTs). These are set by organisations and are “science-based” when they align with the reductions needed to keep global temperature rise well below 2°C, and preferably 1.5°C as per the Paris Agreement. SBTs provide companies with a pathway for sustainably transforming to a low carbon economy.

Current guidance from the Science Based Targets Initiative (SBTi) states that **most businesses should reduce their total emissions across all scopes by 90%** by 2050 at the latest. Carbon removals should then be used to neutralise the residual emissions.

Net zero targets must include Scopes 1, 2 and 3.

Scope 1 emissions
Direct greenhouse gas emissions that occur from sources owned or controlled by a company, such as emissions from combustion of fuels in on-site boilers, furnaces, or vehicles.

Scope 2 emissions
Indirect greenhouse gas emissions that result from the generation of purchased electricity, steam or other forms of energy consumed by a company.

Scope 3 emissions
All other indirect greenhouse gas emissions that occur in an organisation’s value chain, including emissions from upstream and downstream activities.

What’s the difference?

Net zero
When a business has reduced its Scope 1, 2 and 3 emissions by as much as possible, leaving only ‘residual’ emissions, which cannot be removed. Current guidance from the SBTi states that for most businesses, this means a total reduction in emissions across all scopes by ~90%. Carbon removals should then be used to neutralise the residual emissions.

Carbon neutral
A carbon neutral business has committed to reducing emissions, and in the meantime balances its remaining emissions through carbon removal/ offsetting schemes.

Zero emissions
When no carbon is produced directly from a particular activity, product or service (such as the running of an electric van or an electric cooker on electricity produced through solar power).

Our Net Zero Targets

We aim to:

- Reduce scope 1 emissions by 20% by 2025, and by 50% by 2030
- Eliminate scope 2 emissions by 2030
- Reduce scope 3 emissions by 20% by 2025, and by 50% by 2030
- Reduce our total emissions by ~90% by 2050, becoming net zero.

All reduction targets are calculated from our baseline year of 1 July 2021 to 30 June 2022.

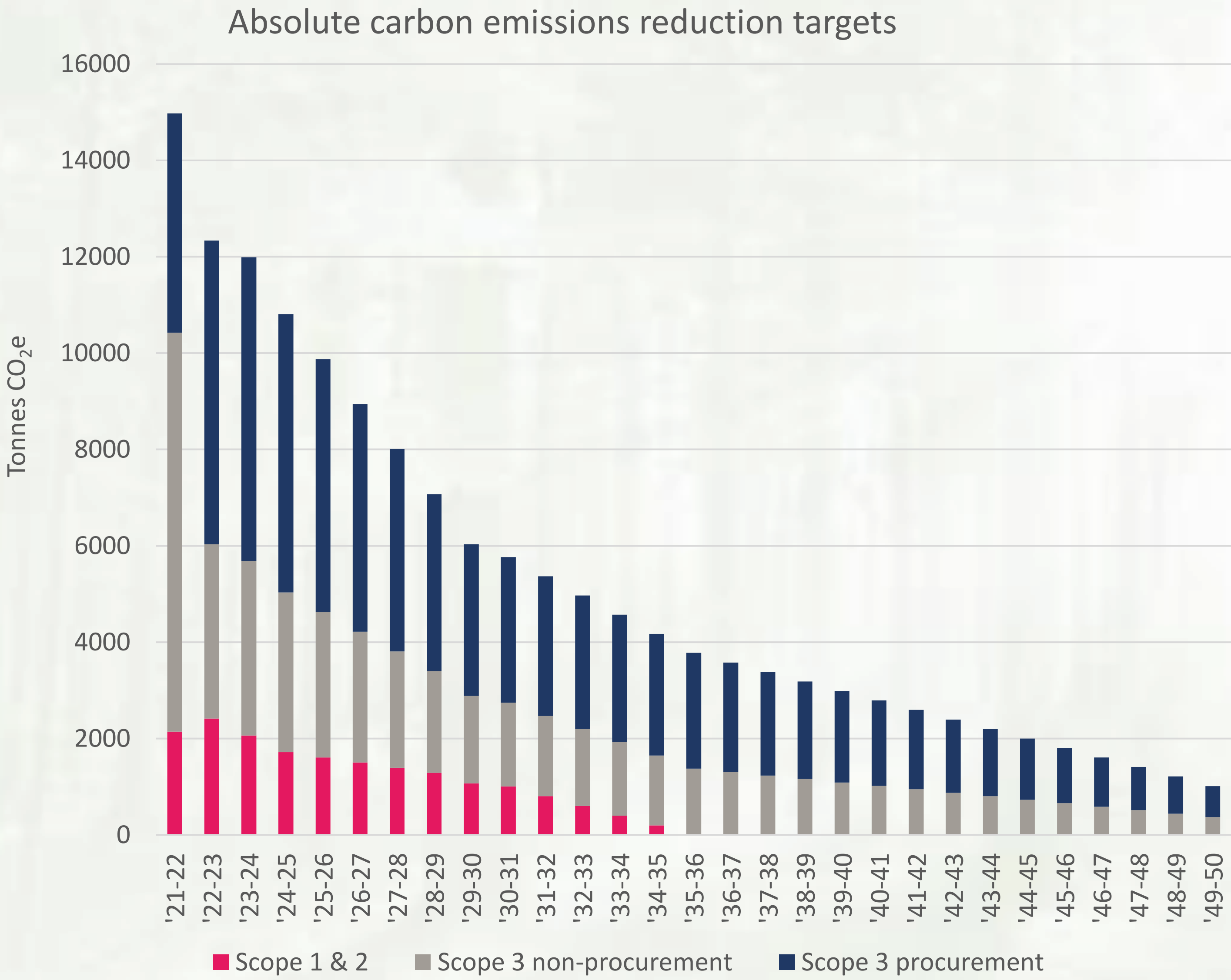
We are aligning to the SBTi's Net Zero targets where possible.

** excluding downstream leased asset emissions*

Targeted annual reduction: absolute emissions

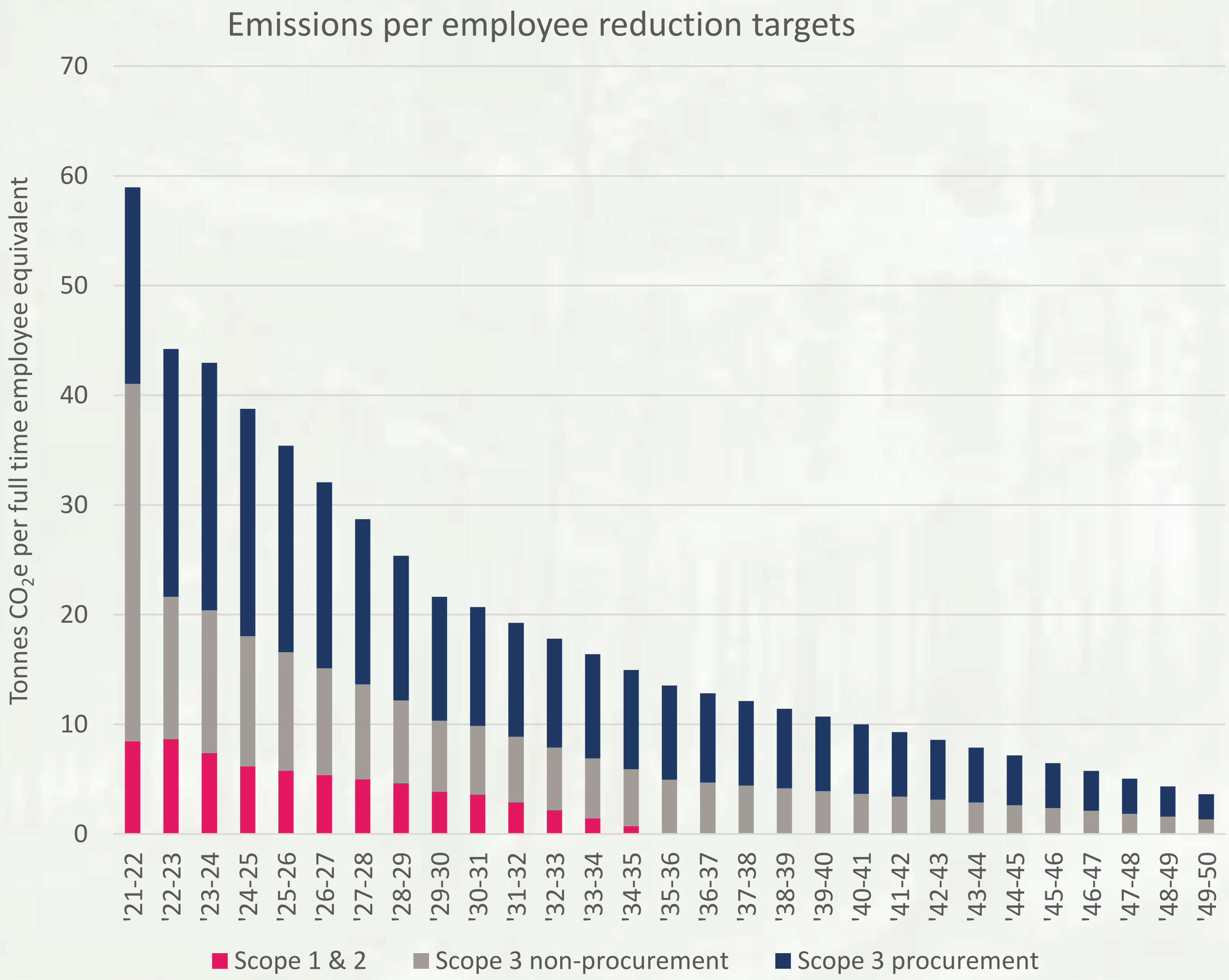
We are able to see how much carbon emissions we have to reduce each year by applying each of our carbon reduction targets to our current measured emissions.

The graph shows that to reach our emissions reductions targets, **we must achieve an annual decrease of: 9% of scope 1 & 2 emissions to 2030; and 8% of scope 3* emissions to 2030, then 4% to 2050.**



** excluding downstream leased asset emissions*

Targeted annual reduction: emissions intensity



In addition to reporting our annual footprint as an absolute emissions figure, we will also report our carbon intensity (in emissions per full time employee equivalent (FTE)). It is important that we measure both to accommodate any changes in the size of our organisation. This will also allow us to align with the latest Net Zero guidance more effectively as it evolves over time.

Our Net Zero Roadmap

Steps we've taken to reduce emissions

Measuring our carbon footprint

In 2022 we committed to measuring and reporting our business' carbon footprint annually, allowing us to understand where our emissions come from and take action to reduce them. We appointed experts Positive Planet to support.

Implementing environmental management systems

We have achieved ISO 9001, 14001, 45001 (UKAS approved) certifications. These management systems allow us to better monitor our processes and systems to operate in a more sustainable way.

Committing to installing solar PV panels

We recently made a commitment to strive to self-generate all our onsite electricity usage, which would completely reduce both our market and location-based electricity emissions to zero. We will achieve this by installing solar PV panels at our sites, the first of which were installed in 2023.

Steps we've taken to reduce emissions (cont.)

Installing systems onsite to reduce energy use

In 2022 we installed a power management system which will help the site use energy more efficiently, as well as an air recirculation system to reduce heating and cooling requirements.

Reducing fuel use and emissions

We have installed idling reduction technology to our fleet trucks. These turn off truck engines when idling, thereby reducing fuel use.

For our drivers, we have also provided driver training courses to help them drive more efficiently – this includes driving more smoothly, reducing idling, and more to reduce fuel use.

We are also starting to transition to battery electric forklifts, replacing out our current diesel forklifts. The delivery of the first electric forklift means this will start to make a difference in our emissions the following measurement period.

To drastically reduce all diesel emissions, one avenue we explored was HVO (hydrogenated vegetable oil) fuel, but issues with procuring this forced us to park this avenue until the HVO industry was more mature.

Steps we've taken to reduce emissions (cont.)

Reducing distribution emissions

We made the conscious decision to source our high quality modular building systems, that have to be shipped across Europe from Austria and Slovenia. To substantially reduce emissions they are procured as flat packs. We are now able to fit six to eight modular systems per one lorry (instead of just one if they were not flat packed).

Reducing waste

To reduce the amount of waste being disposed, we improved waste management systems to facilitate increased reuse and recycling of our products. This was supplemented by also increasing reuse of our equipment and machinery, allowing us to reduce both waste and our equipment and machinery purchases.

Starting our move to leased-out renewable power generation

To reduce downstream leased assets emissions (not yet measured) from hiring out diesel generators to customers, we have started to introduce solar powered electricity as an alternative.

Reducing scopes 1 & 2

Our scope 1 and 2 emissions account for around 20% of our total carbon footprint. As we have sole ownership of these emissions, we must concentrate on reducing this figure to zero as fast as possible.

Reducing site emissions

These emissions result from: onsite gas heating and electricity (on a non-100% renewable tariff); and our owned and leased company cars, vans, HGVs and forklifts. We are determined to reduce these emissions.

In addition to the steps we are already taking, we will consider low-cost options such as reducing the boiler temperature and adding heat and solar control reflective window sheets to our sites. We will also continue to explore solutions to reduce our energy use.

In the coming years, we aim to replace our gas heaters with electric-based, the power of which we will be able to self-generate with our newly installed solar PV panels. We will continue to install solar panels at our sites to eventually generate 100% of heating and energy demand.

Reducing scopes 1 & 2 (cont.)

Reducing car, van, HGV and forklift emissions

For our vehicles, we shall continue to strive towards full electrification. In the case of our cars, vans and forklifts, a viable path to this already exists, and we shall replace remaining fossil fuel cars, vans and forklifts with fully electric at the end of their useful life. We shall also prioritise renting electric (and hybrid if infeasible) cars when having to hire cars.

With our HGVs, this has presented much more of a challenge, as there is no clear green alternative to diesel for delivering heavy loads to sites at present. HVO options were explored, but there are currently significant barriers to procuring a reliable supply.

Two promising truly green alternatives to diesel HGVs just entering the market are battery electric lorries and hydrogen lorries. Although both options are currently very expensive and are limited in how they can go through underdeveloped HGV charging/refuelling infrastructure, we shall continue reviewing annually and will start replacing our current fleet with them as soon as they become viable for our use cases.

Our goal is to remove 20% of scope 1 emissions by 2025, and 50% by 2030, as well as all scope 2 (market-based) emissions by 2030. This will remove 1,276.5 tonnes of CO_2e from our current footprint.

Reducing emissions from procurement

The goods and services we purchase contribute 51% of our measured emissions at Pickerings Hire. Delving deeper, machinery purchases make up the vast majority – 93% – of our procurement emissions. This figure has been estimated using spend-based data, which means it cannot tell us much about the emissions of our specific suppliers; but it does tell us that this is an area where we need to focus our efforts.

Ultimately, our supply chain emissions are responsible for around half of our total measured business emissions. It is therefore imperative that we engage with suppliers to start collecting data and to use this data to set some reporting and reduction targets.

This is an 8% reduction year-on-year and will keep us on track to reduce emissions in line with the well-below 2˚C scenario.

Starting in 2024-25, we will implement a sustainable procurement policy and send out an annual supply chain survey to our top suppliers to begin engagement with them and improve data quality for procurement.

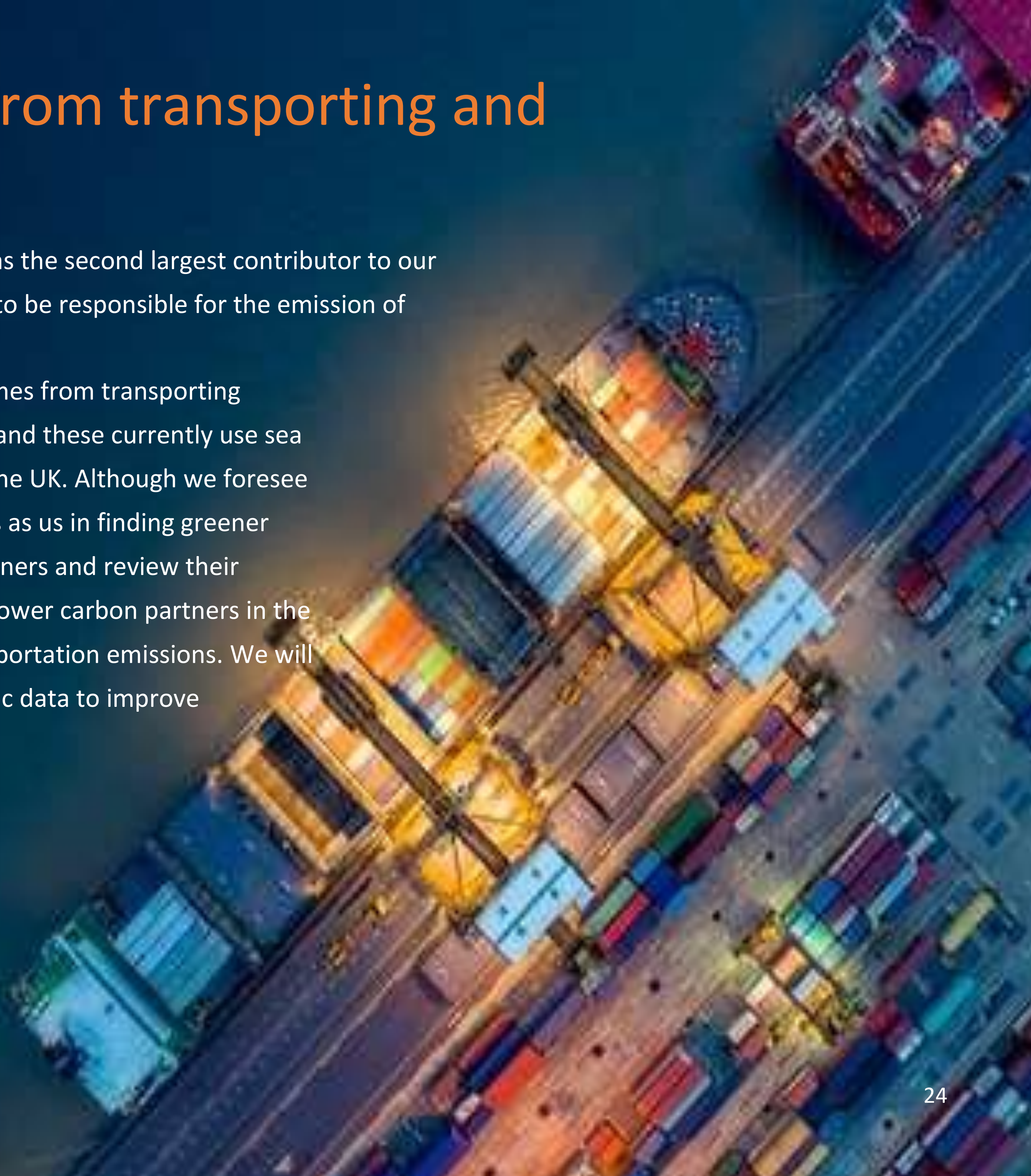
We'll be collaborating to find ways to purchase more sustainably, and when that isn't possible with our current partners, we'll be seeking out greener alternatives. This may mean offering more heavily reused goods or choosing products with the lowest environmental impact.

Reducing emissions from transporting and distributing goods

The transportation and distribution of goods was the second largest contributor to our footprint (after procurement) and is estimated to be responsible for the emission of 2,187.3 tonnes of CO_2e into the atmosphere.

Much of our outsourced shipping emissions comes from transporting modular building systems and portable cabins, and these currently use sea ferries for international shipping, and HGVs in the UK. Although we foresee our freight partners having the same challenges as us in finding greener vehicles and ships, we plan to survey these partners and review their performance annually so that we partner with lower carbon partners in the industry – those making strides to reduce transportation emissions. We will also use these surveys to gather supplier-specific data to improve the usefulness of our future measurements.

We are aiming to reduce our transportation and distribution emissions by **50% by 2030**, this would require an 8% reduction year-on-year and result in a reduction of 1,750.0 tCO_2e compared with our current footprint.



Embedding sustainability into our culture

We are responsible for maintaining positive relationships with our stakeholders – whether that's our team members, customers, partners, or our local community. We are proud to be surrounded by so many brilliant and committed individuals focused on tackling the climate crisis and ensuring a better future for us all.

Building a sustainable workforce

We have formulated a Green Team made up of members from different departments to support the roll out of our carbon reduction initiatives and manage data. All members have completed Carbon Literacy Training and started engaging with the wider employee base providing information on our road map and initiatives on improvement. We will look to improve our current employee's knowledge and hire employees with sustainability experience or interest and introduce sustainability KPIs for relevant roles.

Communication and reporting

We already have a sustainability page on our website but will continue discussing sustainability and our progress in end-of-year reports and internally in quarterly/annual meetings. We will also implement a sustainable travel policy and a sustainable procurement policy.

Engagement and celebrating success

We will consider organising volunteering days and sustainable team activities such as tree planting days and green socials. We will also create a system to recognise and reward employees or teams that contribute significantly to sustainability goals.

Getting to net zero

Our net zero strategy can be summed up into three major steps:

1. Measure

We will measure our emissions each year and review our priorities for the year ahead each time. During this time, we will place a particular emphasis on gathering supplier-specific data from our suppliers.

We also commit to measuring our remaining downstream scope 3 categories (downstream leased asset and product emissions), after which that year's emissions measurement will be a full picture of Pickerings' carbon impact.

2. Reduce

We've already outlined some short to medium term initiatives to begin work on this year. Using future measurements, we should be able to provide more insight into emissions hotspots as data quality improves.

3. Invest, offset and inset

In the short to medium term, we will invest funds into our own operations to reduce emissions. Once we see we have reduced the emissions that we can control and influence (especially as we approach the original 90% emissions reduction target), we will look to offset or inset the remaining emissions, thus reaching net zero.

Summary

We are proud of our progress to date and our decarbonisation targets as we aim to become net zero by 2050. Making a positive impact is part of our company culture and our roadmap provides feasible steps to help us protect our planet. Engagement is an extremely vital piece of our climate puzzle, and we remain committed to engaging, educating, and inspiring change amongst our colleagues, suppliers, customers, and wider networks.

Whilst we reflect on our accomplishments to date, we look to the future and are excited by further opportunities to instigate change that will benefit our planet and people for generations to come.

in partnership with positive planet

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