Improving lives together

Cygnet

FY 2023

Net Zero Report

Carbon Reduction Plan

Contents

Executive Endorsement

At Cygnet, we take our responsibility to contribute to a greener society seriously. Cygnet are proud of the role we play in our communities and we are committed to having a positive impact on the environment. Our Net Zero Carbon Reduction Plan sets out how Cygnet will cut its direct and indirect carbon emissions to Net Zero by 2040. This plan aligns with the NHS time frame to become Net Zero by 2045.

Climate Change has become one of the biggest topics for both businesses and individuals around the world. These effects can be seen in changes in our weather, impacts on our daily lives, as well as influences on operations and supply chains.

We will use the findings in this report to implement carbon reductions schemes in our processes, embed sustainability deeper within our operations and create positive change that extends across the organisation.

Cygnet have already invested in a number of successful projects across the business to help us achieve our goal. These include installing Solar panels across a number of our sites. Replacing lights to LED lighting, upgrading to electric run vehicles, waste projects to improve recycling rates and reduce the waste sent to landfill, energy management monitoring system through Metering portals and many more projects across the business.

At Cygnet we will continue to work hard towards operating in a way that has a positive impact across our colleagues, service users and our wider community. Net Zero is a major step on this journey to produce a better future that Cygnet are proud to work towards.

Gordon Bailey

Procurement Director, ESG Committee Chair

About Us

Cygnet Group was founded in 1988 and has since then developed a wide range of services for individuals with mental health needs, autism and learning disabilities within the UK.

We have built a reputation for delivering pioneering services and outstanding outcomes for the people in our care. It will come as no surprise to those that know us, that we are equally as passionate about the environment as we are about the people we care for.

Climate change is a real threat to our way of life, and should we not address it, it will have negative impacts for the people in our care, our staff, the communities we operate in and beyond.

Our Values

Integrity

We have Integrity

Guided by a strong moral code, we act with the best intentions and for the right reasons; making person-centred decisions based on individual assessment.

Trust

We Trust

Forming the basis of our therapeutic and working relationships, we work hard to build and maintain trust.

Empower

We Empower

We empower people to make informed decisions and forge their own path. We encourage people to take every opportunity.

Respect

We Respect

We treat people fairly as individuals. We understand the strength that lies in our diversity. We ensure people have the ability and support to make a positive difference.

Care

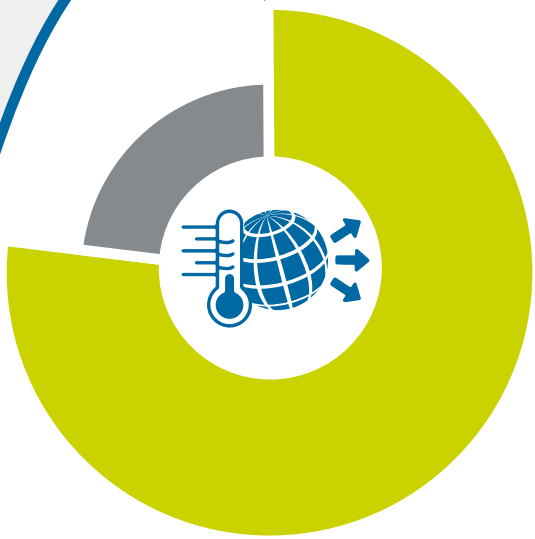
We Care

We listen to each other and care for each other. We care deeply about everyone who is part of the Cygnet community.

Commitment to Net Zero

Cygnet are committed to ensuring that we play our role in working alongside other UK organisations to achieve the UK Government's Net Zero target of at least a 100% reduction in the net UK greenhouse gas (GHG) emissions by 2050 (based on 1990 levels).

Cygnet are committed to taking action to reduce our CO2e emissions achieving Net Zero CO2e emissions by 31st of December 2040 ten years earlier than the UK Government's target. We will aim to reduce our CO2e emissions year-on-year and will achieve:



77%

overall reduction in all Green House Gas (GHG) emissions across Scopes 1, 2, and 3 by 2040 offsetting any residual CO_2e emissions via high-quality nature-based or direct air capture projects and becoming Net Zero

60%

reduction in our Scope 1 and 2 CO_2e emissions by 2030

To achieve these goals, Cygnet have taken the following actions:

1 We have appointed an external specialist carbon consultancy to collate and verify data, calculate CO_2e emissions and help advise on carbon reduction options

2 Set the base year January 2022 – December 2022 and calculated our carbon footprint in line with the GHG protocol for the base year and subsequent years:

Scope 1

- Stationary combustion
- Transport (owned and leased vehicles)

Scope 2

- Electricity

Scope 3

- Category 1 – Purchased goods and services
- Category 3 – Fuel and energy related activities
- Category 4 – Upstream transportation and distribution
- Category 5 – Waste generated in operations
- Category 6 – Business travel
- Category 7 – Employee commuting

3 Created a carbon reduction plan for each Scope and Category

4 Set the Net Zero date and committed to updating our carbon footprint annually with FY24 to be the second year post the base year

Overview of GHG Protocol scopes and CO_2e emissions across the value chain

CO_2 CH_4 HFCs SF_6 PFCs N_2O NF_3

Scope 1

Direct Sources

- Gas consumption data
- Volume of refrigerant that has been refilled
- Fuel consumption from owned or leased vehicles

Scope 2

Indirect Sources

- Electricity consumption data

Scope 3

Upstream Sources

- Purchased goods and services, capital goods and upstream transportation
- Waste
- Fuel and energy related activities
- Business travel, employee commuting and homeworking

Scope 4

Downstream Sources

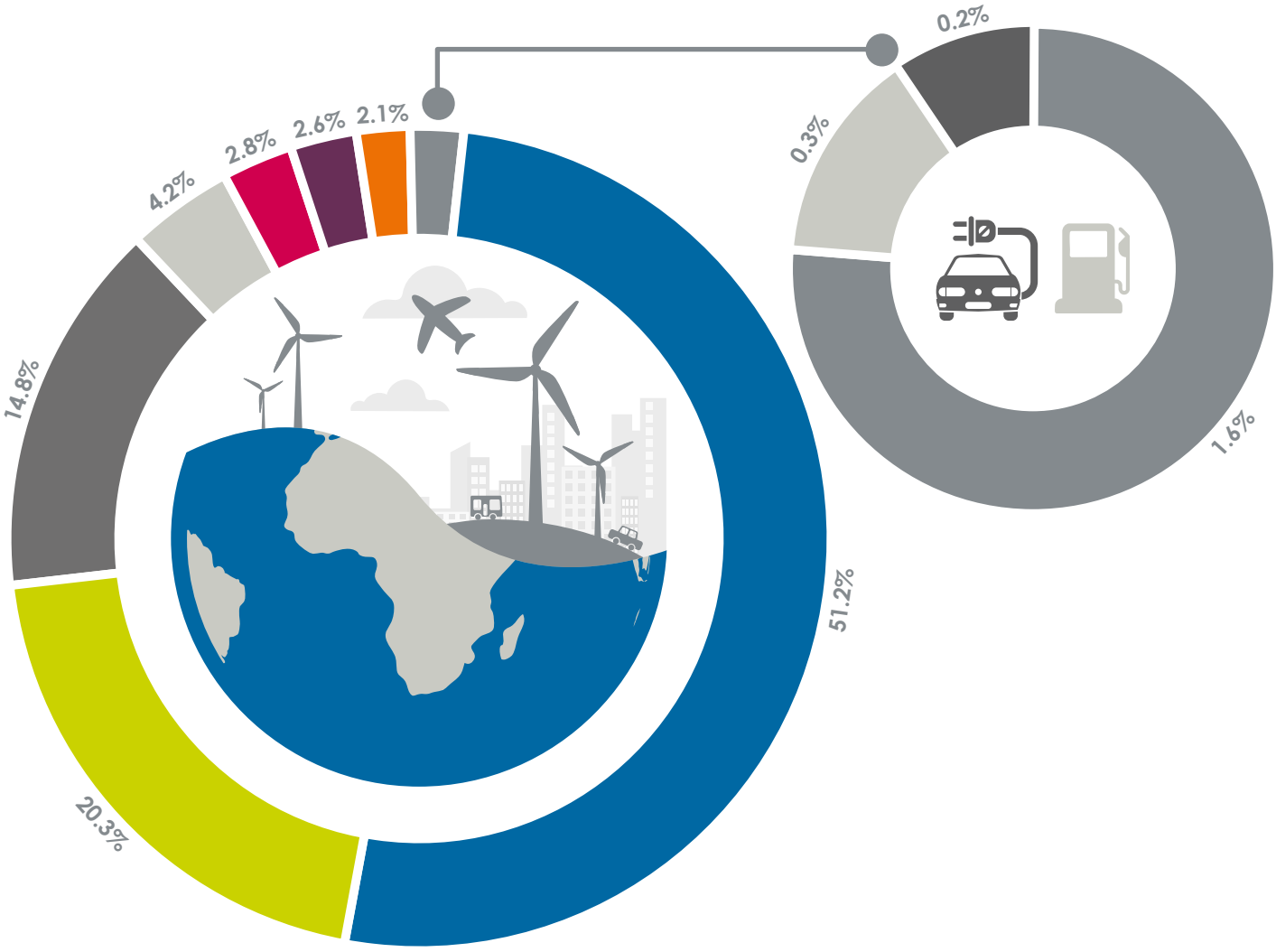
- Downstream transportation and use of sold goods
- Franchises, investments, upstream leased assets and downstream leased assets
- Process of sold products and end-of-life treatment

CO_2e Emissions Breakdown

Baseline emissions are a record of the CO_2e emissions that were produced in a previous financial year prior to the introduction of any strategies to reduce CO_2e emissions. Baseline CO_2e emissions are the reference point against which CO_2e emissions reduction can be measured.

Cygnet has chosen FY22 as our baseline year. In order to be able to compare our CO_2e emissions year on year we calculate our CO_2e emissions annually, Cygnet's FY23 CO_2e emissions footprint is as follows:

Breakdown of FY23 CO_2e emissions sources



- Purchased goods and services
- Stationary combustion (gas)
- Employee commuting
- Fuel and energy related activities
- Transport
- Upstream transport
- Business travel
- Stationary combustion
- Waste
- Electricity (electric vehicles)

Below is an itemised breakdown showing the amount of CO_2e produced by each scope and category from FY22, and FY23 calculations

Scope / Category	Item	Total tCO_2e FY2022	Total tCO_2e FY2023	Percentage FY2023	Percentage change from baseline
Scope 1					
Stationary combustion gas	Gas consumed	7,227.5	7,818.5	20.3	8.2
Transportation	Owned and leased vehicles	1,033.6	1,081.6	2.8	4.6
Refrigerants	HVACs	624.8	599.1	1.6	-4.1
Scope 2					
Electricity (Location-based)[1,2]	Purchased electricity, for own use (grid average)	3,379.0	3,359.5	N/A	-0.6
Electricity (Market-based)[3,4]	Purchased electricity, for own use (specific contract)	79.1	71.3	0.2	-9.8
Scope 3					
Category 1: Purchased goods and services	Goods and services	22,531.6	19,751.6	51.2	-12.3
Category 3: Fuel and energy related activities[5]	WTT[6] & T&D[7] losses from electricity, stationary combustion of fuels and transport	1,570.0	1,635.6	4.2	4.2
Category 4: Upstream transportation	Transport between tier 1 suppliers or paid transport for goods (upstream & downstream) WTW[8]	1,126.6	987.6	2.6	-12.3
Category 5: Waste generated in operations	Waste generated in operations	151.3	121.8	0.3	-19.5
Category 6: Business travel	Land and air travel and hotel stays for business purposes WTW	1,118.5	811.8	2.1	27.4
Category 7: Employee commuting	Employees commuting to and back from work WTW	6,738.6	5,722.5	14.8	15.1
Total Gross CO_2e Emissions (Location-based)		**45,501.64**	**41,889.3**		**-7.9**
CO_2e Emissions change due to choice of energy contracts		79.1	71.3		
Less CO_2e emissions avoided by production of renewable electricity		(3,299.9)	(3,288.2)		
Total Gross CO_2e Emissions (Market-based)		**42,201.8**	**38,601.1**		**-8.5**
Less carbon offsets		(0)	(0)		
Total Net CO_2e Emissions		**42,201.8**	**38,601.1**		**-8.5**

[1] Location-based represents CO_2e emissions from electricity consumption based on grid average CO_2e emissions
[2] Location-based CO_2e emissions have been rebaselined as there was a small amount of brown electricity from serviced offices that had not been included in last year's calculation
[3] Market-based represents CO_2e emissions from electricity consumption based on specific energy contracts
[4] Market-based CO_2e emissions have been rebaselined for FY 22 to include the small amount of brown electricity and residual mix consumed within our serviced offices
[5] Since we have rebaselined our gas and electricity consumption to include the energy consumption associated with serviced offices, we have also updated Scope 3 Category 3 to with the new consumption values. This is the reason for the increase in CO_2e emissions compared to the original glidepath for this Category
[6] WTT Well-to-tank CO_2e emissions. CO_2e emissions associated with the extraction, refinement, and transport of fuels before consumption
[7] T&D losses Transmission and distribution losses. CO_2e emissions associated with the energy lost during the transmission of electricity through the network
[8] WTW – Well-to-wheel CO_2e emissions. Includes CO_2e emissions associated with the extraction, refinement, transport, and consumption of fuels

To further understand our CO_2e emissions, we have also recorded them using intensity ratios as this will allow us to track our CO_2e emissions as our business grows and develops

Intensity Ratios	Gross CO_2e Emissions (Location-based)		Gross CO_2e Emissions (Market-based)		Net CO_2e Emissions	
FY	2022	2023	2022	2023	2022	2023
tCO_2e per employee (start of year)	3.9	3.6	3.6	3.3	3.6	3.3
tCO_2e per million £ turnover	74.6	63.3	69.2	63.3	69.2	63.3

When calculating carbon emissions, the GHG Protocol Corporate Accounting and Reporting Standard states that a company must set its organisational boundaries[9]. This can be done either by an "Equity Share" or "Control" approach. The Equity Share approach reflects a company's economic interests and percentage ownership of companies or subsidiaries to assign GHG emissions.

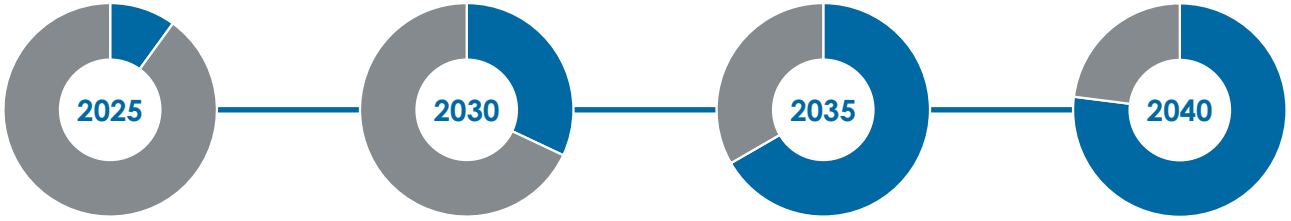
The Control approach can follow two routes and defines the boundary by looking at either how much Financial or Operational Control a company has. To fully cover all of our operations and subsidiaries, Cygnet have selected the Operational Control method when setting our organisational boundary which will cover 100 percent of the GHG emissions over which we have operational control. The Operational boundary will include all three Scopes as outlined by the GHG Protocol. Cygnet CO_2e emissions are reported in tCO_2e and have been calculated utilising the following formula:

Source CO_2e emissions data x conversion factor* = Total source CO_2e emissions
Source unit x (tCO_2e/unit) = tCO_2e

9 https://ghgprotocol.org/corporate-standard
*Conversion factors are primarily derived from the latest:
- UK Government GHG conversion factors for Company Reporting
- DEFRA (Department for Environmental, Food and Rural Affairs
- Environmentally extended input-output (EEIO) table
- EPA

CO_2e Emission Reduction Target

In order to continue our progress to achieving Net Zero, we have mapped out and planned a number of positive actions to achieve the following carbon reduction targets: source unit x (tCO_2e/unit) = tCO_2e



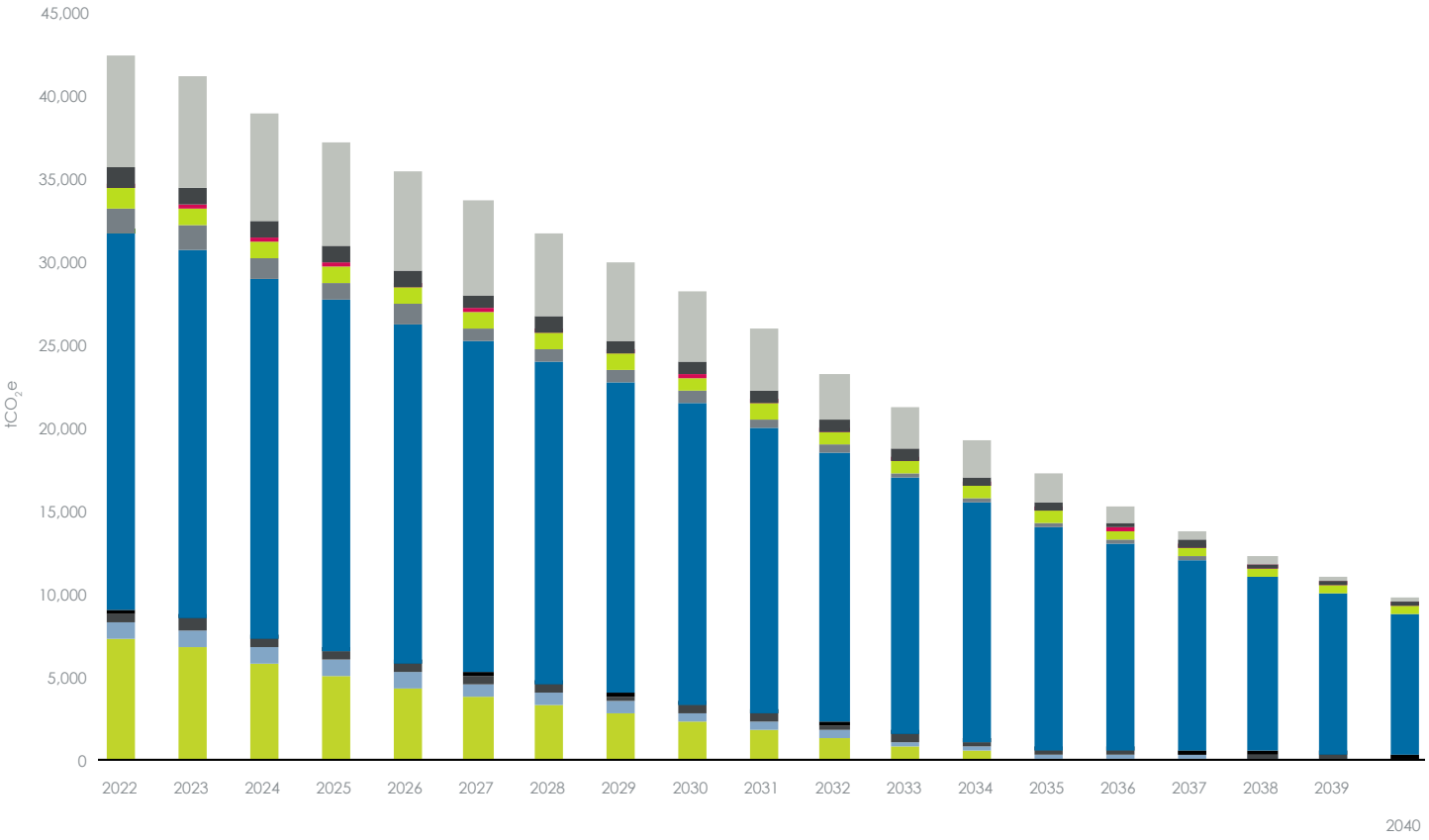
10%
absolute reduction in CO_2e emissions by 2025 from 2022 baseline levels

32%
absolute reduction in CO_2e emissions by 2030 from 2022 baseline levels

60%
absolute reduction in CO_2e emissions by 2035 from 2022 baseline levels

77%
absolute reduction in CO_2e emissions by 2040 from 2022 baseline levels

Carbon emission glidepath tCO_2e

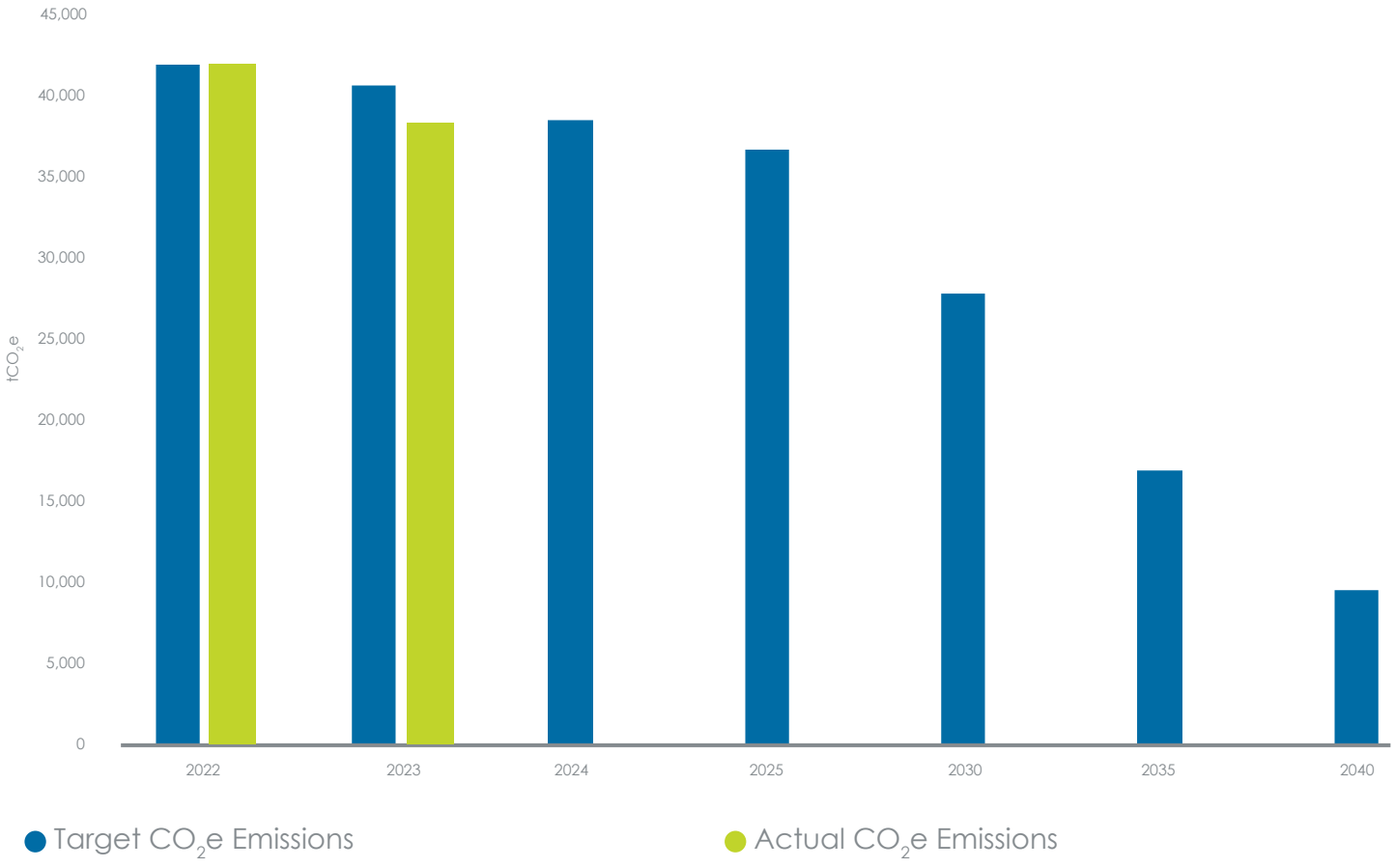


- Purchased goods and services
- Stationary combustion (gas)
- Employee commuting
- Fuel & energy related activities
- Transport
- Upstream transport
- Business travel
- Stationary combustion
- Waste
- Electricity (electric vehicles)

Our calculated CO_2e emissions in FY24 have reduced by 8.5% in comparison to market-based CO_2e emissions for FY23 and have decreased in comparison to the reduction glidepath as shown in the graph CO_2e Emissions Reduction Plan Actual vs Target (Total CO_2e emissions Scopes 1, 2 and 3). The greatest drivers of this reported CO_2e emissions reduction are from Purchased goods and services which has reduced by 12.3% (22,531.6 tCO_2e to 19,751.59 tCO_2e), and CO_2e emissions from Upstream transportation which has decreased by 12.3% (1,570.0tCO_2e to 987.6 tCO_2e).

The main reason for the reduction in CO_2e emissions can be attributed to improvements in methodology as the spend calculations for Purchased goods and services and Upstream transportation have been updated using new Environmental Protection Agency (EPA) emission factors, which have been updated as a result of the global movement in decarbonisation within specific industries that make up a material portion of the EPA emission factors. Additionally, we've seen a reduction in CO_2e emissions within Employee commuting as a result of increased FTE and decreased agency staff, as we've filled positions with full time employees rather than agency staff. This drop in CO_2e emissions can be seen within FY23 vs FY24 Purchased goods and services, Upstream transportation and Employee commuting Actual vs Target.

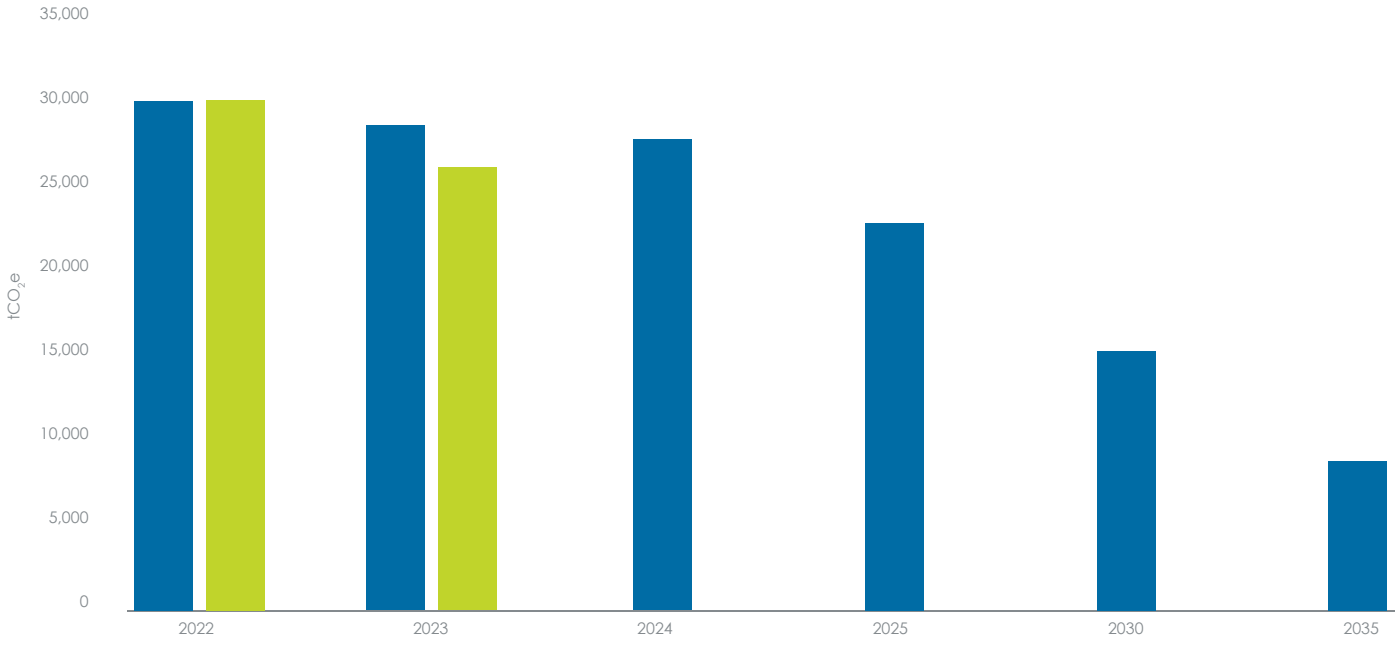
CO_2e emissions reduction plan baseline actual vs target (total CO_2e emissions scope 1, 2 and 3)



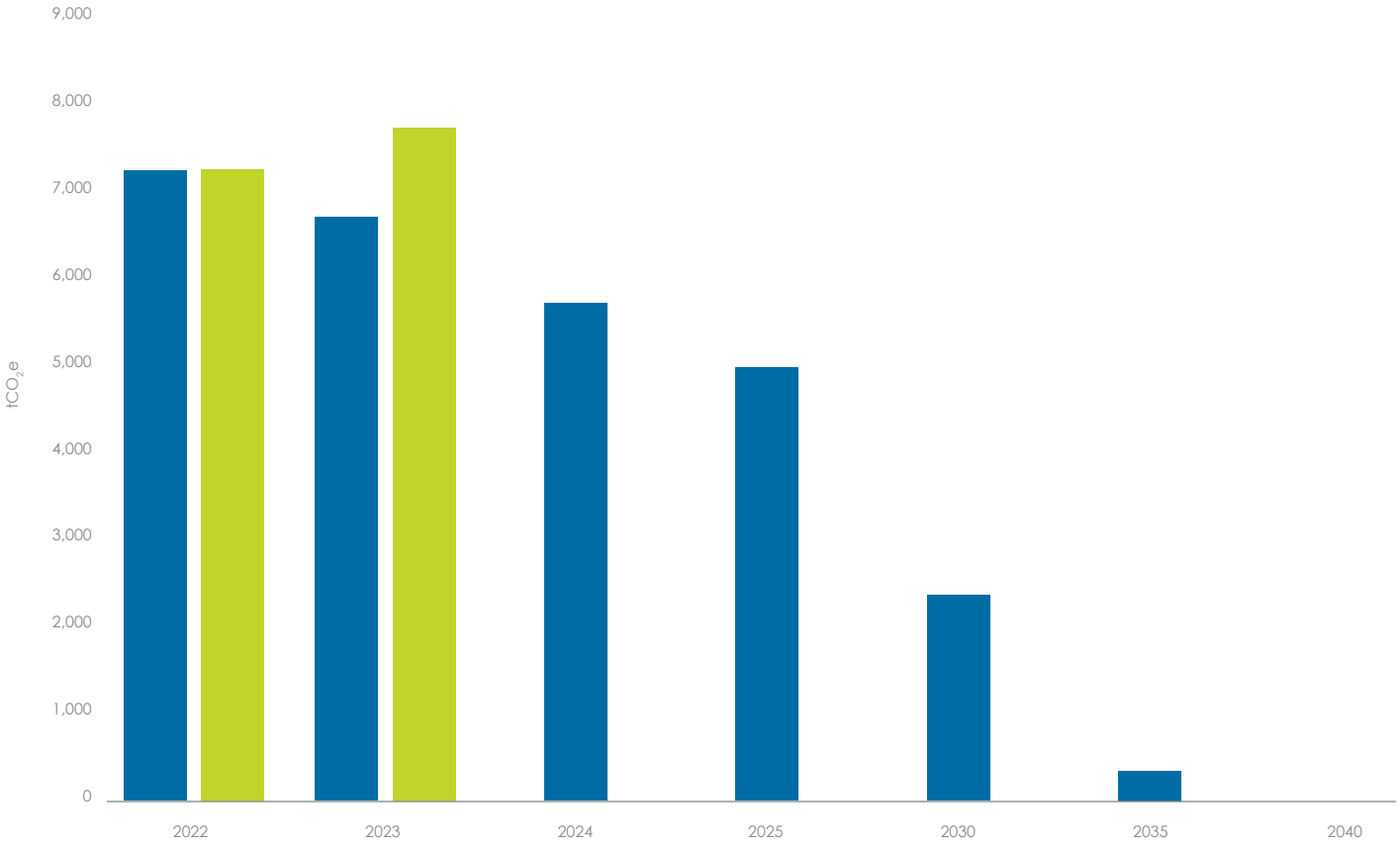
We realised that we had not reported on a small portion of our estate, specifically the small number of offices that we lease for our back-office/ management staff. We therefore rebaselined this by assuming that the electricity consumption was the same in FY23 as FY22. The same was done for Scope 1 Stationary combustion and Scope 3 Category 3 for the gas and electricity parts of this Category. Whilst we have rebaselined the energy CO_2e emissions (Stationary combustion, Electricity, and Fuel and energy-related activities, specifically the upstream CO_2e emissions of Scope 2 and Scope 1 Stationary combustion) the rebaselining is fairly unmaterial to the CO_2e emissions footprint and CO_2e emissions glidepath as it has increased the CO_2e emissions footprint for last year by around 355 tCO_2e. Given that our CO_2e emissions footprint for both years is over 40,000 tCO_2e, this is a small inaccuracy. This means that although we have rebaselined these areas to increase the accuracy, as the missing sites are only leased offices with a relatively small environmental impacts, we have decided to keep the same CO_2e emissions glidepath, and therefore are set to reach our Net Zero target date of 2040.

We've seen an increase in our Scope 1 Stationary combustion and a decrease our Scope 2 Market-based electricity consumption. The main reason that gas consumption increased between FY 22 and FY 23 is because we opened an additional three hospitals and one extra specialist neuropsychiatric rehabilitation centre for men, Cygnet Paddocks, with 28 beds. The electricity consumption has been reduced as a result of installation of solar panels which has generated 728,402.09 kWh's in FY23.This is shown in the graphs Amended CO_2e Emissions Reduction Plan baseline Actual vs Target (Stationary Combustion) and Amended CO_2e Emissions Reduction Plan baseline Actual vs Target (Market-based Electricity).

FY 23 vs FY 24 purchased goods and services, upstream transportation and employee commuting actual vs target



Amended CO_2e emissions reduction plan baseline actual vs target (stationary combustion)



● Scope 1: Stationary combustion (Target)

● Scope 1: Stationary combustion (Actual)

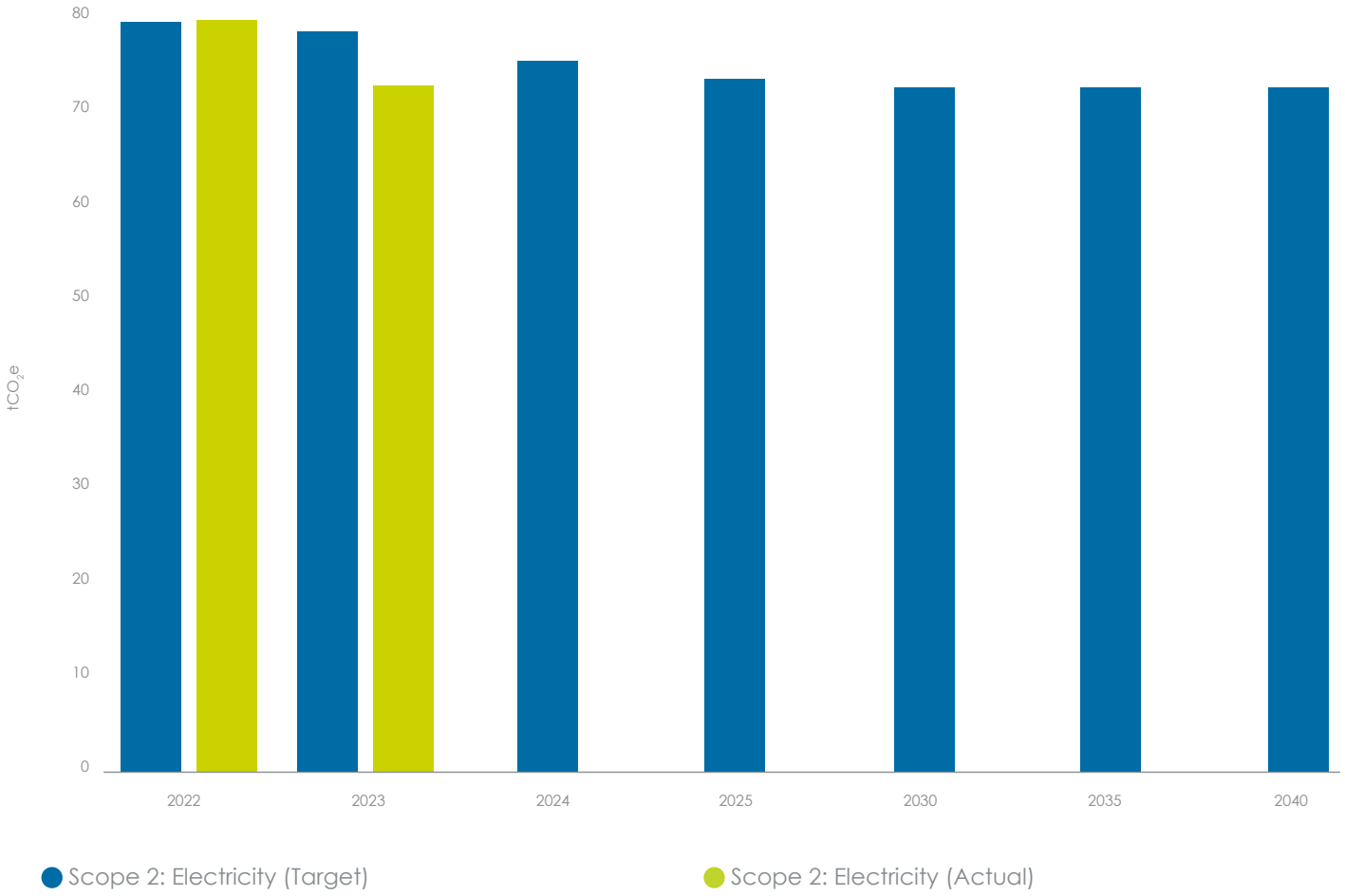
Our approach is to always focus our efforts on reducing our own CO_2e emissions, with significant planning and finances set aside to do this. However, a large proportion of our CO_2e emissions lie within Scope 3, it is difficult to reduce these CO_2e emissions within the short term as these are within our supply chain where we have influence but not control.

As the operation of our estate is our key business area and also one of the main sources of CO_2e emissions for us it is important we consider this when planning our CO_2e emissions reduction activities. Our estate is large and continues to grow as we expand our business, in fact, in future years we plan to grow our estate by another eleven buildings. While our estate directly affects our Scope 1 and 2 CO_2e emissions it is also important for us to consider the possible impacts on Scope 3.

To be strategic in the choices we make in both CO_2e emissions reduction options and suppliers we partner with to deliver them. We will therefore start to use the Energy Hierarchy to reduce the buildings energy consumption and then consider how to switch to lower CO_2e emission across these environmental impact areas[10].

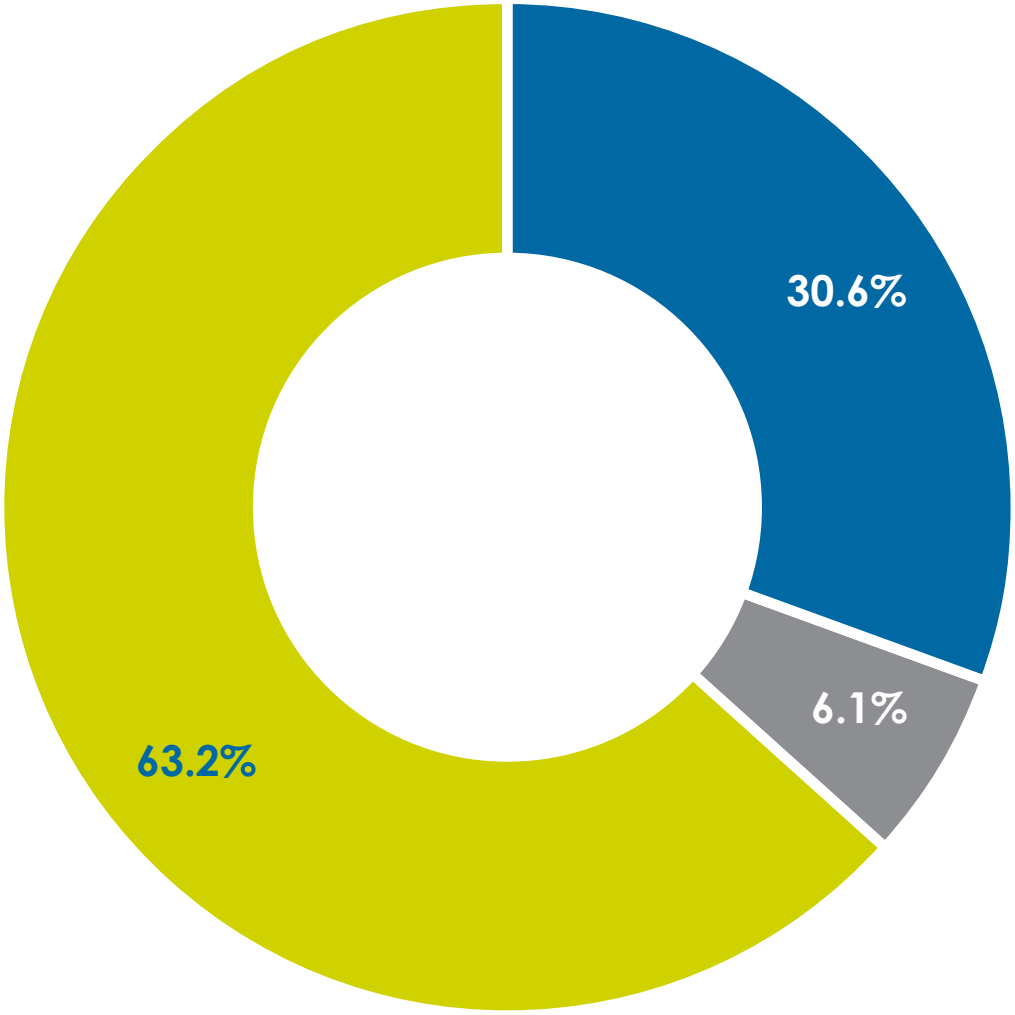
We have analysed CO_2e emissions hotspots by overall source within CO_2e Emissions footprint by grouped CO_2e emission source CO_2e emissions, the sources have been grouped into: Transport, Supply Chain and Energy. The Transport group includes Scope 1 Transport, Business travel, and Employee commuting. The Energy group includes Scope 1 Stationary combustion, Scope 2 market-based electricity, and Scope 3 Fuel and energy related activities. The final group, Supply Chain includes Purchased goods and services, and Upstream transportation. Waste has been removed from this graph as it represents only 0.3% of our CO_2e footprint. The purpose of this pie graph is to evaluate the effectiveness of our Energy Management as we invest in the Energy Hierarchy across our estate our supply chain CO_2e emissions will increase through investments in the fabric, passive measures, and heating, ventilation, and air conditioning (HVAC). We will use this as an initial evaluation of the payback across all the capitals.

Amended CO_2e reduction plan baseline actual vs target (market-based electricity)



[10] https://glasgowsciencecentre.org/our-blog/the-energy-hierarchy

CO_2e Emissions Footprint by Grouped CO_2e Emission Source



Supply Chain

Includes Purchased goods and services and upstream transportation

Energy

Includes Stationary combustion, Electricity (Market-based), and Fuel and energy related activities

Transport

Includes Scope 1 transport, business travel, and employee commuting

Environmental Management Measures / CO_2e Emission Reduction Plan

Cygnet has a growing estate that results in increasing CO_2e emissions associated with maintenance, heating powering and upkeep of these new buildings that are vital for us to provide our care services. We have been progressing our data driven journey and managed to get all our mains meters into one portal. For the first time, we now have oversite of the energy consumption at building level to understand the initial hotspots. We will continue to work to reduce our CO_2e emissions, and our actions are summarised below:

Scope 1: **Stationary combustion (Natural Gas)**

Cygnet owns over 155 buildings across the UK. We're in the process of creating Energy Performance Certificates (EPC's) for all buildings across our estate. This can be used to help to start highlighting where energy consumption is high, and where we should consider actions that will help us to reduce our energy consumption by:

- Create a scorecard for each building relating to their energy consumption.
- Engage with the facilities / operations manager at each facility and collect information of the energy and building performance.
- Create a building / asset registry database.
- Evaluate at site level what the best opportunities are for energy savings and security.
- Consider compliance requirements that can be used as the first layer to derive savings and building level energy efficiencies:
  - Evaluate where investments need to be carried out in insulation through further studies that review the building temperature leakage.
  - Evaluate the CapEx maintenance cycle for boilers and evaluate when we should invest in heat pumps.
  - Monitor the asset health and performance of the heat pump, ensuring hybrid heating systems are focused on electrical heating.

Scope 1: **Transport (owned and leased vehicles)**

Cygnet has 270 vehicles in our fleet, of which nearly 9% are electric. We have also started to roll out Electric Vehicle (EV) charging across our estate, with an initial installation of 60 EV chargers. In order to reduce our CO_2e emission further we will continue to switch to battery electric vehicles (BEV) by carrying out the below actions:

- Creating a registry and index that will help prioritise which of our fleet are a higher priority to switch to BEV.
  - This will include reviewing the age, total distances, fuel use / type of vehicle / weight or size.
  - Carry out CO_2e emissions reduction study to understand when to switch each vehicle by evaluating what the carbon payback is between investments in new vehicles (the embodied carbon) vs the carbon saved through electrification of our fleet.

These measures will help plan our CapEx investment in fleet alongside our Net Zero CO_2e emissions reduction pathway in line with the latest measurement and verification methodologies.

Scope 1: **Refrigerants**

We use heating, ventilation and air conditioning (HVAC) units to control the temperatures across all our healthcare facilities and supporting buildings. In order to reduce the release of refrigerant gases and therefore global warming, we will carry out long term capital planning to help reduce our impact by:

- Considering the age of HVAC and capital depreciation cycle and explore options for a variable refrigerant flow (VRF) system(s).
- Installing temperature sensors to help to control the use of the air conditioning units in buildings.
- As part of a CapEx investment strategy for estate management we will consider green capital planning and physical risk for our estate as the two are interlinked due to the nature of the patients we support, we need to plan for more extreme climatic temperatures, and utilise natural capitals to reduce our risks, and building temperatures. This can be achieved by:
  - Utilising a building survey to consider how green infrastructure and passive measures can help to reduce the reliance of HVAC in summer month.
  - Evaluating how these assets can be considered within the policies and processes for facilities staff to support the maintenance of these green assets.

Scope 2: **Electricity**

We have green electricity contracts for all of the sites we manage. The small volume of CO_2e emissions under the market-based approach are a result of the serviced offices that we lease for back-office and management staff. In order to address these CO_2e emissions and reduce them we plan to:

- Engage with the landlords for the sites that are leased and consider if it is possible to switch to green contracts.

For the 155 building within our estate that we own, we have started consolidating the energy mains meters by connecting them to mains metering portal. In addition, we've already invested in LED lights across our estate. Our solar panels generated 728,402.09 kWh of renewable, onsite electricity across our estate, this is helping us to reduce our reliance on grid electricity, optimise demand response services, and increase our energy security. These are our first step in consolidating the vast volumes of utility data that we have and helping us to get an impression of hotspot buildings, and investing in our buildings to support optimise energy efficiency and increase green electricity production. To reduce our electricity consumption across our estate in the short term we will carry out the below activities:

- Invest in dimmers to reduce the electrical consumption of LED lighting further.
- Invest in motor loading to allow the right amount of electricity consumption for fridge / freezers.
- Consider further studies using building and energy modelling that will help to evaluate how we can improve the EPC certificate of our buildings and reduce our electricity consumption further, evaluating the cost of maintaining a building to consider the life cycle implications of the building, and evaluating the physical risk of climate change to buildings in certain geographies. This will help us aid Capital Decision Making and planning and linking the planning that we undertake to our Net Zero targets.
- Evaluate what types of changes can be made to our estate and monitor their effectiveness by measurement and verification through sub-metering.

Scope 3 Category 1: **Purchased goods and services**

A significant volume of CO_2e emissions are created in our supply chain. These typically are a result of procurement of investments in our buildings (fixture, fittings and additions), and the food and drink that we procure from our suppliers to feed the patients we care for. In order to reduce CO_2e emissions in this category we will:

- Make carbon a material consideration in our purchasing decisions and monitor the progress of the updated Supplier Policy through Supplier Engagement.
- Engage with stakeholders and socialise them to the concept and the forthcoming require for suppliers to provide their carbon data.
- Collect detailed CO_2e emissions data by Scope and Category as part of a management system so that these categories can be apportioned correctly.
- Collect KPI supplier data to understand where suppliers can make improvements or require our support.
- Request life cycle assessments for products purchased and choose lower CO_2e emission products.

Scope 3 Category 5: **Waste**

Our waste data is a linked the clinical services that we provide and goods such as food that we purchase to feed the patients that we care for. We will therefore carry out a Supply Chain evaluation to understand which areas of our supply chain we should focus on. We can then consider the below strategies:

- Utilising a waste audit and supply chain engagement to reduce waste being produced by the supply chain to our estate.
- Review the waste audit information as part of a management system to align waste reductions.
- Creating a centralised policies for suppliers to reduce waste being brought to the site by utilising the tailored investigations/interventions.
- Consider applying a balanced score card approach to supplier selection within specific procurement categories for packaging waste.

Scope 3 Category 6: **Business travel**

Business travel is made up of a large number of areas; it includes everything from transport being reclaimed for air travel, trains, buses, private employee cars, and taxis. Additionally, food expensed during business trips and nights stayed at hotels are included. We already pay an additional 5p per a mile for colleagues who share vehicles, in addition we have started rolling out a cycle to work scheme. In order to further reduce the CO_2e emissions in this area we will:

- Undertake a business travel appraisal that evaluates what low carbon substitutes can be put in place to reduce CO_2e emissions in this area and what we need to invest in to help employees to switch to lower forms of business mileage reclaim.
- Utilise the travel hierarchy to ensure that policies are enabling lower CO_2e emissions Business travel expense by carrying out the following:
  - Carry out a business travel appraisal to understand generally what different groups of employees are expensing and why.
  - Sending out a business travel survey to understand what the barriers are to using lower CO_2e emissions.
  - Creating policy documents that are tailored towards each employee group and therefore support employees to reduce CO_2e emissions within Business travel.

Scope 3 Category 7: **Employee commuting**

While we recognise that we cannot directly influence what modes of travel our employees use, we need to do all we can to encourage them to join us on our sustainable journey. We've also rolled out an EV salary sacrifice scheme; however, uptake of the scheme is currently less than 1%. We therefore need to understand how we can promote this scheme further and change behaviour/purchasing power. In order to reduce CO_2e emission in this category and support existing policies further we will carry out the below actions:

- Undertake an appraisal to understand which audience is best to survey e.g. GPs, care workers or maintenance.
- Carry out an employee commuting appraisal to best understand the current commuting habits and what interventions can be used to reduce CO_2e emissions in this area further.

Conclusion

Our CO_2e emissions footprint has decreased as a result of new carbon emission factors for Purchased goods and services, and Upstream transportation. We've also hired more FTE as we look to fill contracts with permanent staff rather than agency workers. This has helped to reduce the total distances employees are commuting as generally FTEs tend to live in closer proximity to our sites than agency workers who can be working at multiple locations.

In order to continue to see a reduction in CO_2e emissions we must align all our Net Zero strategies across our estate. This will start by creating an Asset and Building registry and updating policy so that newly built facilities are energy efficient. We will then move onto understanding the CO_2e emissions of an employee commuting appraisal, so that we can understand how employees can help us to reduce our CO_2e emissions in this sizeable category.

CO_2e Emissions Methodology

Inclusions within current numbers

Scope 1

Scope 1 sources included in the inventory are onsite (or "stationary") natural gas combustion, mobile fuel combustion from leased and owned vehicles and refrigerants.

Scope 2

Purchased electricity was the only identified Scope 2 CO_2e emissions source. However, per the GHG Protocol Scope 2 Guidance, Scope 2 CO_2e emissions have been calculated and reported using two separate methodologies:

- A location-based method reflecting the average CO_2e emissions intensity of grids on which energy consumption occurs.
- A market-based method reflecting CO_2e emissions from the electricity that Cygnet have purposefully chosen via our energy procurement activities. This accounts for energy purchased from green energy suppliers and residual mix from brown contracts.

Scope 3

Category 1: Purchased goods and services

Includes all upstream (i.e., cradle-to-gate) CO_2e emissions from the production of goods purchased or acquired by Cygnet in the reporting year.

Category 3: Fuel and energy-related services

Relates to transportation and distribution losses, and the well-to-tank CO_2e emissions for all fuels consumed as a result of Cygnet's operation:

- Well-to-tank CO_2e emissions account for all the CO_2e emissions related to the extraction, production, and shipping of fuels excluding only the direct combustion of the fuel. (e.g., fuel consumed by Cygnet's owned or leased vehicles).
- Transmission losses account for all the energy that is lost between the electricity production in the powerplant and when it is used (e.g., resistance in power lines).

Category 4: Upstream transportation and distribution

Includes the CO_2e emissions which relate to products being transported by tier one suppliers or paid for by Cygnet's. It includes both the transport and warehouse related CO_2e emissions.

Category 5: Waste

Includes CO_2e emissions from third-party disposal and treatment of waste generated in Cygnets owned or controlled operations in the reporting year:

- We have utilised the 'waste–type-specific' method, which involves using CO_2e emission factors for specific waste types and waste treatment methods.

Category 6: Business travel

Includes CO_2e emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, and passenger cars. This also includes CO_2e emissions resulting from hotel stays resulting from business-related trips:

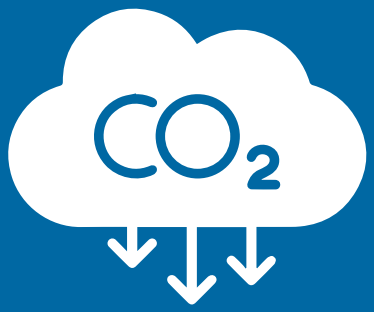
- We have used the distance-based method, which involves determining the distance and mode of business trips, and then applying the appropriate CO_2e emission factor for the mode used where possible.
- We have used the number of nights stayed in hotels to calculate the CO_2e emissions.

Category 7: Employee commuting and working from home

Includes CO_2e emissions from the transportation of employees between their homes and Cygnets offices. CO_2e emissions from employee commuting may arise from car, bus, train, or cab travel. We have also included energy consumption and waste production which occur from employees working from home in this category:

- Where appropriate we have used the average-data method, which involves estimating CO_2e emissions from employee commuting based on average (e.g., national) data on commuting patterns.
- We will in future years supplement the above with employee travel surveys which collect data from employees on commuting patterns (e.g., distance travelled, and mode used for commuting) and apply the appropriate CO_2e emission factors for the modes used using the distance-based method.

Material exclusions from current numbers:



Scope 3

Category 7: Employees working from home
Is excluded from FY23 CO_2e emissions as very few employees work from home.

Non-material exclusions for FY24 baseline CO_2e emissions:

Scope 3

Category 2: Capital Goods
Is excluded as capital expenses were not separate from purchased goods and services so all CO_2e emissions are accounted for in Category 1.

Category 8: Upstream leased assets
Is excluded from FY23 CO_2e emissions, as we do not lease any assets that are not already calculated within Scope 1 and 2 CO_2e emissions.

Category 9: Downstream transportation and distribution
Is excluded from FY23 CO_2e emissions as we do not sell goods that need to be transported by our customers.

Category 10: Processing of sold products
Is excluded from FY23 CO_2e emissions as we do not manufacture products.

Category 11: Use of sold products
Is excluded from the FY23 CO_2e emissions as we do not sell physical products.

Category 12: End-of-life treatment of sold products
Is excluded from FY23 CO_2e emissions as we do not sell physical products.

Category 13: Downstream leased assets
Is excluded from FY23 CO_2e emissions, as we do not own any assets that we lease to other businesses.

Category 14: Franchises
Is excluded from FY23 CO_2e emissions, as we do not operate franchises.

Category 15: Investments
Is excluded from FY23 CO_2e emissions, as we do not have any investments whereby, we provide capital or offer financing as a service.

Cygnet

Improving lives together

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