ESTIMATING
CONSTRUCTION
HOUSEBUILDING
MAINTENANCE

Net Zero Report

Findings and Recommendations

FY YEAR 2022/23

CLOUD CONSTRUCTION SOFTWARE

EXECUTIVE SUMMARY

Welcome to Eque2's first Net Zero report – a key milestone in Eque2's ESG journey, setting out our core commitments to reducing our annual emissions and the framework for how we are going to achieve that.

Eque2 is proud to be taking a leadership role in the construction industry's transition to a low carbon economy. Committed to ensuring we play our role in achieving the UK Government's Net Zero target of at least a 100% reduction in net UK carbon emissions by 2050 (based on 1990 levels) for our UK operations, we have pledged to reduce our annual emissions and achieve Net Zero emissions by 30th April 2035, 15 years earlier than the UK Government's target.

To help us achieve this ambitious goal, we have appointed an external specialist carbon consultancy, Sustainable Advantage, to advise the Eque2 Board on global best practices for carbon reduction. This has enabled us to produce the detailed carbon emissions reduction plan we are sharing in the following pages.

Having a consistent methodology is critical and ideally needs to be applied across the whole of the construction industry. Consequently, knowing that we will be using the right metrics is extremely important and Sustainable Advantage will help us collate and verify data across our business operations, calculate carbon emissions, and provide advice on carbon reduction options.

We will recalculate our carbon footprint annually and track how we are performing against our targets, adjusting methods where necessary to ensure we stay on track to hit Net Zero.

Whilst, as Eque2, our efforts are focused on reducing our own emissions, we are of course aware that a large proportion of our carbon emissions lie within our supply chain. Therefore, we will also be collecting data on those emissions with a view to also reducing them. By actively engaging with our key suppliers, we hope to foster greater transparency and accountability, promote the correct carbon reducing behaviour within our supply chain, and ultimately work with like-minded suppliers to further encourage this.

I believe all organisations have a responsibility to take a leadership role in the transition to a low carbon economy and this report is a testament to our passion and determination to be part of the solution in the transition to a more sustainable world.

As we continue to endure record-breaking temperatures worldwide and tackle the prevailing global energy crisis, the time for businesses to act on climate change has never been more urgent. Eque2 will continue to take action wherever necessary to minimise emissions and the negative effects of climate change on the planet. I feel very privileged to be taking Eque2 forward on this journey and look forward to reporting on our future progress.

Publication date: August 2023

Signed: Justin Moule

Position: CEO

ABOUT US

We are Eque2. We provide an industry-leading range of fully-integrated cloud construction software solutions to manage the end-to-end lifecycle of a project. We work within construction, housebuilding and contracting to deliver proven industry-specialist software to provide full visibility and control across our customers' businesses. Our contract management software and construction solutions provide organisations with the foresight to complete projects on time and to budget, whilst retaining margins.

We understand how the construction industry works and have been developing our solutions in line with the requirements of our customers for over 25 years. This means that not only are our solutions the best in the sector, but they are supported by a team that talks the language, and understands the processes our customers need to complete and the challenges they face on a daily basis.

We are committed to taking action to reduce our annual emissions and achieving Net Zero emissions by 30th April 2035

OUR COMMITMENT TO NET ZERO

Eque2 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 carbon emissions by 2050 (based on 1990 levels) for our UK Operations.

We are committed to taking action to reduce our annual emissions and achieving Net Zero emissions by 30th April 2035, 15 years earlier than the UK Government's target. We will aim to reduce our emissions year-on-year and will achieve:

48% — **Reduction in our Scope 1 and 2 emissions by 2030**

2023 — Offsetting our residual Scope 1 and 2 emissions to become carbon neutral each year via high-quality verified offsets

72% — **Overall reduction in all Green House Gas (GHG) emissions across Scopes 1, 2 and 3 by 2035 and offsetting any residual emissions via high-quality nature-based or direct air capture projects to become Net Zero**

To achieve these goals, Eque2 has taken the following actions:

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

2. Set the baseline year 2022/23 (1 May 2022 to 30 April 2023) and calculated our carbon footprint in line with the GHG protocol for that base year:

Scope 1

i. Transport and gas

Scope 2

i. Electricity

Scope 3

Selected categories from the below based on materiality:

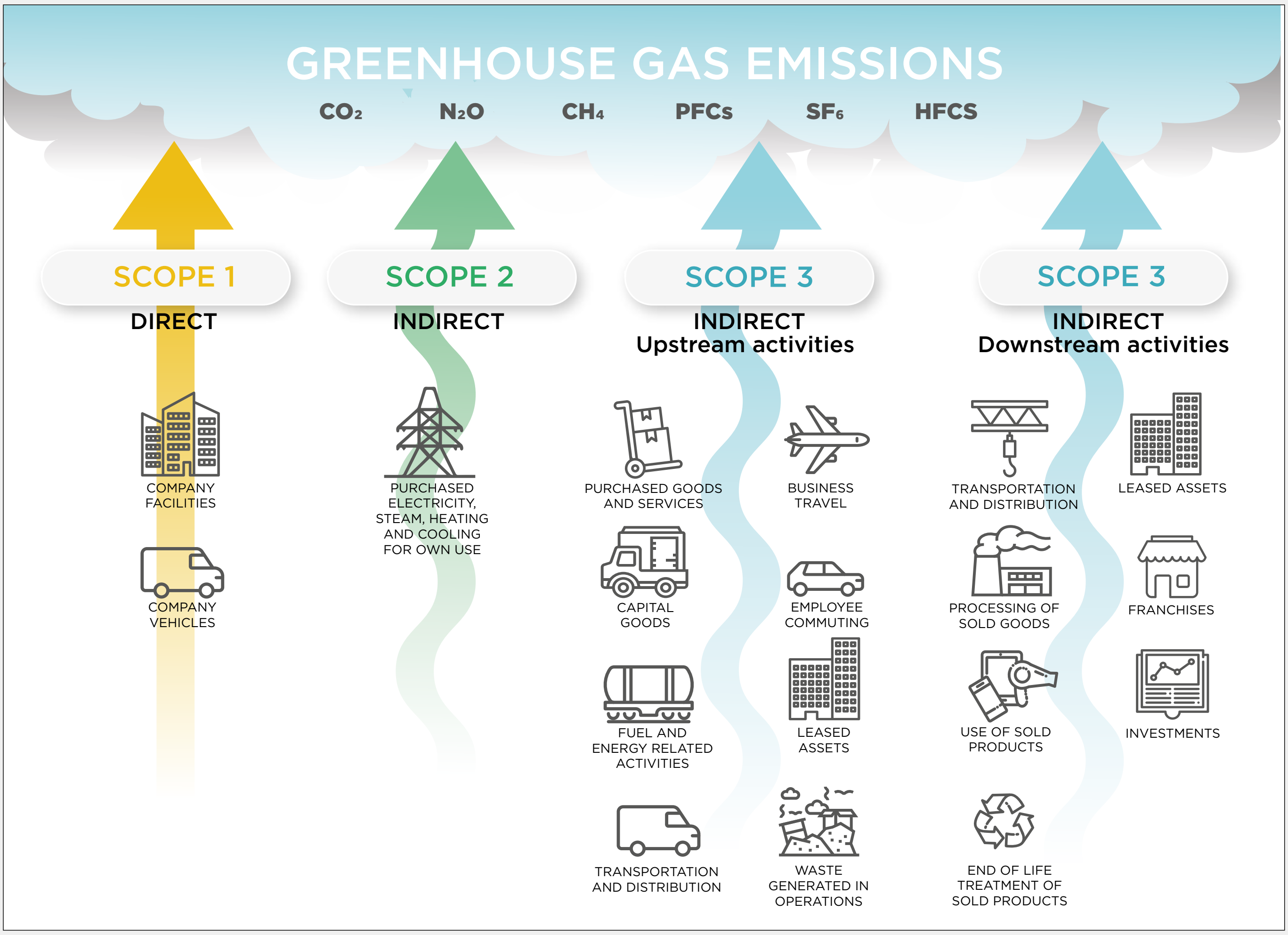
i. 8 upstream categories

ii. 7 downstream categories

3. Created a carbon reduction plan for each scope and selected category

4. Set the Net Zero date and committed to updating our carbon footprint annually with 2023/24 to be the first year post the baseline year

Overview of GHG Protocol scopes and emissions across the value chain

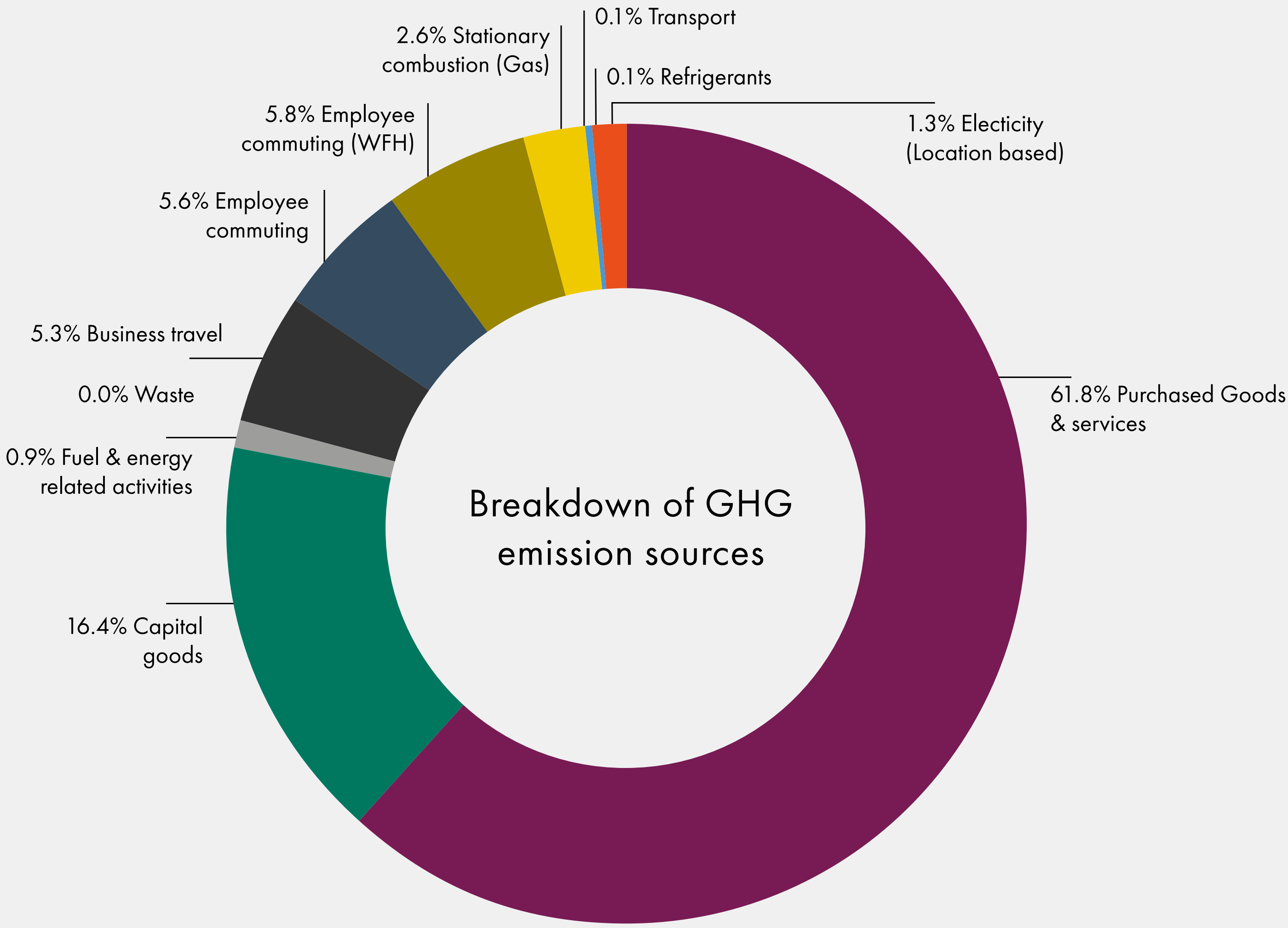


Source: GHG Protocol

BASELINE EMISSIONS FOOTPRINT

Baseline emissions are a record of the greenhouse gases that were produced in a previous financial year prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which emissions reduction can be measured. Eque2 have chosen 2022/23 as our baseline year, and our carbon emissions footprint is as follows:

Breakdown of GHG emission sources



Below is an itemised breakdown showing the amount of carbon emissions (tCO_2e) produced by each Scope and category for our 2022/23 baseline calculation.

Scope/Category	Item	Total tCO_2e	%
SCOPE 1			
Stationary combustion of fuels	Gas consumed	35.56	2.64%
Transport	Owned and leased vehicles	1.71	0.13%
Refrigeration	HVAC's	1.58	0.12%
SCOPE 2			
Electricity (Location based)[1]	Purchased electricity, for own use (grid average)	17.23	1.28%
Electricity (Market based)[2]	Purchased electricity, for own use (specific contract)	17.23	N/A
SCOPE 3			
Cat 1: Purchased goods and services	Goods and services	832.45	61.84%
Cat 2: Capital goods	CapEx expenditure	220.66	16.39%
Cat 3: Fuel & energy related activities	WTT (Well-To-Tank) & T&D (Transmission & Distribution losses) for S1 and 2	12.55	0.93%
Cat 5: Waste	Waste	0.09	0.01%
Cat 6: Business travel	Land and air travel for business purposes	71.73	5.33%
Cat 7: Employee commuting	Employees commuting to and back from work	74.84	5.56%
Cat 7: Employee commuting	Employees working from home	77.71	5.77%
Total Gross Emissions (Location based)		**1,346.10**	**100.00%**
Less emissions avoided by choice of renewable electricity		(0.00)	
Total Gross Emissions (Market based)		**1,346.10**	**100.00%**
Less carbon offsets		(60.00)	(4.46%)
Total Net Emissions		**1,286.10**	**95.54%**

[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

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	Quantity	Gross Emissions (Location based)	Gross Emissions (Market based)	Net Emissions
tCO_2e per employee (average for the year)	170	7.94	7.94	7.59
tCO_2e per square meter	1,187.82	1.13	1.13	1.08
tCO_2e per million £ turnover	20.90	64.41	64.41	61.54

When calculating carbon 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[1] 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 its operations and subsidiaries, Eque2 has selected the Operational Control method when setting our organisational boundary. The Operational boundary will include all three Scopes as outlined by the GHG Protocol. Eque2's emissions are reported in tCO_2e and have been calculated utilising the following formula:

Source emissions data x conversion factor* = total source emissions

Source unit x (tCO_2e/unit) = tCO_2e

* 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

[1] https://ghgprotocol.org/corporate-standard

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 fugitive emissions of refrigerant gases.

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 Eque2 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 Eque2 in the reporting year.

Category 2: Capital goods – Includes all upstream (i.e., cradle-to-gate) emissions from the production of goods purchased or acquired, classified as capital expenditure, by Eque2 in the reporting year.

Category 3: Fuel and energy related services – This relates to transportation and distribution losses, and the well-to-tank emissions for all fuels consumed as a result of Eque2's operations

- 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 Eque2'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 5: Waste – Includes emissions from third-party disposal and treatment of waste generated in Eque2'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 on 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 Eque2's offices. Emissions from employee commuting may arise from car, bus or train 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 from current numbers:

Scope 3

Category 4: Upstream transportation and distribution – Includes all upstream emissions (i.e., tank-to-wheel emissions) from the transportation and distribution of the goods purchased or acquired by Eque2 in the reporting year, between Eque2's tier 1 suppliers and our operations or between our operations in vehicles not owned or operated by Eque2. Outbound logistics services purchased by Eque2 are categorised as upstream because they are a purchased service. This category is excluded from the current numbers as we do not collect data on this, and it is assumed that it will be a small part of our GHG emissions however we plan to collect this data for future reporting

Emissions methodology – Non-material exclusions for 2022/23 baseline emissions:

Scope 3

Category 8: Upstream leased assets – Is excluded from 2022/23 baseline emissions, as we do not lease any assets

Category 9: Downstream transportation and distribution – Is excluded from 2022/23 baseline emissions, as we do not distribute any products

Category 10: Processing of sold products – Is excluded from 2022/23 baseline emissions, we do not manufacture products

Category 11: Use of sold products – Is excluded from the 2022/23 baseline emissions, as we do not sell physical products

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

Is excluded from 2022/23 baseline emissions, we do not sell physical products

Category 13: Downstream leased assets – Is excluded from 2022/23 baseline emissions, as we do not own any assets that we lease to other businesses

Category 14: Franchises – Is excluded from 2022/23 baseline emissions, as we do not operate franchises

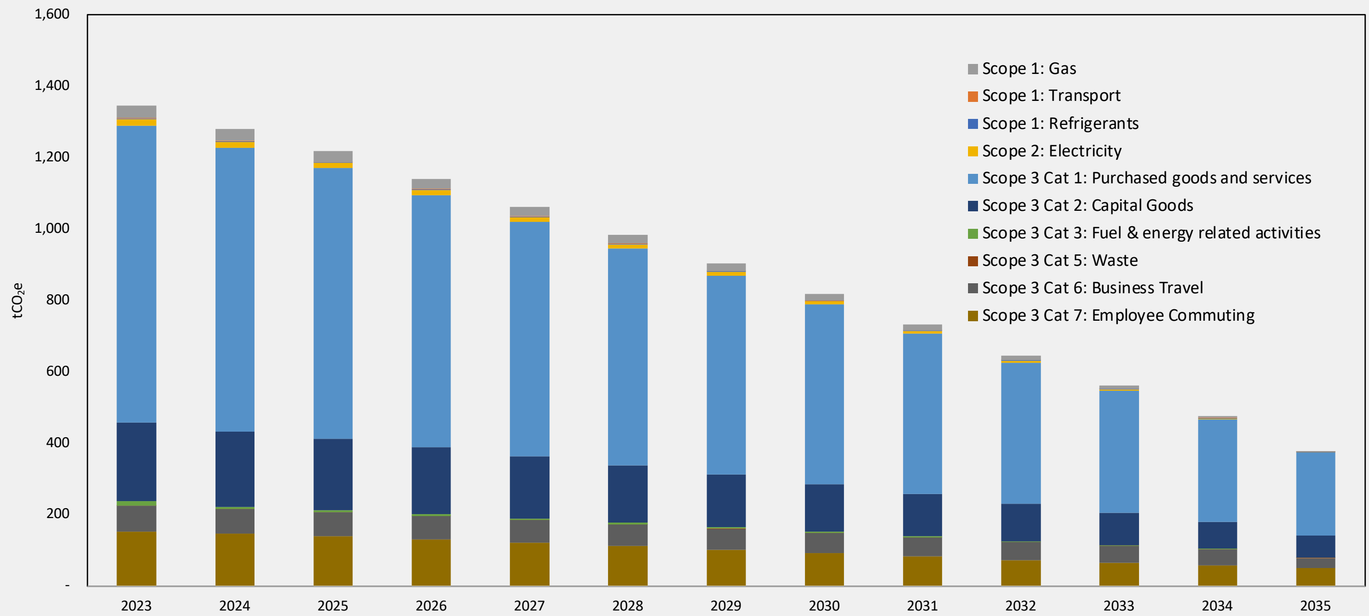
Category 15: Investments – Is excluded from 2022/23 baseline emissions, as we do not have any investments whereby we provide capital or offer financing as a service

EMISSION REDUCTION TARGETS

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:

- 9% absolute reduction in emissions by 2025 from 2022/23 baseline levels
- 39% absolute reduction in emissions by 2030 from 2022/23 baseline levels
- 72% absolute reduction in emissions by 2035 from 2022/23 baseline levels

Carbon Emission Glidepath tCO_2e



Eque2's approach is to always focus our efforts on reducing our own emissions, with significant planning and finances set aside to do this. However, a large proportion of our carbon emissions lie within Scope 3, it is difficult to reduce these emissions within the short term as these are within our supply chain where we have influence but not control. To try and reduce these emissions we will collect more accurate data and use our purchase power and choice of suppliers to encourage the correct carbon reducing behaviour within our supply chain.

OUR EMISSIONS REDUCTION PLAN

As a responsible business, Eque2 has for many years had a focus on the environment and reducing our carbon emissions. To drive this to the next level, we engaged the services of Sustainable Advantage to advise the Eque2 Board on global best practices on carbon reduction. We have a detailed carbon emissions reduction plan, the key actions of which are summarised below:

SCOPE 1: Stationary Combustion (natural gas)

- Engage with the landlords at our five offices and encourage the progressive replacement of brown gas consumption with renewable gas consumption
- Encourage the landlords to reduce reliance on gas use and replace gas boilers with electrical heating systems such as air source heat pumps, infra-red panels and electric storage heaters, where practicable
- Encourage the investigation into new technologies as they become available and install these where practicable (e.g., hydrogen powered boilers)
- Engage with the landlords to ensure that all our facilities use minimal heating by making sure buildings are fully insulated
- Encourage the landlords at our offices to identify sites with high gas consumption and perform energy surveys to identify capital expenditure (CapEx) opportunities

SCOPE 1: Transport (owned and leased vehicles)

Although our company fleet is minimal, there are still actions that can be taken to reduce our emissions in this category, primarily the transition to lower carbon alternatives:

- Move diesel and petrol-owned and leased vehicles to electric vehicles (EV) as soon as is practicable
- Where moving to EVs is not practical, switch to hybrid vehicles
- Provide driver training on how to drive more efficiently to reduce emissions
- Install telematics where feasible to gather granular data on driver performance to issue further guidance
- Ensure EVs are charged using green electricity sources where possible, including installing charging points at our sites which are supplied with green electricity contracts

SCOPE 1: Refrigerants

Whilst it is assumed fugitive emissions from refrigerant gases will remain the same due to lack of knowledge surrounding new technologies, we will endeavour to reduce our impact where possible:

- Avoid emissions through improved leak tightness; consider fitting leak-detection systems and following a regular maintenance schedule
- Ensure correct end-of-life treatment of refrigerant gases; recover and dispose of refrigerant gases correctly when maintaining, upgrading or decommissioning a system
- Substitute refrigerants with other less harmful substances e.g., refrigerant gas with low ozone depletion potential and low global warming potential (GWP)
- When renewing HVAC system, choose the most efficient systems:
    - Investigate systems using least damaging refrigerant gases with low potential leakage
    - Installing new systems may offer energy savings as well as next generation refrigerants (HFOs (hydrofluoro-olefins) and natural refrigerants)
- Limit use of refrigeration / air conditioning systems

SCOPE 2: Electricity

Switch our electricity contracts to 100% green through engaging with the landlords at our five offices. We have already put in place an energy champion to collate our energy data and identify reduction opportunities.

We will also endeavour to reduce our electricity consumption via the following:

- Energy efficiency guides will be issued to all site staff to facilitate positive behavioural change
- Encourage the landlords at our offices to undertake an energy survey to identify CapEx opportunities
- Encourage the use of energy efficient systems in our offices wherever possible e.g., replacing lights with LED and using passive infra-red sensors (PIRs) where possible
- Encourage the investigation into installing green energy production facilities onsite where practicable (e.g., solar panels, wind turbines)
- Energy champions to be appointed at each site to gather ideas from colleagues across our organisation. These ideas will be collated and shared, supplemented by what we consider to be best practices

SCOPE 3: Category 1: Purchased goods and services

We realise that much of the GHG reductions in this category will happen because of our suppliers reducing their carbon emissions and becoming more carbon aware as the UK progresses towards a Net Zero 2050. However, that does not mean that we will take a passive approach to the category, especially as it accounts for 61.8% of our total emissions. To try and enact positive change on our suppliers we will:

- Analyse our supplier list and consider where more sustainable choices can be made
- Prefer local suppliers where possible
- Engage with tier 1 suppliers to first understand their carbon footprint (Scopes 1 and 2) by sending out carbon surveys
- Be selective about working with sophisticated carbon suppliers, where possible
- Work with and support suppliers to encourage carbon reduction behaviours, reduce their emissions and collaboratively set carbon emissions reductions targets
- Request life cycle assessments for products purchased and choose lower emission products

SCOPE 3 category 2: Capital goods

Eque2 realises that much of the GHG reductions in this category will happen because of our suppliers reducing their carbon emissions. Whilst this category makes up 16.4% of our base year's carbon emissions, this may fluctuate in future years depending on the level of internal investment at Eque2. Similar Environmental Management strategies can be employed as mentioned previously in Category 1: Purchased goods and services, to try and enact positive change with our suppliers.

SCOPE 3: Category 5: Waste

As an office-based business, waste counts for a minimal proportion of our carbon emissions. However, we realise that reducing waste is important. We already follow the waste hierarchy where a preference is given in order to:

- Reduce the waste generated
- Re-use / recycle as much as possible
- Incinerate residual general waste to limit the volume of waste that goes to landfill

We have recently appointed an employee waste champion who is responsible for overseeing our waste data and setting reduction targets. Going forward, we will:

- Roll out staff training programmes to provide clear, consistent training and information to minimise waste and maximise recycling

SCOPE 3: Category 6: Business travel

- COVID-19 has taught us that video conferencing tools such as Teams and Zoom can very successfully host meetings. We are encouraging our staff to continue to embrace this technology to minimise travel where possible
- Where travel is required, we will prioritise carbon-reducing travel modes, choosing rail over air and cars
- Encourage the uptake of EV vehicles by paying favourable mileage reclaim rates and considering the installation of EV charging points at our sites, where practicable
- We will also begin collecting more granular data on business travel including hotel stays to better calculate our GHG emissions in future years

SCOPE 3: Category 7: Employee commuting

We recognise that we cannot massively influence what modes of travel our employees use. That said, we need to do all we can to encourage them to join us on our sustainable journey. We are already reducing our emissions within this category by:

- Introducing an EV salary sacrifice scheme and cycle to work scheme

In the future, we will look to do the following:

- Sending a travel survey to each of our employees to understand how they currently get to and from work. This survey will collect data from employees on commuting patterns (e.g., distance travelled and mode used for commuting). This will also encourage conversations about the different forms of low carbon transport available.
- Putting in place initiatives to include:
  - Encouraging carpool arrangements
  - Providing information on public transport alternatives
  - Installing EV charge points at our office location
  - Paying favourable mileage reclaim rates to EV vehicles
  - Travel card loan scheme
- Helping employees working from home to reduce their emissions by promoting better practices through home working guides, providing support for procuring renewable electricity for their home, and encouraging energy consumption and waste consumption reduction. We will also consider collecting granular data by sending a survey to all employees working from home to understand their energy, waste and water usage during working hours.

CONCLUSION

Eque2 recognises the significance of ESG in both our own and our clients' business performance, and we are committed to being part of the solution in the transition to a more sustainable world. The race to Net Zero is on, and all organisations have a responsibility to take a leadership role in the transition to a low carbon economy. Going forward, we will be actively working with our suppliers to help facilitate a reduction of our Scope 3 emissions. Initially, this will incorporate gathering better data and active engagement with our key suppliers. In the long term, this will involve encouraging behavioural change with the end goal of leading more sustainable livelihoods.

Eque2 will recalculate our carbon footprint annually for each year ending 30th April with 2022/23 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. Eque2 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.

EQUE2

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