

Net Zero Report

Carbon Reduction Plan
FY 2023 | Year 2



Executive Endorsement

As part of our commitment to the children’s services and educational sector, we understand the importance of delivering Net Zero in line with UK government guidance. We’re committed to working closely with our stakeholders to help the UK transition to a low carbon economy. This will ultimately change the way we operate our business for good. We will continue to invest in environmental management to help us decouple our emissions from our growth. This will help us to minimise our impact on people and planet.

Name: Jamie Wright

Position: Chief Financial Officer

Publication date: 24 November 2023

Reporting period: 1 April 2022 – 31 March 2023



About us

Compass Community provides residential, educational, fostering, and therapeutic services for young people throughout the UK. We strive to provide excellent support for young people requiring care and we work hard to give them a childhood filled with love, laughter and learning. Our residential division offers children and young people a home. Our highly capable teams provide substitute parenting for children and young people who experience a range of behavioural and emotional challenges. Our educational services provide bespoke educational packages to the young people in our care and help them establish foundations for a successful and fulfilling future. Our 'Potential, Not Perfection' fostering approach ensures young people are provided with the best possible support in a more traditional, family setting. Our multi-disciplinary therapeutic teams span across the Compass residential, educational and fostering services, offering a wide variety of therapies and assessments for the young people in our care.



Compass Community Children's Services provide full wrap-around support with education, fostering, residential and therapeutic services for our foster carers, children, young people, and staff.



Our commitment to Net Zero

Compass Community is 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) for our operations.

Compass Community is committed to taking action to reduce our annual emissions and achieving Net Zero emissions by 21st of September 2045, five years earlier than the UK Government's target. We will aim to reduce our emissions year-on-year and will achieve:

33%

A reduction in our Scope 1 and 2 emissions by 2030.

**Offset
Scopes
1 & 2**

Continued carbon neutrality and will offset our Scope 1 & 2 emissions each year while continuing to reduce them as much as possible. These offsets will be verified by global bodies such as Verra and Gold Standard to ensure they are valid projects.

83%

An 83 % reduction in total emissions by 2045 and offset all remaining emissions to achieve Net Zero.



Compass Community is committed to taking action and achieving Net Zero emissions by September 2045.

To achieve these goals, Compass Community has taken the following actions:

1. Appointed an external specialist carbon consultancy to collate and verify data, calculate GHG emissions and help advise on GHG emission reduction options
2. Set the baseline year, April 2021– March 2022 (FY22), and calculated our GHG emissions footprint in line with the GHG protocol for that base year. Including all emissions associated to our business operations:

Scope 1

- i. Stationary combustion (Gas)
- ii. Transport (owned and leased vehicles)

Scope 2

- i. Electricity

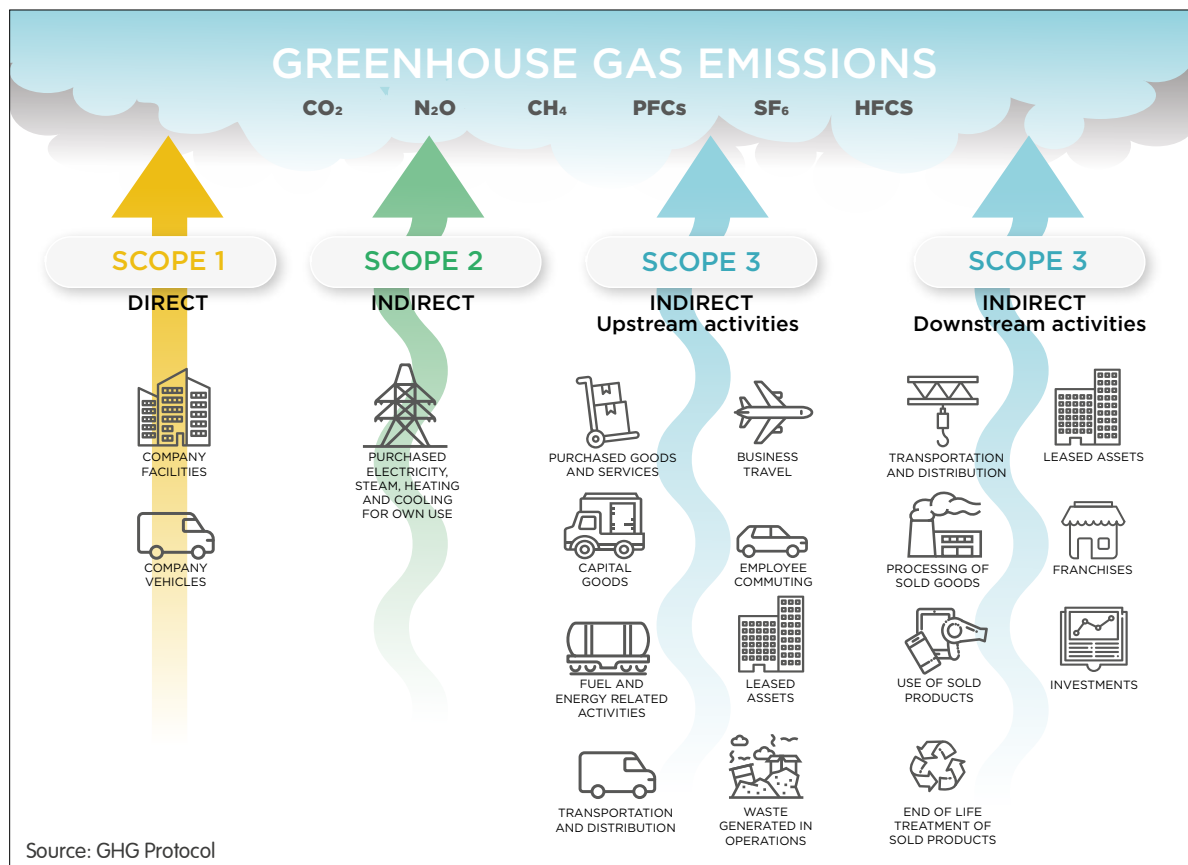
Scope 3

Of the 15 Scope 3 categories (8 upstream and 7 downstream) we have selected the following:

- i. Category 1: Purchased goods and services
- ii. Category 3: Fuel and energy related activities
- iii. Category 4 :Upstream transportation and distribution
- iv. Category 5: Waste
- v. Category 6: Business travel
- vi. Category 7: Employee commuting

3. Set the Net Zero date and committed to updating our GHG emissions footprint annually with April 2022 – March 2023 Year (FY23) to be the first year post the base year.

Overview of GHG Protocol scopes and emissions across the value chain

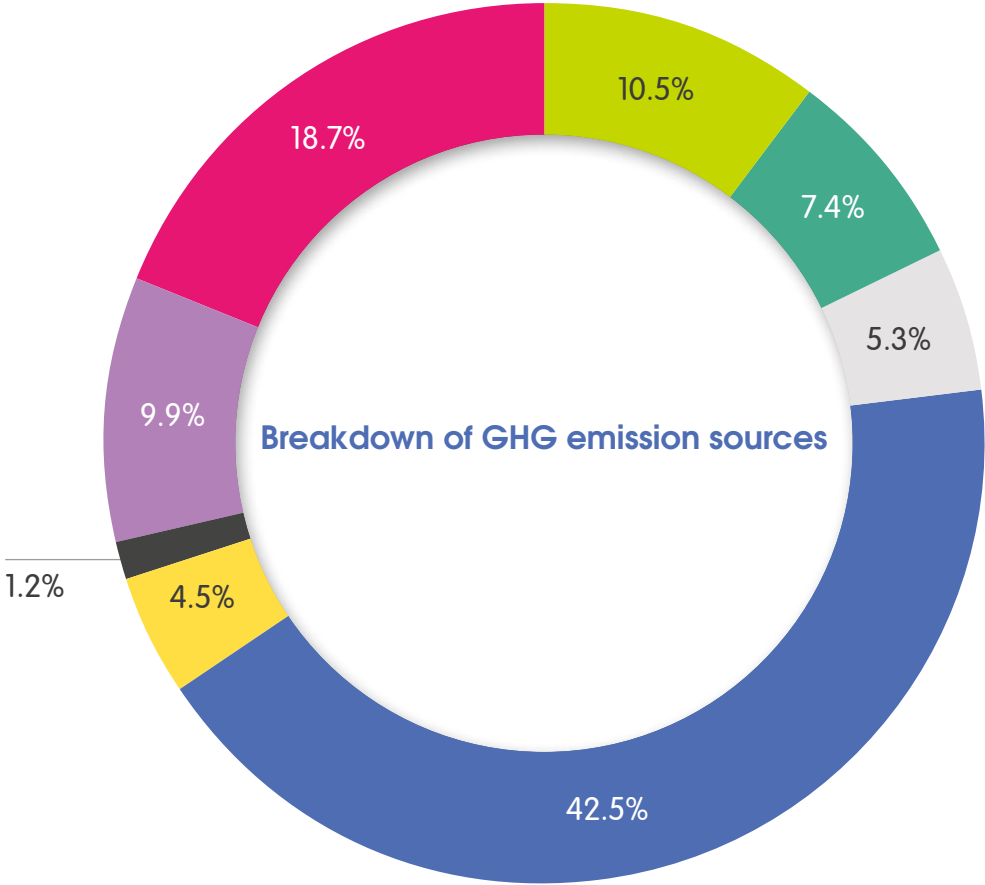


Greenhouse gas emissions footprint

This is our second year calculating our GHG emissions. As such, this is the first time we are able to assess how we are progressing towards our reduction targets against our baseline year emissions. Baseline emissions are a record of the greenhouse gases that were produced in a previous year prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which emissions reduction can be measured. We have rebaselined our FY 2022 baseline year due to additional information acquired within Scope 1 and 2 that has allowed us to improve the accuracy of the calculation.

Comparing our emissions each year to our baseline year will allow us to see how far we have come on our journey to Net-Zero and allow us to identify which areas we are succeeding in, as well as which areas need more focus. Compass Community's FY2023 GHG emissions footprint is as follows:

- Stationary combustion 10.5%
- Transport 7.4%
- Electricity (Location based) 5.3%
- Purchased goods & services 42.5%
- Fuel & energy related activities 4.5%
- Other* 1.2%
- Business travel 9.9%
- Employee commuting 18.7%



Other* Upstream transportation and distribution (0.4%), Waste (0.8%)

Below is an itemised breakdown showing the amount of GHG emissions (tCO₂e) produced by each Scope and category, comparing emission from FY23 to our baseline year calculation.

Category	Item	FY22 Total tCO ₂ e	FY23 Total tCO ₂ e	FY23 GHG Footprint % make up	% Change between FY22 and FY23
SCOPE 1					
Stationary combustion (Natural Gas)*	Gas consumed	553.22	694.75	10.5%	+25.6%
Transport	Owned and leased vehicles	704.18	488.13	7.4%	-30.7%
SCOPE 2					
Electricity (Location based) ^{1*}	Purchased electricity, for own use (grid average)	231.42	352.35	5.3%	+52.3%
Electricity (Market based) ^{2*}	Purchased electricity, for own use (specific contract)	109.46	179.09	N/A	+63.6%
SCOPE 3					
Category 1: Purchase goods and services	Goods and services	3,483.76	2,814.55	42.5%	-19.2%
Category 3: Fuel and energy related activities	WTT ³ & T&D losses ⁴ from electricity, stationary combustion of fuels and transport	512.86	300.32	4.5%	-41.4%
Category 4: Upstream transportation and distribution	Transport between tier 1 suppliers or paid transport for goods (upstream & downstream) WTW	34.84	28.15	0.4%	-19.2%
Category 5: Waste generated in operations	Waste	4.16	53.81	0.8%	+1,192.1%
Category 6: Business travel	Land and air travel and hotel stays for business purposes WTW	187.92	656.98	9.9%	+249.6%
Category 7: Employee commuting	Employees commuting to and back from work WTW ⁵	751.06	1,239.08	18.7%	+65.0%
Total Gross Emissions (Location based)		6,463.42	6,628.13	100%	+2.5%
Less emissions avoided by procurement of renewable electricity		(183.71)	(173.26)		
Less emissions avoided by production of renewable electricity		(0.00)	(0.00)		
Total Gross Emissions (Market based)		6,279.72	6,454.87		+2.8%
Less carbon offsets		1,030.00	(0.00)		
Total Net Emissions		5,249.72	6,454.87		+23.0%

¹ Location based represents emissions from electricity consumption based on grid average emissions

² Market based represents emissions from electricity consumption based on specific energy contracts

* These categories have been re-baselined as new information has been shared within this category, this has increased accuracy of the glidepath and comparison against last years information

³ WTT - Well-to-tank emissions. Emissions associated with the extraction refinement and transport of fuels before consumption

⁴ T&D losses – Transmission and distribution losses. Emissions associated with the energy lost during the transmission of electricity through the network

⁵ WTW – Well-to-wheel emissions. Includes emissions associated with the extraction, refinement, transport, and consumption of fuels

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

Intensity Ratios	Gross Emissions (Location based)		Gross Emissions (Market based)		Net Emissions	
	2022 (Year 1)	2023 (Year 2)	2022 (Year 1)	2023 (Year 2)	2022 (Year 1)	2023 (Year 2)
tCO ₂ e per employee (start of year)	7.99	5.98	7.76	5.82	6.49	5.82
tCO ₂ e per square meter	0.25	0.22	0.24	0.22	0.20	0.22
tCO ₂ e per million £ turnover	68.04	61.05	66.10	59.46	55.26	59.46

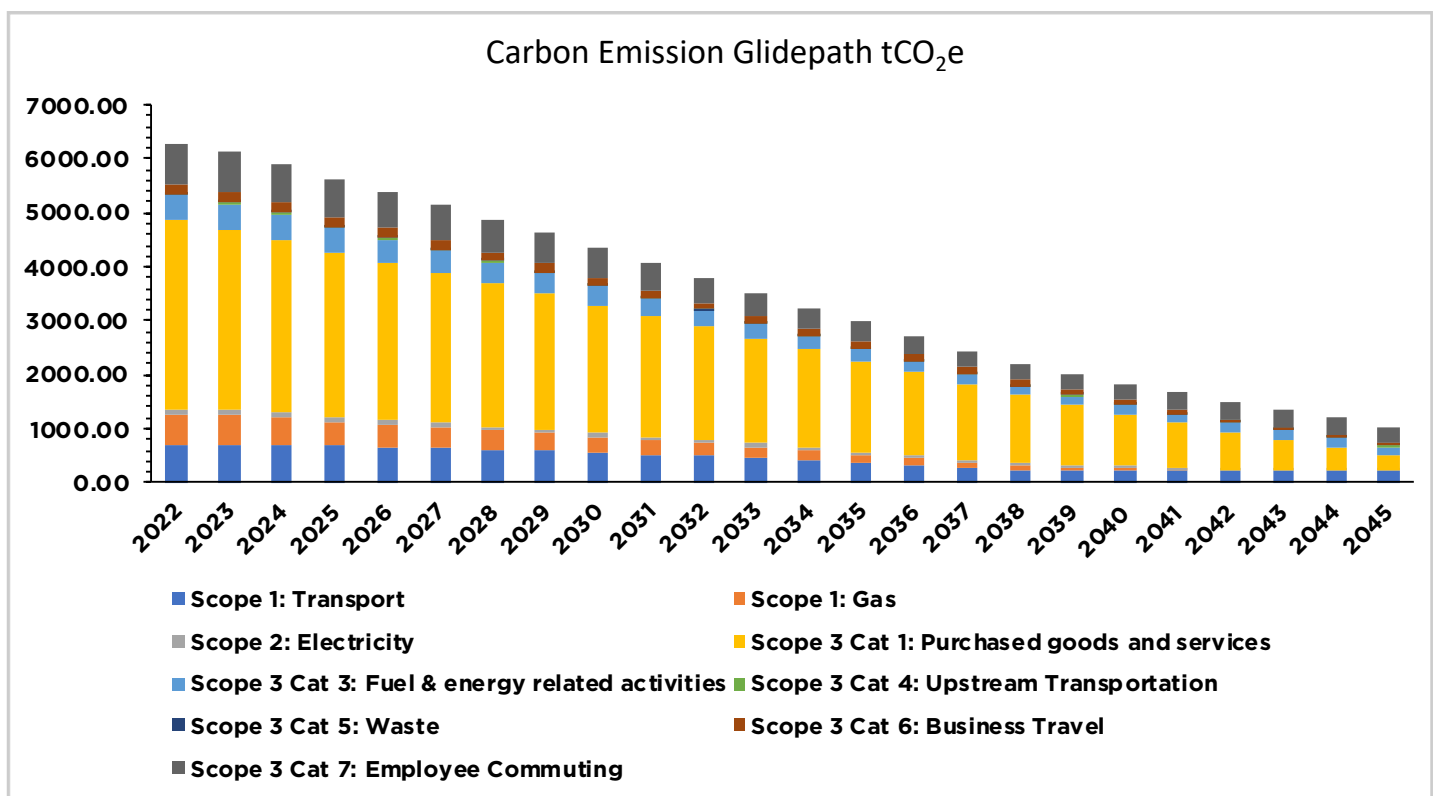


Emission reduction targets

In order to continue our progress toward achieving Net Zero, we have mapped out and planned a number of positive actions to help us achieve the following GHG emissions reduction targets:

- ✓ 11% absolute reduction in emissions by 2025 from 2022 baseline levels
- ✓ 31% absolute reduction in emissions by 2030 from 2022 baseline levels
- ✓ 53% absolute reduction in emissions by 2035 from 2022 baseline levels
- ✓ 71% absolute reduction in emissions by 2040 from 2022 baseline levels
- ✓ 83% absolute reduction in emissions by 2045 from 2022 baseline levels

GHG Emission Glidepath tCO₂e

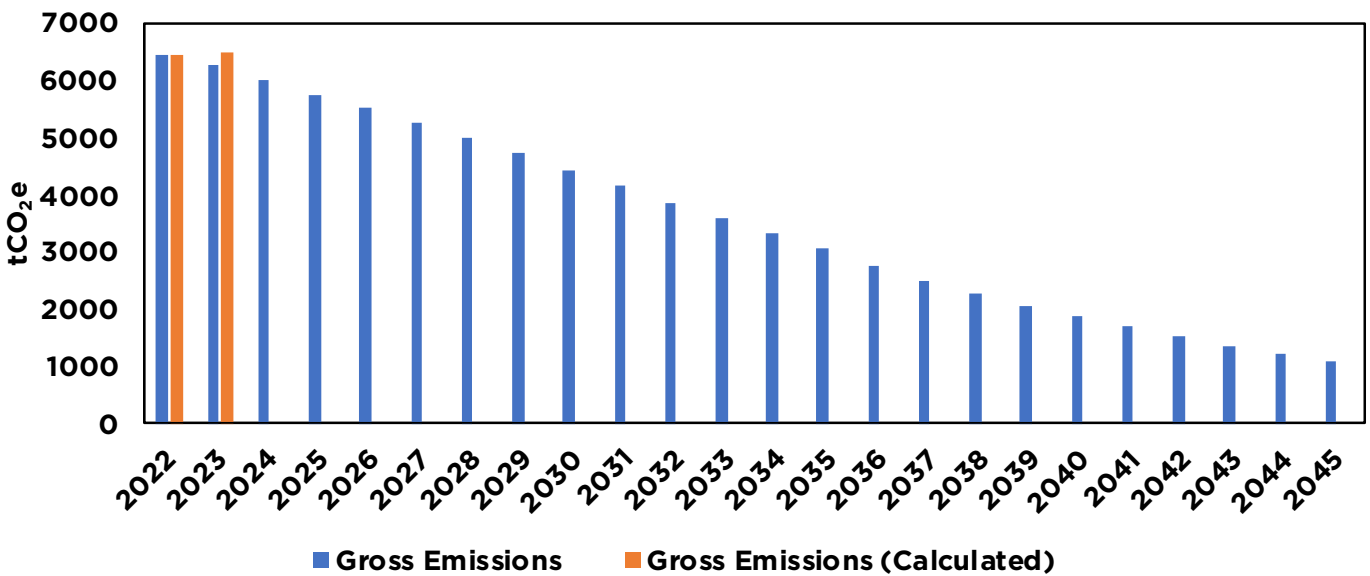


Current emissions vs target emissions

To keep our target GHG emissions reduction pathway on track to reach our Net Zero goal, we will report our total emissions against our target emissions every year. This year, we've rebaselined our emissions to 2021-2022 and updated our glidepath to reflect an increase in data quality. We are aware, as a group, that some years we will make better progress than others. However, by regularly assessing and reporting our emissions we can ensure that we are holding ourselves accountable to our target reductions.

Our absolute emissions have increased vs last year's emissions by approximately 172 tCO₂e. This is a result of opening nine new facilities, which inherently increases our gas and electricity consumptions. Furthermore, we've also grown in relation to the total number of employees by approximately 37%. This is, again, in relation to the growth of the business.

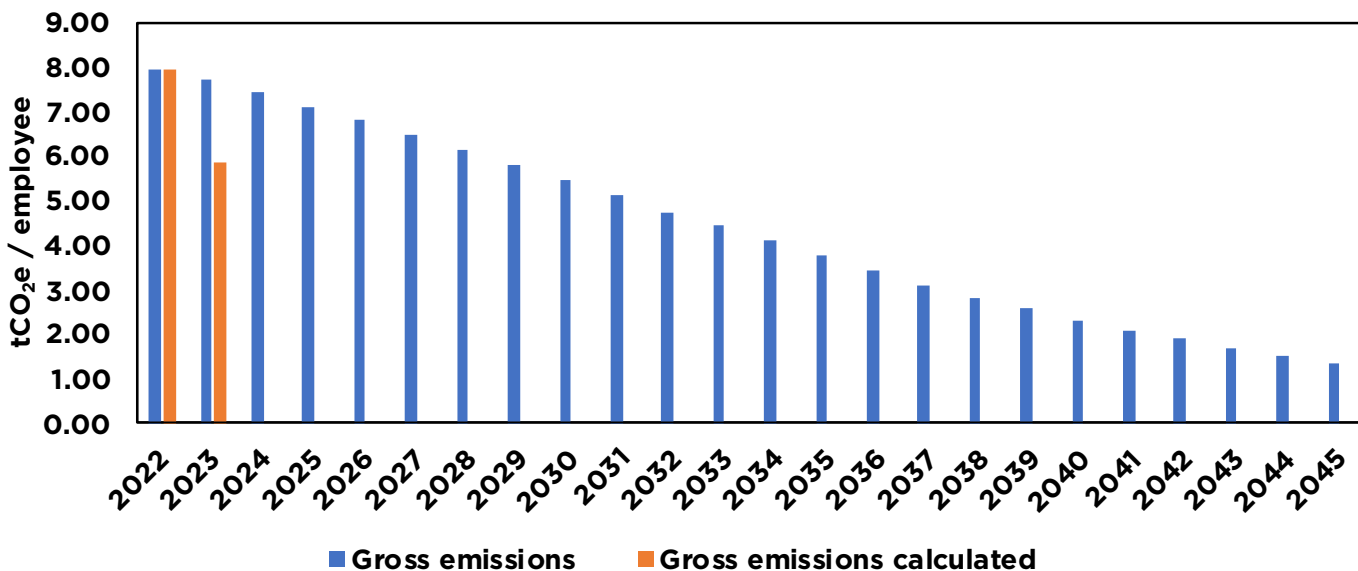
GHG Emissions Glidepath Actual vs Target



While we are aware that our emissions have increased as we have grown, we are aiming to decouple the growth in the business from increasing emissions and, eventually, make emissions reductions while we grow. To measure if we are achieving our emissions reductions, we have recorded our emissions as intensity

ratios. Our emissions have decreased per employee, as an intensity ratio, for employees. This means that our environmental management activities are helping to control our emissions as we grow in size and business provision. Below is a glidepath that shows the intensity of our emissions.

GHG Emissions Intensity Glidepath Actual vs Target (number of employees)

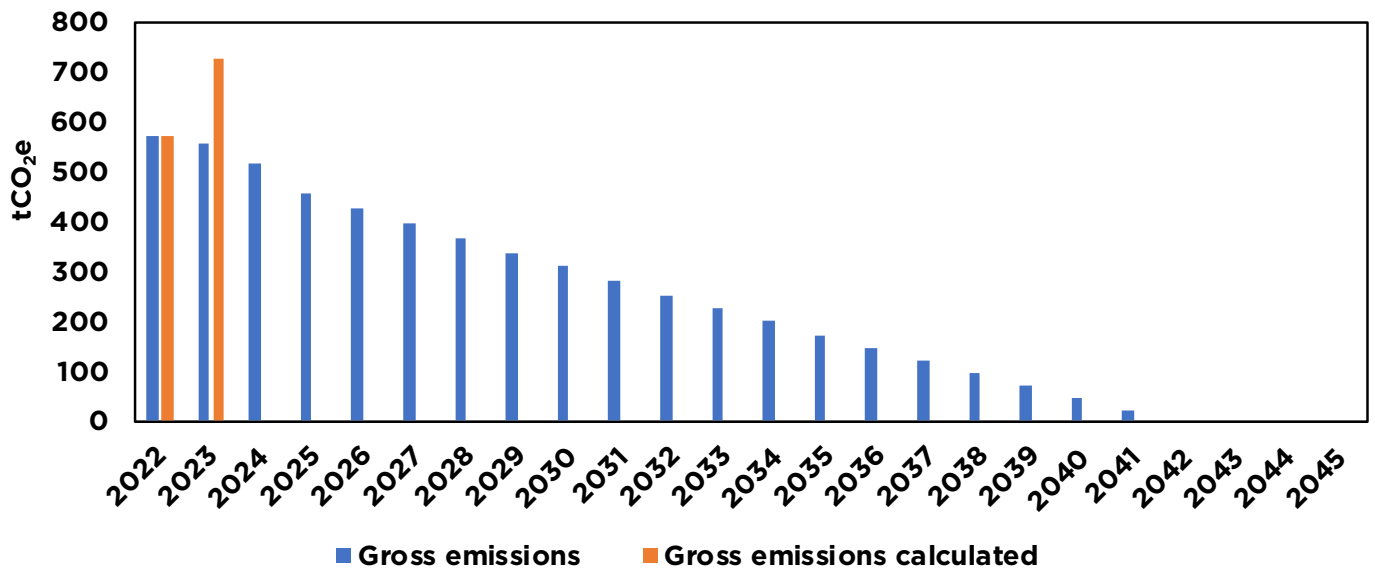


Due to the nature of Compass Community and the products and services that are required in order to care for young people across the country, our GHG emissions inventory has relatively high Scope 1 and 2 emissions.

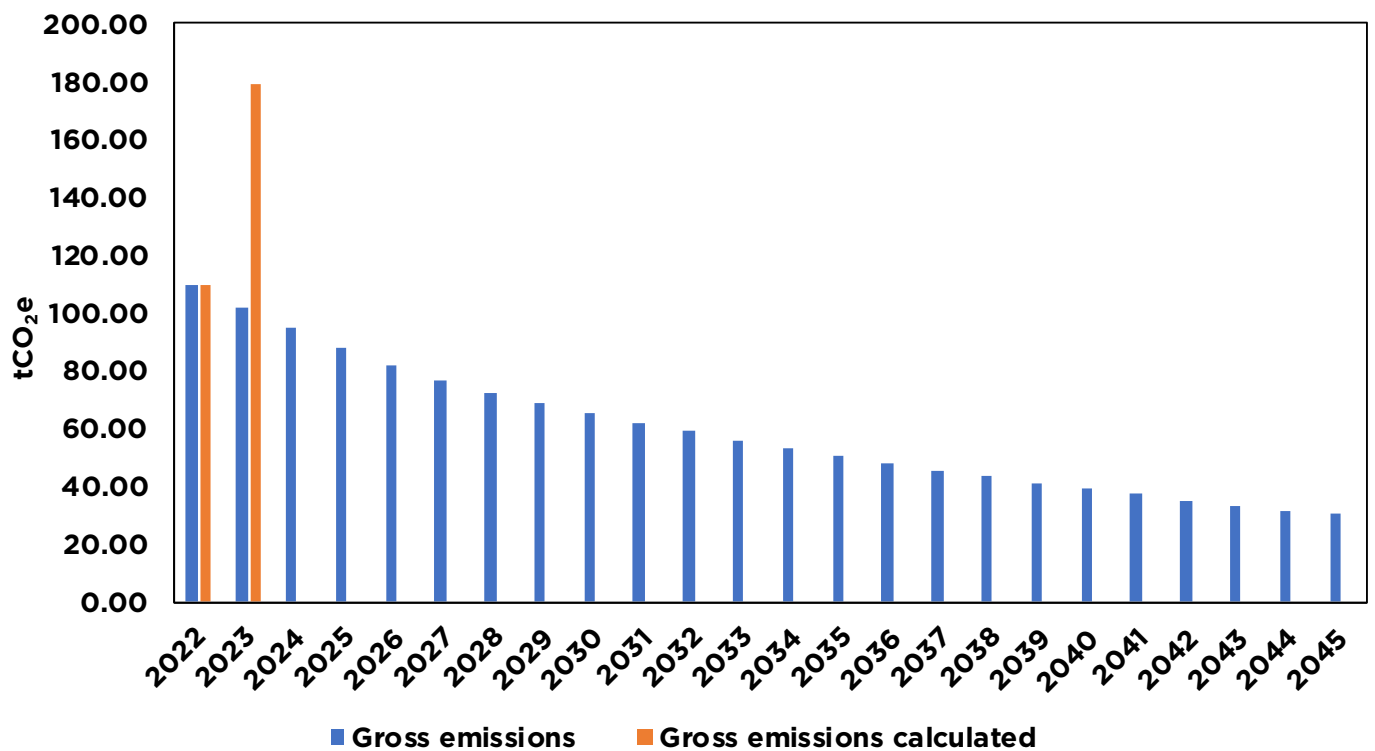


The size of our estate has increased by approximately 14% compared to last year. Due to this, our energy consumption has increased. We've separated gas and electricity consumption so we can look into our environmental management in these focused areas, as shown in the graphs below:

GHG Emissions Glidepath Scope 1 (stationary combustion) Actual vs Target



GHG Emissions Glidepath Scope 2 (electricity) Actual vs Target

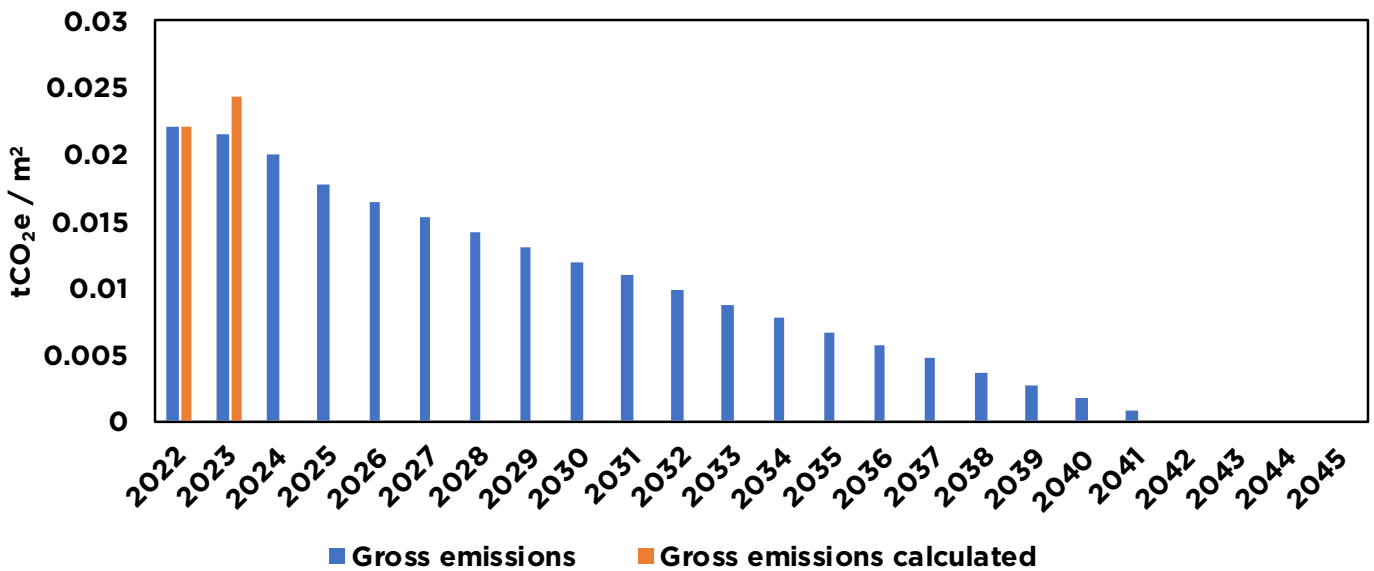


Our approach to reducing these emissions is to promote the procurement of renewable electricity and also to insulate our facilities as best we can.



To further understand the impacts of the increase in number of buildings, we've calculated the intensity of gas consumption per square metre of floor area of our estate. Our emissions have increased per floor area as part of an intensity ratio for Scope 1 Gas. Below is a glidepath that shows the intensity of our emissions.

GHG Emissions Intensity Glidepath Scope 1 Actual vs Target (building area)

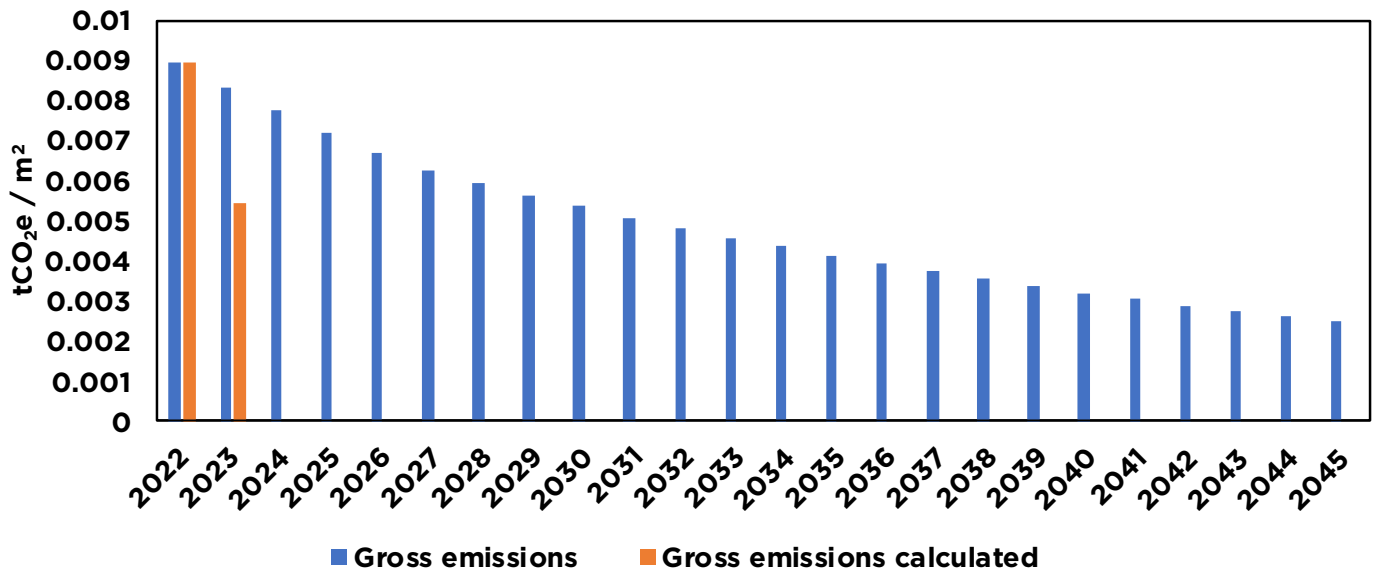


However, these intensity ratios show that there is only a small increase in emissions when we compare our emissions to floor area. This demonstrates that we are reducing our emissions comparatively as we grow and provide more care services across the UK. We've improved the environmental management of our facilities through investment in insulating fabric.



Our emissions have decreased per square metre of floor area as part of an intensity ratio for Scope 2 electricity. Below is a glidepath that shows the intensity of our emissions.

GHG Emissions Intensity Glidepath Scope 2 Actual vs Target (building area)



There is a decrease in intensity, which shows that we’re using our environmental management to reduce emissions as we grow. This demonstrates that our environmental management relating to increasing the amount of renewable energy that we procure and switching to LED lighting is helping us reduce our emissions as a proportion of the size of our estate.

Our approach is to focus our efforts on reducing our own emissions across our estate. We have significant planning and budget set aside to do this. This will involve creating processes that align our environmental management to help increase optimisation and efficiencies across our business.



Environmental management measures / emission reduction plan

As a responsible business, Compass Community has focused on the environment for many years and has worked to reduce our GHG emissions. To drive this to the next level, we engaged the services of Sustainable Advantage to advise the Compass Community's Board on global best practices on GHG emissions reduction. We have a detailed GHG emissions reduction plan, the key actions of which are summarised below:



SCOPE 1: Stationary combustion (Natural gas)

What we have done

- Conducted energy investment audits to appraise the best investment options for our facilities. This has helped improve our EPC ratings across our estate. This has also led to investment in fabric and fittings which is helping to insulate our buildings and reduce our heat loss
- Upgraded boilers to more energy efficient models

What we are doing

- Engaging with the landlord to understand how regularly each building is being monitored
- Understanding where there are gaps in data and collaborating with the landlord to install better monitoring and control systems



SCOPE 1: Transport (owned and leased vehicles)

What we have done

- Utilised the latest telematics schemes to best understand usage and behaviours of our owned fleet
- This is driving optimisation across our current fleet – we're able to best understand what can be done to reduce our driving related emissions
- This will be factored in as part of the appraisal for opportunities to switch to EV and hybrid

What we are doing

- Reviewing telematics reports and engaging with the landlord to best understand which sites are best to install EV chargers
- Where EV's are deemed too difficult switch to, we are considering switching to hybrids



SCOPE 2: Electricity

What we have done

- Utilised energy procurement services from Sustainable Advantage to condense our contracts and enable better monitoring. Once contracts have ceased with current suppliers, we will switch to renewable electricity
- Replaced old electrical equipment with newer, more energy efficient electrical equipment
- Undertaken an initial feasibility study for solar panels to help us consider the best options for procurement of renewable electricity and onsite generation which will contribute to our renewable energy supply

What we are doing

- Increasing the amount of renewable energy that is used within our care sites
- Considering an environmental management system to help reduce consumption through behavioural change



SCOPE 3: Category 1: Purchased goods and services

What we have done

- Engaged with sanitary products, toiletries, soap, cleaning product related suppliers to determine and select suppliers whose toiletry products are more sustainable than others

What we are doing

- Considering further supply chain engagement, policy and procurement processes that will enable structured review of most sustainable suppliers from across the supply chain, including other supplier groups outside of sanitary / toiletry-related products



SCOPE 3: Category 4: Upstream transportation and distribution

What we have done

We will aim to get better visibility on how goods are delivered to our facilities. We will work with carriers to understand:

- Where the hotspot areas are within this category
- The best ways to optimise delivery routes
- Third-party lower emissions transport options

What we are doing

In the short term, we plan on offsetting the postage emissions associated with this category. In the long term, we are considering supply chain-related work that will gather information to reduce transport emissions within this category through route optimisation and selection of low GHG emissions distribution providers



SCOPE 3: Category 5: Waste

What we have done

- Become more selective about the office equipment that we procure by choosing office equipment that has more recyclable packaging
- Managed our waste contracts, working to reduce the amount of waste sent to landfill as much as possible
- Promoted recycling efforts within schools to reduce the amount of waste sent to landfill

What we are doing

- Consolidating our waste contracts to have a better understanding of our data. This will be key for better monitoring and underpinning behavioural changes



SCOPE 3: Category 6: Business travel

What we have done

- We've updated our travel policy to encourage carpooling.
- Requesting staff carbon offset their hotel stays, and their rail travel
- Considering preferred suppliers for hotels which have strong ESG credentials
- COVID-19 has taught us that video conferencing tools such as Teams and Zoom can very successfully host meetings. We have encouraged our staff to continue to embrace this technology to minimise travel
- Encouraged the uptake of EV vehicles used by our staff by paying favourable mileage reclaim rates and considering the installation of EV charging points at our sites, where practical

What we are doing

- Setting up a preferred supplier list for hotels based on their ESG credentials
- Offsetting the emissions associated with hotel stays and rail travel



SCOPE 3: Category 7: Employee commuting

What we have done

- Put in place initiatives such as:
 - Cycle-to-work schemes
 - Carpool encouragement
 - Planned roll out of EV charge points across our estate
 - EV salary sacrifice scheme
 - Paid favourable mileage reclaim rates for EV vehicles

What we are doing

- Sending a travel survey to each of our employees to understand how they currently get to and from work

Conclusion

Compass Community will annually recalculate our GHG emissions footprint for each fiscal year ending in April, with March 2023 being the first post-base year. We will track how we are performing vs our targets and adjust our methods to ensure we stay on track to hit our Net Zero target.

Compass Community will continue to do all we can to minimise our emissions and do our part to minimise the negative effects of climate change on the planet.



Emissions methodology

Inclusions within current numbers

When calculating GHG emissions, the GHG Protocol Corporate Accounting and Reporting Standard states that a company must set its organisational boundaries. 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 its operations and subsidiaries, Compass Community has chosen the Operational Control method to define our organisational boundary. This approach will include 100 percent of the GHG emissions over which the organisation has operational control. The Operational boundary will include all three Scopes as outlined by the GHG Protocol. Compass Community's emissions are reported in tCO₂e and have been calculated utilising the following formula:

$$\begin{aligned} &\text{source emissions data} \times \text{conversion factor}^* \\ &= \text{total source emissions} \\ &\text{source unit} \times (\text{tCO}_2\text{e/unit}) = \text{tCO}_2\text{e} \end{aligned}$$

*Conversion factors are primarily derived from the latest:

- UK Government GHG conversion factors
- DEFRA (Department for Environmental, Food and Rural Affairs)
- Environmentally extended input-output (EEIO) tables
 - EPA

Scope 1

Scope 1 sources included in the inventory are onsite (or "stationary") natural gas combustion and mobile fuel combustion from leased and owned vehicles. Excluded from the inventory are fugitive emissions of refrigerant gasses.

Scope 2

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

- A location based method reflecting the average emissions intensity of grids on which energy consumption occurs.
- A market based method reflecting emissions from the electricity that Compass Community has purposefully chosen via our energy procurement activities. This accounts for energy purchased from green energy suppliers.

Scope 3

Category 1: Purchased goods and services

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

Category 3: Fuel and energy related services

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

- Well-to-tank emissions account for all the emissions related to the extraction, production, and shipping of fuels excluding only the direct combustion of the fuel. (e.g., fuel consumed by Compass Community 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 emissions which relate to products being transported by tier one suppliers or paid for by Compass Community. It includes both the transport and warehouse related emissions.

Category 5: Waste

Includes emissions from third-party disposal and treatment of waste generated in Compass Community's owned or controlled operations in the reporting year.

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

Category 6: Business travel

Includes 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 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 emission factor for the mode used where possible.
- We have used the number of nights stayed in hotels to calculate the emissions.

Category 7: Employee commuting

Includes emissions from the transportation of employees between their homes and Compass Community's offices. Emissions from employee commuting may arise from car, bus, train, or taxi 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 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 emission factors for the modes used using the distance-based method.

Emissions methodology: material exclusions for FY23 baseline emissions

Scope 3

Category 7: Employees working from home

Is excluded from FY23 baseline emissions as very few employees work from home.

Compass Community will continue to do all we can to minimise our emissions.

Emissions methodology: non-material exclusions for FY23 baseline emissions

Scope 3

Category 2: Capital goods

Is excluded as capital expenses were not separate from purchased goods and services so all emissions are accounted for in category 1.

Category 8: Upstream leased assets

Is excluded from FY23 baseline emissions, as we do not lease any assets that are not already calculated within scope 1 and 2 emissions.

Category 9: Downstream transportation and distribution

Is excluded from FY23 baseline 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 baseline emissions as we do not manufacture products.

Category 11: Use of sold products

Is excluded from the FY23 baseline emissions as we do not sell physical products.

Category 12: End-of-life treatment of sold products

Is excluded from FY23 baseline emissions as we do not sell physical products.

Category 13: Downstream leased assets

Is excluded from FY23 baseline emissions, as we do not own any assets that we lease to other businesses.

Category 14: Franchises

Is excluded from FY23 baseline emissions, as we do not operate franchises.

Category 15: Investments

Is excluded from FY23 baseline emissions, as we do not have any investments whereby, we provide capital or offer financing as a service.

Compass Community will do our part to minimise the negative effects of climate change on the planet.





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