

Carbon Accounting Report.

Hatmill Ltd
March 2023



flotilla

Hatmill Ltd's journey to
Net Zero begins today.



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The purpose of this report is to provide Hatmill with information to enable you to understand the sources of your carbon emissions and to define your journey to net zero emissions.

Based on the enclosed report, Flotilla can support Hatmill to reduce carbon emissions and deliver a robust Net Zero Plan, in line with science-based targets.

This report provides a detailed analysis of the your historical carbon footprint of Hatmill for the years ended 31st March 2021, 2022 and 2023.

A review meeting will be scheduled with you to discuss the contents of this report so that we can answer any of your questions.

The scope of this report covers the impact of Hatmill's operational carbon footprint. Life cycle emissions associated with the supply of products and services have not been included. Where there is an element of production and associated cost of sales, your Net Zero Plan will include a recommendation to provide us with additional information ahead of the second year of Carbon Reporting, in order for us to begin to evaluate the work required to calculate emissions associated with the provision of goods.

tCO₂e

Different activities produce different gases. For carbon accounting purposes, greenhouse gases such as methane and nitrous oxide are converted into CO₂ equivalents for easier reporting and comparison. We refer to your business carbon footprint as 'tCO₂e', which is short for 'tonnes of carbon dioxide equivalent'.

Scopes 1, 2, and 3

Carbon footprint measures are categorised into three scopes: 1, 2 and 3.

Scope 1

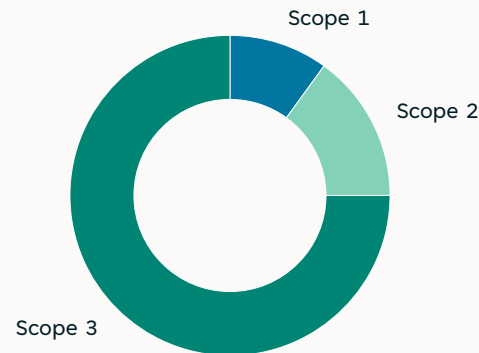
Direct emissions from sources that you own or control. Eg gas boilers, fuel in company cars.

Scope 2

Indirect emissions from the generation of purchased energy, such as electricity.

Scope 3

All other indirect emissions from activities of the organisation. Eg business travel, commuting, procurement, waste.



Scope 3 can account for up to 80% of a business' carbon footprint. We measure all three scopes, so you can understand the full impact of your business activities.

Carbon Neutral vs Net Zero

Although often used interchangeably, 'Carbon Neutral' and 'Net Zero' are not the same.

Carbon Neutral

Businesses can compensate for their existing emissions by purchasing an equal number of carbon offset credits. This voluntary act channels support for carbon reduction initiatives outside the value chain and allows a business to claim to be certified as Carbon Neutral. To achieve Carbon Neutral status, a business must:

- Measure emissions;
- Have a plan to reduce emissions; and
- Purchase certified offsets equivalent to their footprint.

Net Zero

Net Zero is a target set by businesses and countries with the aim of limiting global temperature rises to 1.5c. Put simply, Net Zero means reducing greenhouse gas emissions to as close to zero as possible with any remaining emissions re-absorbed from the atmosphere. To achieve Net Zero, following science-based targets, a business must:

- Measure emissions across their value chain;
- Focus on deep, rapid emission cuts, ideally halving emissions by 2030, and reducing by at least 90% by 2050; and
- Remove remaining hard-to-abate emissions from the atmosphere via carbon removal solutions.

Flotilla's carbon accounting platform is developed in accordance with the Greenhouse Gas Protocol (the International Standard for Carbon Accounting) and the Government's DEFRA Compound Reporting Depository.

Flotilla's carbon accounting methodology has been reviewed and endorsed by Professor Piers Forster, Climate Scientist at Leeds University, Founding Director at the world renowned Priestley International Centre for Climate Change and the lead author on the 2021 IPCC Report for the United Nations COP26 global summit. Professor Forster also advises the UK government on climate policy.

We have captured the full impact of your business operations using the data collection sheet you completed, and also the activities of the employees from the employee questionnaire, which are often missed despite forming a significant proportion of a business' carbon footprint.

It is important to note that it is impossible to accurately guarantee the impact of all activities; as referenced herein, certain calculations are based on the information provided, the current available conversion data, and publicly available governmental and academic resources.

We will work with you to enhance your data capture in order to refine your reporting accuracy including that obtained from your supply chain partners.

Where employee survey response rates were below 100%, we extrapolated the results to give a picture of your entire workforce's commute.

When calculating the impact of the electricity you purchase, we have used the location-based method throughout this report which does not allow for a reduction in footprint for electricity purchased via a renewable energy tariff.

When developing Net Zero forecasts we follow science-based targets to align to the targets as set out in the Paris Agreement, which limit global temperature rises to below 1.5 degrees above pre-industrial levels.



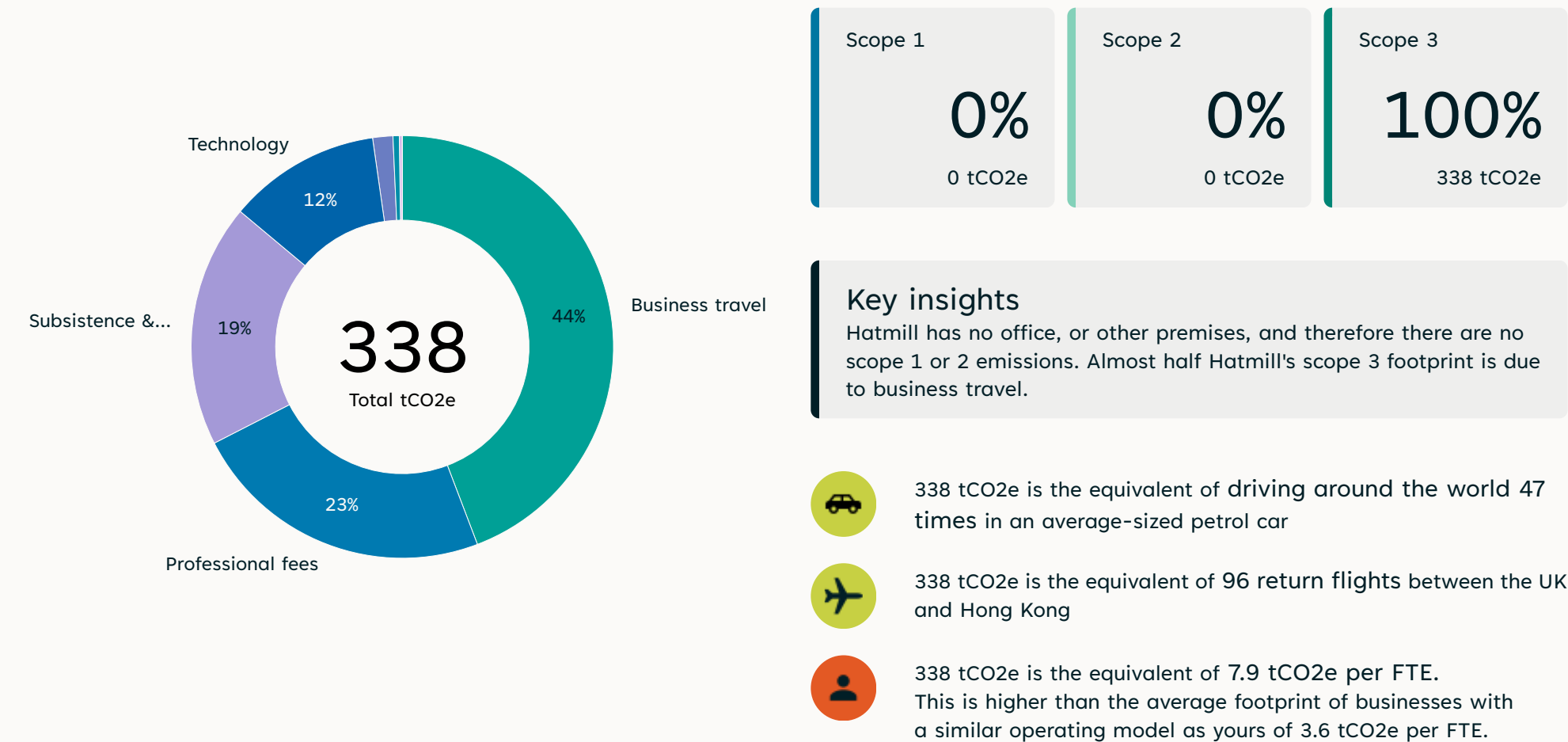
Measure

Understanding your impact today empowers you to make positive change tomorrow.

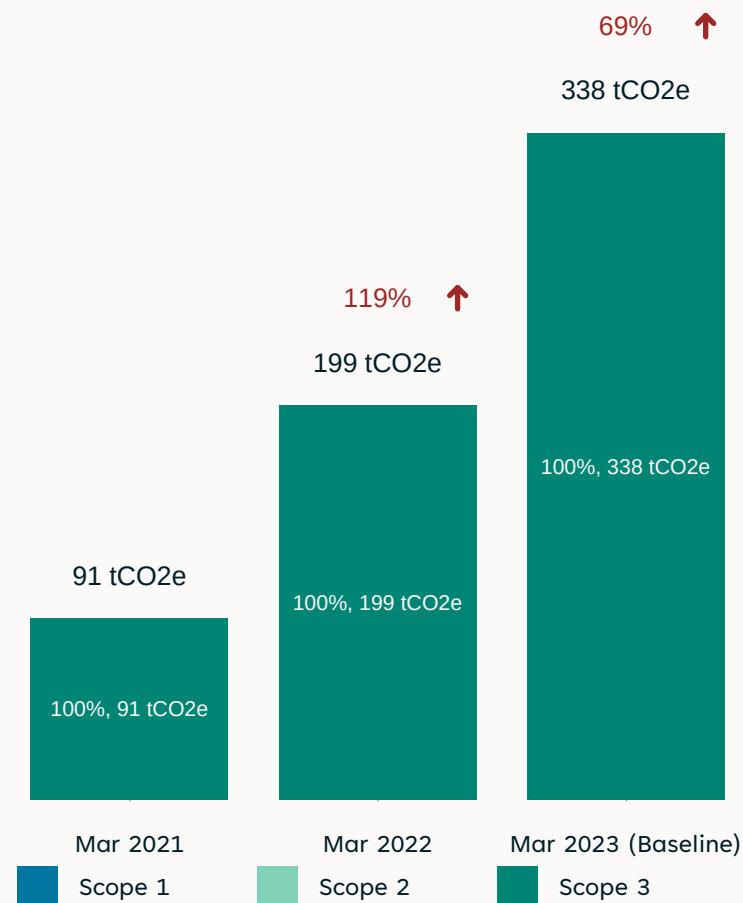


Your carbon footprint in your baseline year

A breakdown of your emissions in the year ended 31st March 2023, your baseline year.



Your carbon footprint by Scope



Scope 1: Heating and Company Cars

There is no office so there are no Scope 1 emissions associated with office heating.

Hatmill has eight company owned cars. If these were petrol, diesel or hybrid cars then the associated emissions would be included in Scope 1. However, all company owned cars are EVs meaning that there are no Scope 1 emissions associated with business travel by company car.

Scope 2: Electricity

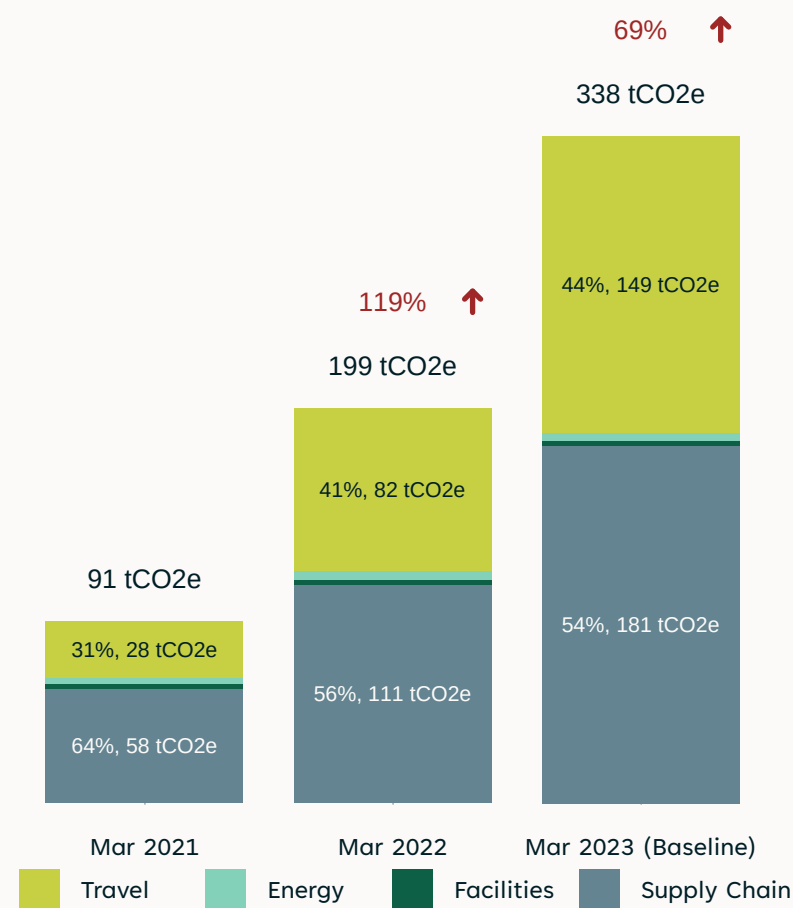
There are no company offices or premises and therefore Scope 2 emissions are zero.

Scope 3: Value chain

Hatmill's emissions are 100% within scope 3 which means they are not produced by the company itself and are not the result of the activities from assets owned or controlled by Hatmill, but by those that it's indirectly responsible for.

Hatmill's value chain emissions include business travel (44%), professional fees and staff training (23%), subsistence and hotels (19%), and technology (12%).

All commentary refers to your baseline year, unless specified otherwise.



Travel

In 2023 44% of total emissions were from travel (149 tCO2e). Of this travel footprint, 60% (94 tCO2e) related to mileage in employee owned cars. It is not known to the company what type of vehicles are used by employees and therefore we used a 'worst case' conversion factor to estimate emissions, by assuming all cars used by employees were either petrol or diesel. If the company introduced a tracking system on the type of car used it would enable us to refine this travel footprint calculation next year. The remaining travel footprint related to flights (23 tCO2e), trains (17 tCO2e), taxis (5 tCO2e, all assumed to be petrol/diesel), and car parking (3 tCO2e). There was also 6 tCO2e included for travel where the method of transport was unknown. We make a 'worst case' assumption for unknown travel spend (flights), so there is an opportunity for the company to refine this.

Energy

Energy emissions for Hatmill are all scope 3 as they relate to working from home emissions from heating (2.5 tCO2e) and powering (2.5 tCO2e) home offices. This amounted to 2% of Hatmill's total emissions. Of the employees who work from home, 35% are on a renewable electricity tariff.

Facilities

Given Hatmill's operating model, emissions relating to facilities are small (2.4 tCO2e, or 1% of total emissions). This mainly relates to mobile and telecoms equipment (1.6 tCO2e). The remainder comes from printing, stationary, and postage costs.

Supply chain

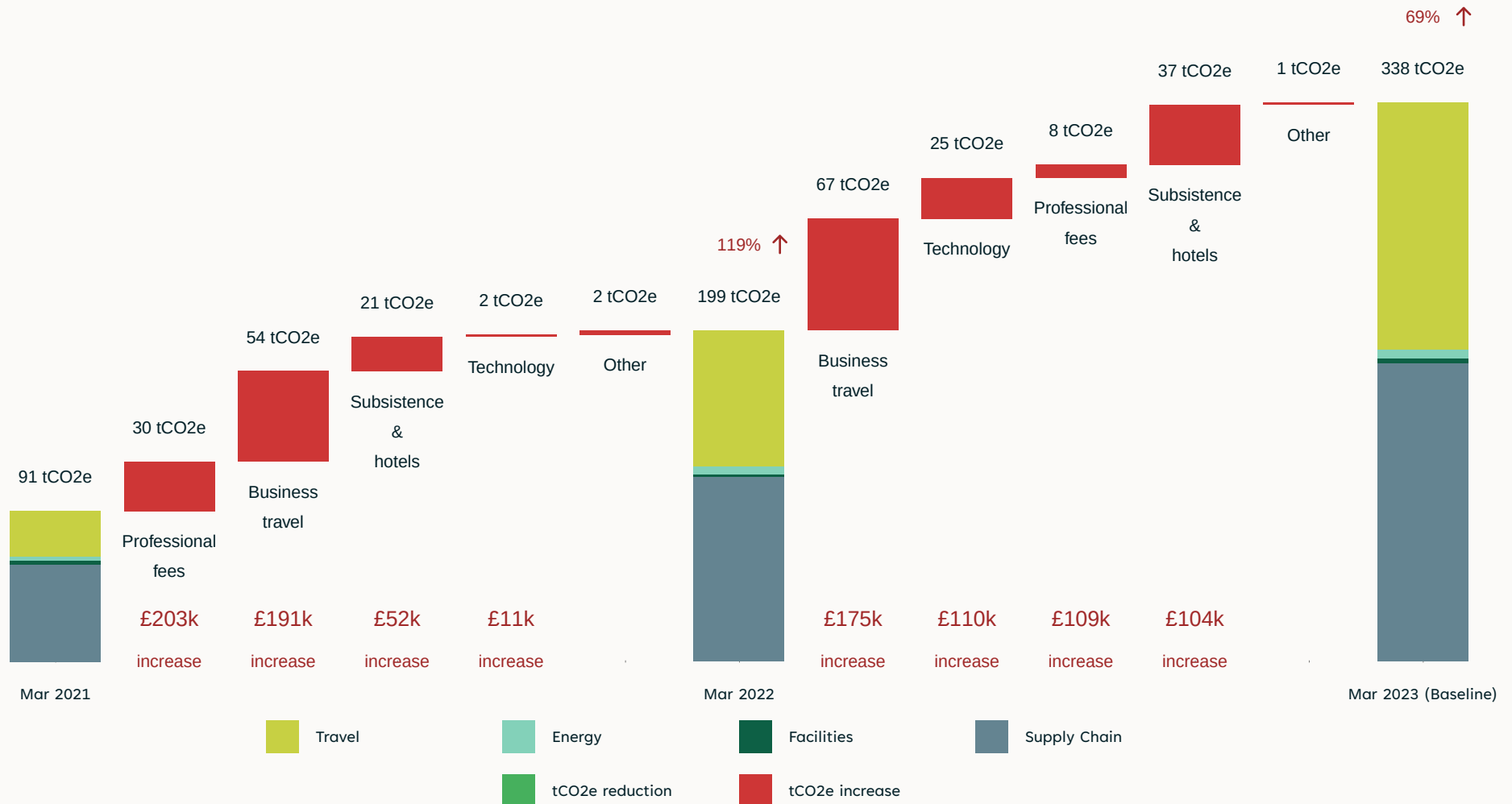
In 2023, 54% of total emissions were from supply chain (181 tCO2e). This included hotels and accommodation (45 tCO2e, or 13% of Hatmill's total footprint); staff training (32 tCO2e, around 10% of total footprint); other professional fees (24 tCO2e, around 7% of total footprint) and computer hardware and equipment (23 tCO2e, also around 7% of total footprint).

Carbon footprint trends explained

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Measure

Understanding the movements in your emissions over time helps to draw out the key areas of impact, their magnitude on your footprint, and how financial decisions can have a significant impact on your footprint.



Benchmarking and accounting for growth

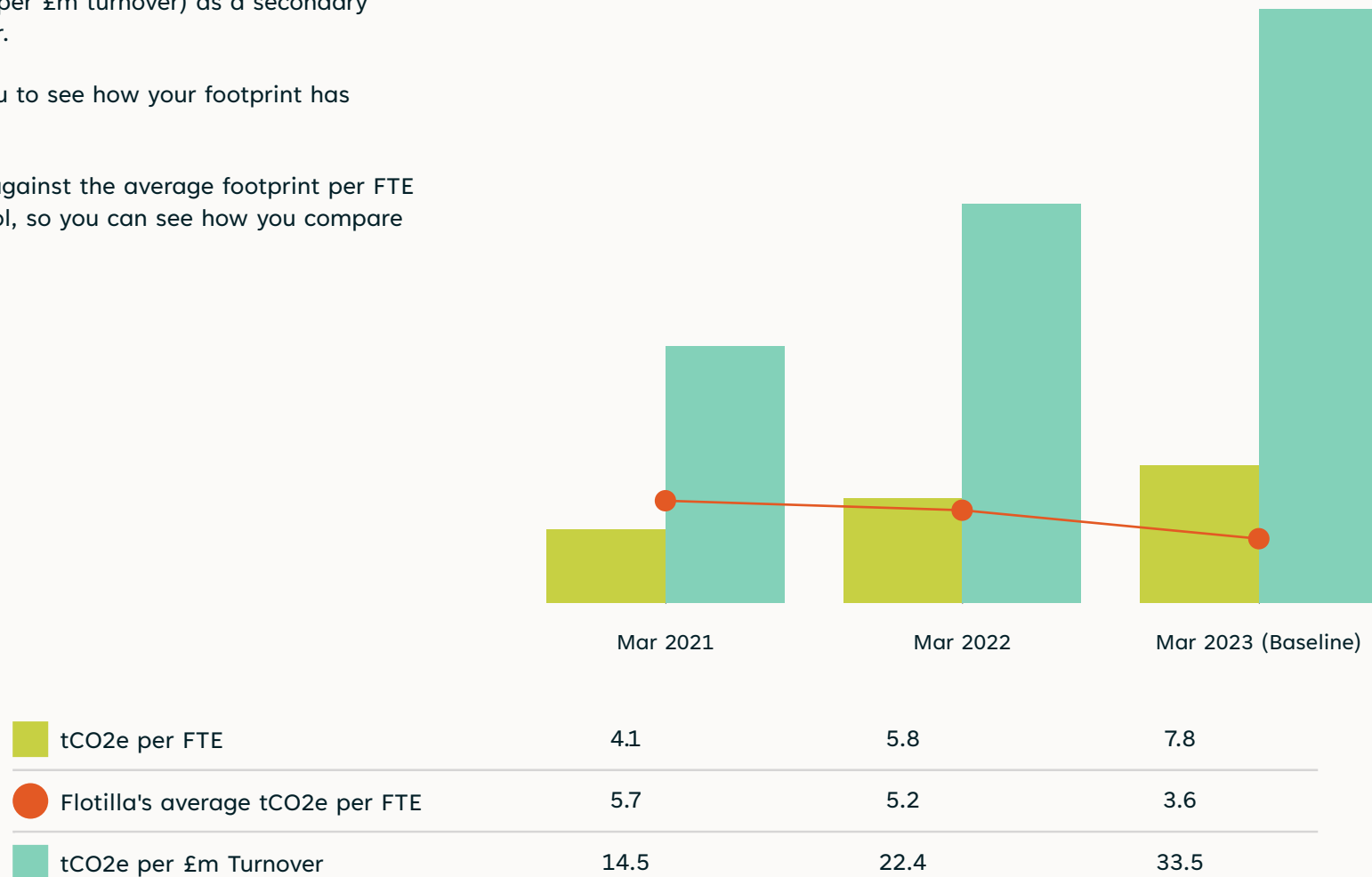
09
Measure

As your business grows, your business' carbon footprint is also likely to grow. We use carbon intensity ratios to help us adjust for changes in the business, so we can monitor underlying trends in your emissions.

As your business is people-based, your footprint per employee (tCO₂e per FTE) will be your main performance indicator. You can also use footprint as a proportion of your turnover (tCO₂e per £m turnover) as a secondary performance indicator.

This chart enables you to see how your footprint has changed over time.

We have shown this against the average footprint per FTE for Flotilla's client pool, so you can see how you compare to others.



As we measure your progress towards Net Zero, we will continue to track these KPIs as part of your Net Zero Plan.



Your employees had some great ideas for change

Travel

Unnecessary business travel should be avoided.
Pre-organised, sustainable transport for away days.
Public transport versus private car where possible / realistic, without massive effort.

Environmental strategy

What is our position on carbon offsetting? i.e. for flights, should we be paying the extra for this to be included.
Strive for carbon negative, carbon neutral should be the minimum not the maximum.

Awareness and education

Increase awareness within the team and clients.
Continue the great relationship with Flotilla!
Having vegetarian or vegan days during our company away days.
Foot and diet choices plus air travel weigh heavily on my conscience in terms of carbon impact on the environment.

Project planning

A way to understand project resource based on proximity to a client when assigning resources. Accepting it may not always be possible to assign local resources to projects, it should be a factor to consider as part of what we do.
Due diligence around the carbon footprint/environmental impacts of prospective clients.

Baseline footprint

Assuming 2023 is selected as a baseline year, Hatmill's baseline carbon footprint is 338 tCO₂e, or 7.8 tCO₂e per FTE. This compares to the average of 3.6 tCO₂e for an office-based SME. 28% of Hatmill's baseline footprint was due to car travel, 16% was from other types of travel, 13% was from hotels and 10% was from staff training.

Footprint by Scope

100% of Hatmill baseline emissions were Scope 3 emissions, and therefore not directly within the control of the company. Scope 1 and scope 2 emissions were zero, as there is no office (and therefore no heating or power of owned or leased buildings). Company owned vehicles are all electric.

Year on Year

Hatmill's footprint more than doubled (increase of 108 tCO₂e) in the year to March 2022 due to increased travel, subsistence and hotels, as well as an increase in the use of professional services. It increased again by almost 70% (138 tCO₂e) in the year to 31 March 2023 due to further increases in travel, subsistence and hotels (104tCO₂e), as well as investment in technology (25 tCO₂e). The increase in footprint outpaced the increase in both turnover and the number of employees in both years.

Employees

91% of Hatmill's employees participated in the Flotilla employee survey. 90% of the team want to support Hatmill to become more sustainable, with employees making lots of great suggestions for carbon reduction schemes. The business is committed to home working. Employees reported that 69% of working days were from home.



Reduce

Applying the science to get your emissions down to Net Zero with a tailored set of achievable actions.



What is a Net Zero Plan?

Put simply, it's a plan to reduce your carbon footprint down to within 10% of zero by a target year. This is based on the acceptance that you will never reduce your carbon footprint by a full 100%. You will implement this through a variety of carbon reduction schemes. Any residual emissions will be neutralised using carbon removal schemes.

How is the plan produced?

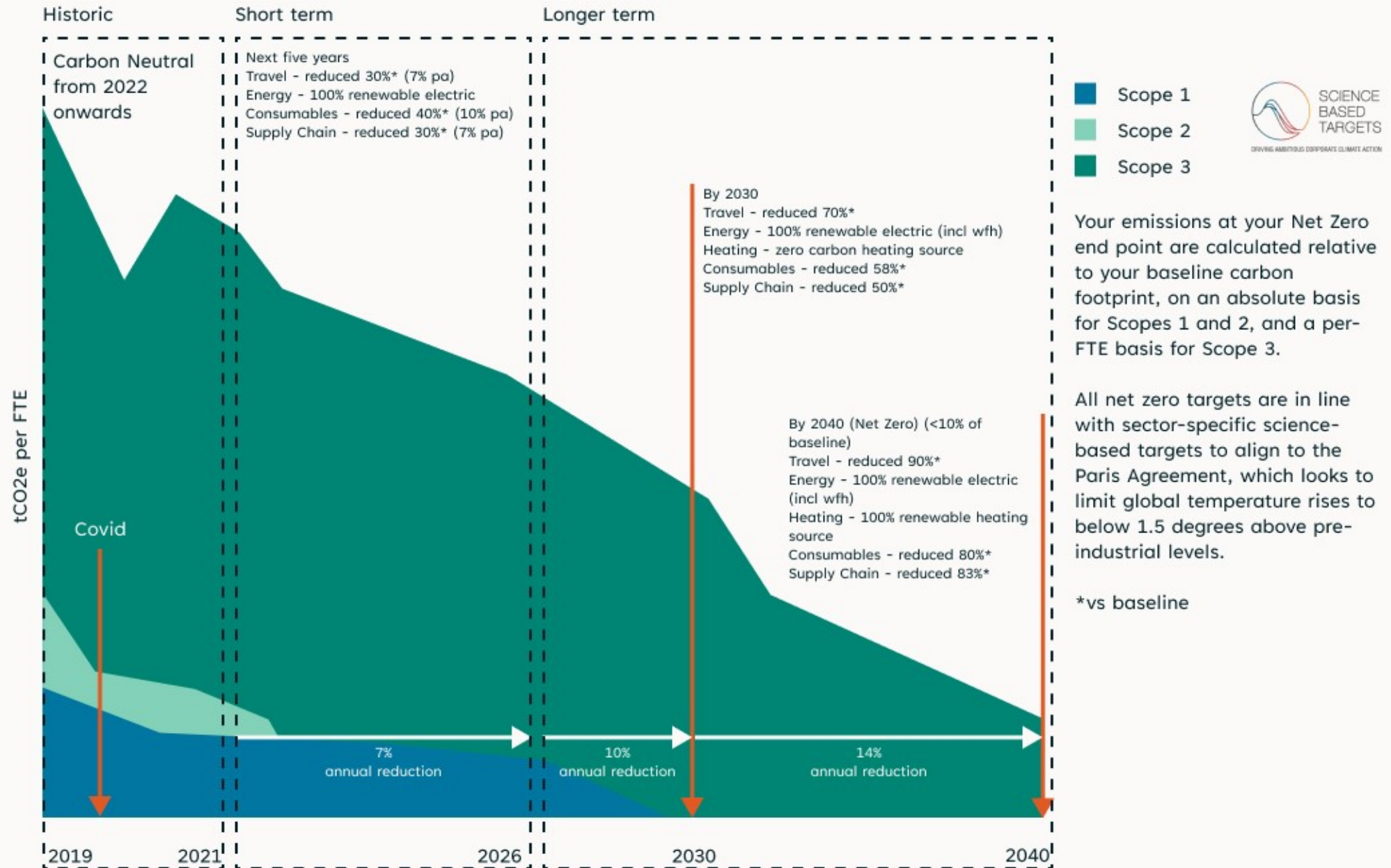
- 1 We have established your baseline footprint, which is a firm starting point for your Net Zero plan.
- 2 We will help you to determine a valid trajectory for carbon reduction that is right for your business - including near term goals and your long term Net Zero target which must be, at a minimum, 50% by 2030 and 90% by 2050.
- 3 We will build a practical plan of concrete actions to achieve deep reductions in your Scope 1 and 2 emissions and, crucially, those in your value chain (Scope 3) using carbon reduction measures and renewable energy. We will help you to prioritise the actions according to what is right for your business and what achieves the most rapid cuts.
- 4 You will have a credible Net Zero plan document and Flotilla certifications to communicate to stakeholders.
- 5 We will stay with you on the journey, helping you to implement the agreed actions through access to our team, the resources on Flotilla World (our online portal) and the Flotilla Climate School.
- 6 We will link you to our group of trusted supply partners who can support you, such as in implementing new carbon reduction initiatives.
- 7 Whilst you work towards Net Zero, you can achieve carbon neutral status, and in doing so help to fund critical carbon reduction projects, through investing in our high quality offsetting schemes.
- 8 Flotilla will continually monitor your carbon footprint and provide you with KPIs to ensure you're on track. These can be used to report to your Board and stakeholders.



Example Net Zero trajectory

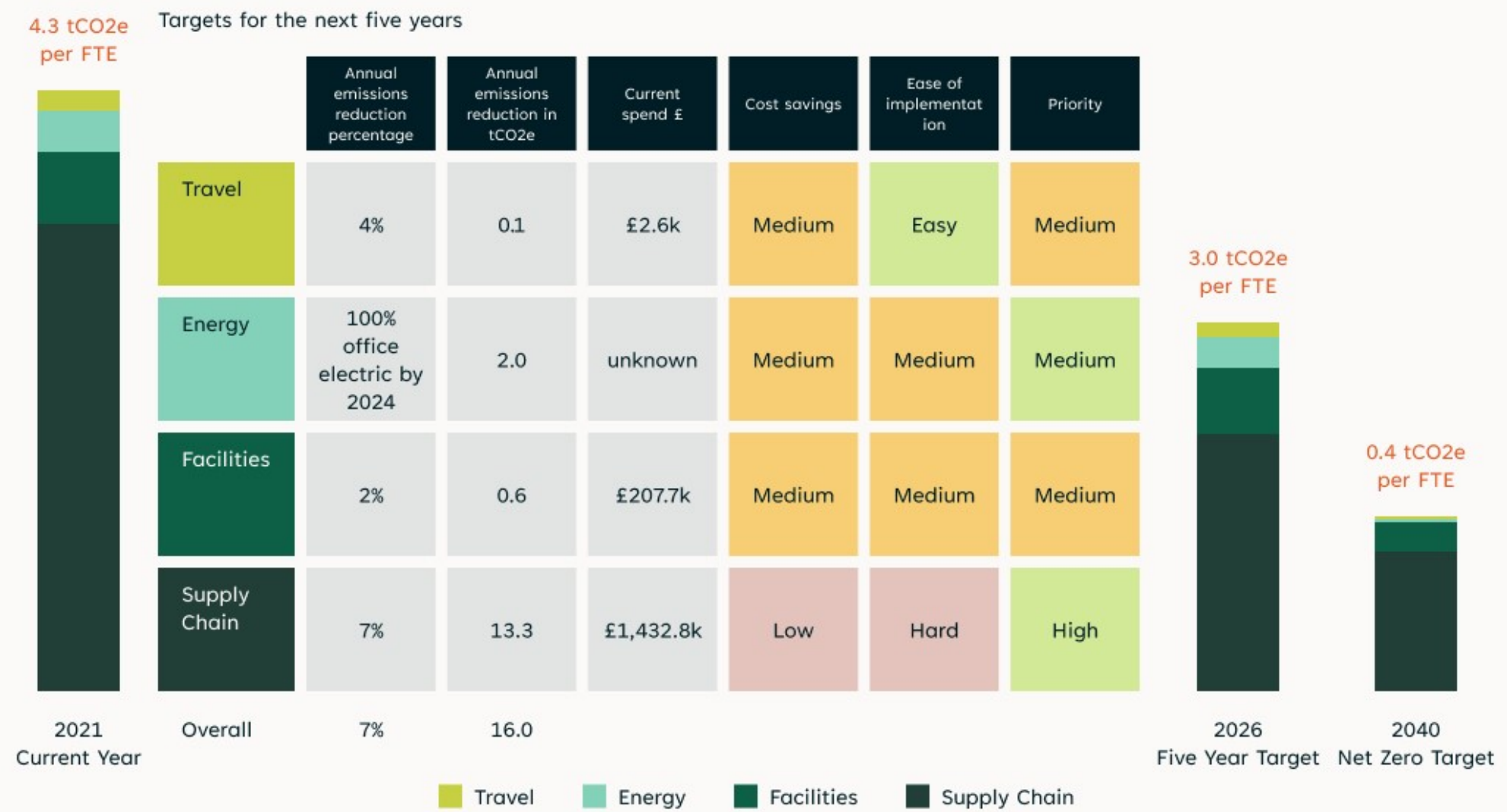
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Reduce

Below is an example of the kind of trajectory report we will produce for you as part of your Net Zero plan.



Example reduction required by key impact area

Below is an example of the kind of reduction report we will produce for you as part of your Net Zero plan.



Examples of Net Zero actions

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Reduce

Set out below are examples of just some of the areas we may need to focus on when creating your Net Zero plan.

Engage	• Integrate sustainability into core strategy at Board level • Include reporting in Board pack • Embed sustainability into HR e.g. recruitment and training • Make everyone accountable - consider link to pay and goals • Upskill your workforce using the Flotilla Climate School	Travel	• EV salary sacrifice scheme • EV chargers at work and at home • Electric company car fleet • Promote cycling with Bike2Work scheme • Hybrid working policy, especially for those who live far away • Sustainable travel e.g. public transport and online meetings
Offsetting	• Offset using accredited international schemes • Invest in UK tree planting and re-wilding schemes • Invest in direct air capture projects • Invest in carbon removal projects	Energy	• Switch to renewable energy tariff • Intelligent LED lighting • Install BMS to reduce electricity usage • Review efficiency of use of air con as heating • System turn-off at end of day
Supply chain	• Collaboration with suppliers to ensure Net Zero plans in place • Sustainable business expenses policy • Updated procurement model	Facilities	• Reduce printing, stationary and postage • Switch to carbon neutral suppliers • Perform a waste audit and improve recycling schemes • Install water saving measures
Data improvement	• Track gas usage in kWh and oil usage in litres • Install electricity meters • Improve tracking of travel data e.g. mileage by car type • Improve tracking of other areas such as waste and water	Accreditations and initiatives	• Comply with accreditation requirements (SECR/TCFD/CPD etc) • Pledge support for Net Zero action • Apply to get Net Zero targets approved by the SBTi • Apply to become a certified B Corp • Give to good causes e.g. sign up for 1% For The Planet

Offset

Offsetting to become Carbon Neutral is important when combined with a carbon reduction plan.



Flotilla's offset bundles explained

18
Offset

Contribute to global carbon neutrality and Net Zero through investment in international offsets and UK contributions.

Why is carbon neutrality important?

A proportion of the emissions of your business form part of your clients' scope 3 emissions. A carbon neutral certificate allows your contribution to your clients' emissions to be recorded as zero emissions in their carbon footprint. Procurement teams are therefore increasingly looking for suppliers with carbon neutral status.

In terms of impact, carbon offset credits allow funding to flow into projects that support the protection and restoration of our natural resources, advance renewable energy projects and lift communities out of poverty.

In order to become certified carbon neutral, you need to invest in accredited international offset schemes, as there is not yet a market for certified carbon offsets in the UK. Flotilla offset bundles allow you to select projects that align with your business' preferred United Nations' Sustainable Development Goals (SDGs).

What about UK climate contributions?

The UK carbon offset market doesn't yet exist, but by planting trees, restoring peat-bogs and sewing sea kelp, not only will your investment support carbon capture in the future, but it will also restore biodiversity, prevent flooding and improve the lives of communities around the country.

We're working with a range of partners to align investments in UK projects to your business's values and location. Projects can be hands off (investment based relationship) or hands-dirty (getting stuck in with your team) depending on your requirements.



Example offset package

19
Offset

Indicative
Price
£17
per tCO2e

This is an example of one of the bespoke bundles of offsetting projects recommended by Flotilla. It features environmental projects that put people and communities at the heart of their positive action. These are high quality nature projects which deliver lasting change by understanding the economic drivers of environmental damage. They work with communities to develop skills and training with the aim of protecting and restoring our natural resources.

50%

Pacajai REDD+ Project

Brazil

Prevention and avoidance of unplanned deforestation in native forests

Rigorous monitoring and inspection

Local community involvement, training, provision of resources





SUSTAINABLE DEVELOPMENT GOALS

2

NO HUNGER

3

GOOD HEALTH

8

GOOD JOBS AND ECONOMIC GROWTH

12

RESPONSIBLE CONSUMPTION

13

CLIMATE ACTION

15

LIFE ON LAND

50%

Keo Seima REDD+ Wildlife Sanctuary

Cambodia

Wildlife protection

Protects the forest which is home to critically endangered species





SUSTAINABLE DEVELOPMENT GOALS

8

GOOD JOBS AND ECONOMIC GROWTH

12

RESPONSIBLE CONSUMPTION

13

CLIMATE ACTION

15

LIFE ON LAND

Note: prices correct at time of issuing and include a commission fee of 20% to cover our due diligence

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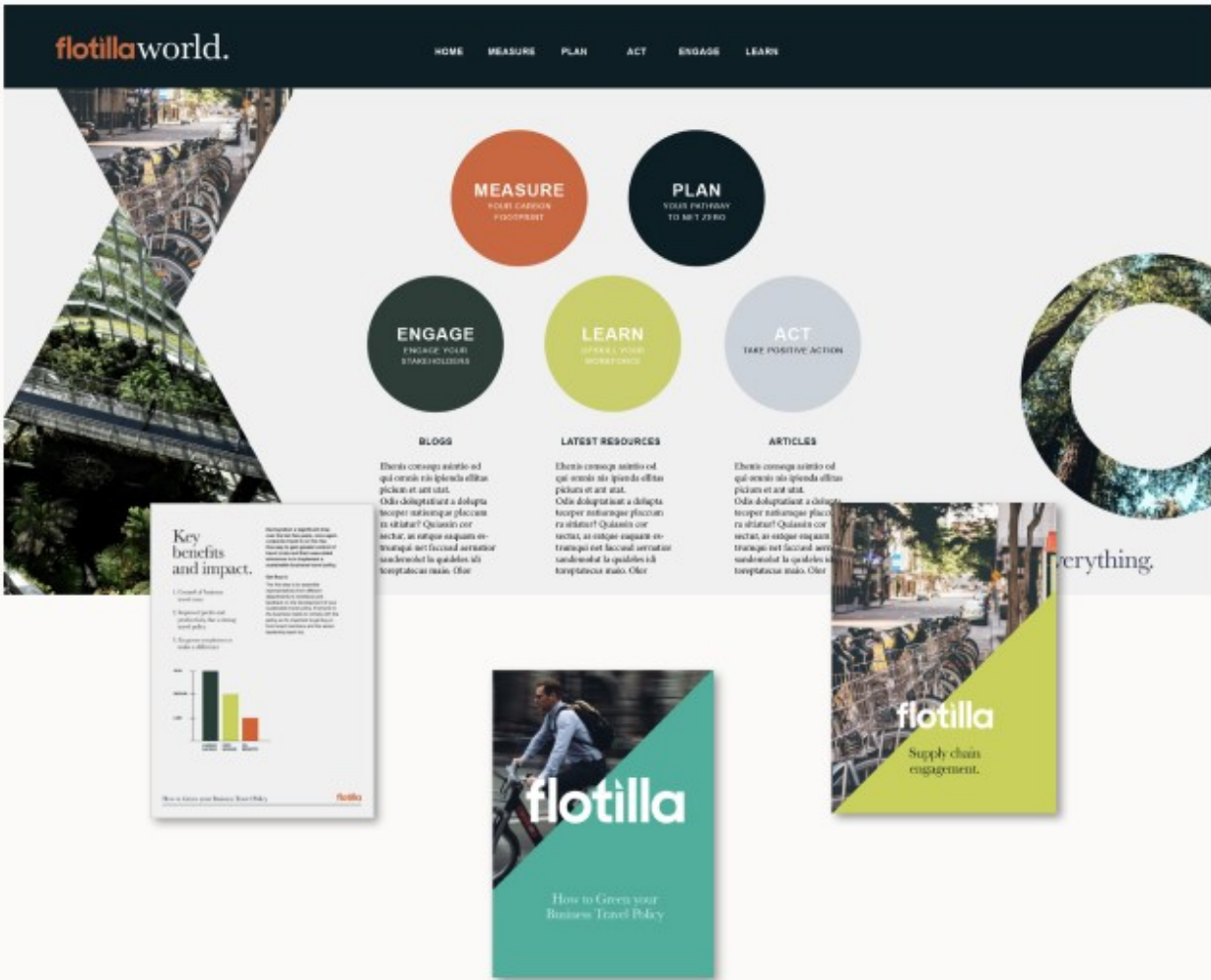
Empower and educate

Equip your people with the knowledge and motivation required to achieve Net Zero.



Flotilla World is our online platform to help you on your Net Zero journey. It has everything you need to help you implement carbon reduction schemes and initiatives, how to get your people on board and how to demonstrate success along the way.

We will introduce you to a range of trusted suppliers who can support you on your journey to Net Zero.





flotilla

Zero is everything

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