

Strategic Energy and Carbon Report 2021/22

Matalan Retail Ltd

01-07-2022



Strategic Streamlined Energy and Carbon Report 2021/22

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1. EXECUTIVE SUMMARY

The main objective of this Strategic Energy and Carbon report is to provide insight to Matalan on their carbon and energy performance and offer suggestions to better address today's carbon agenda. The mandatory SECR disclosure element should be included in Matalan's submission to Companies House along with annual financial reporting.

Matalan are making good progress and the following results can be reported, since 2013/14 to present:

- Carbon intensity (tCO₂ per £m revenue) has reduced by 58%
- Energy intensity (kWh per £m revenue) has reduced by 34%
- Total energy consumption has reduced by 39%

We suggest that Matalan introduce some longer-term strategic recommendations, such as addressing future Task Force on Climate-Related Financial Disclosures (TCFD) requirements, which will be mandatory for large companies to disclose details of in Matalan's 2022 annual report (see section *Target Setting and TCFD* on page 11 for more on this).

2. GREENHOUSE GAS EMISSIONS

Emissions by source

This section breaks down the annual emissions into their contributing sources. The companies CO₂e emissions during 2021/22 totalled **28,101** tonnes, a figure that was 307 tonnes higher than total reported during 2020/21. This represents a 1% increase in total emissions, when compared to 2020/21, however both these years have been affected by the UK's response to the Coronavirus pandemic. If we compare the 2021/22 figures to a normal year that was not affected by Covid restrictions such as 2019/20 then most recent figures are 8,031 tonnes lower than total reported during 2019/20, which represents a 22% reduction in total emissions. Matalan are committed to operating their facilities in a sustainable manner, be that continued energy efficiency improvement measures or reviewing future energy procurement options, it was the reduction in site activity and transport, during the lockdown periods, that had the overriding impact, which is reflected in the revenue figures. More detailed analysis of emissions performance is presented below.

Table 1 – Emissions (tCO₂e) by source, by year

Emissions source	13/ 14	14/ 15	15/ 16	16/ 17	17/ 18	18/ 19	19/ 20	20/ 21	21/22	YoY % Change
Electricity	48,102	52,775	54,805	41,645	33,834	25,501	21,880	15,716	15,012	-4.5%
Transport	9,700	9,417	12,085	9,824	7,557	8,669	5762	5,351	6,338	+18.4%
Natural Gas	11,448	9,012	10,129	9,860	9,172	9,413	8,490	6,727	6,751	+0.4%
Total	69,250	71,204	77,019	61,329	50,563	43,583	36,132	27,794	28,101	+1.1%
Revenue £m	1,123	1,094	1,061	1,037	1,063	1,104	1,129	744	1,027	
Carbon intensity: (tCO₂e per £m)	61.7	65.1	72.6	59.1	47.6	39.5	32.0	37.4	27.4	

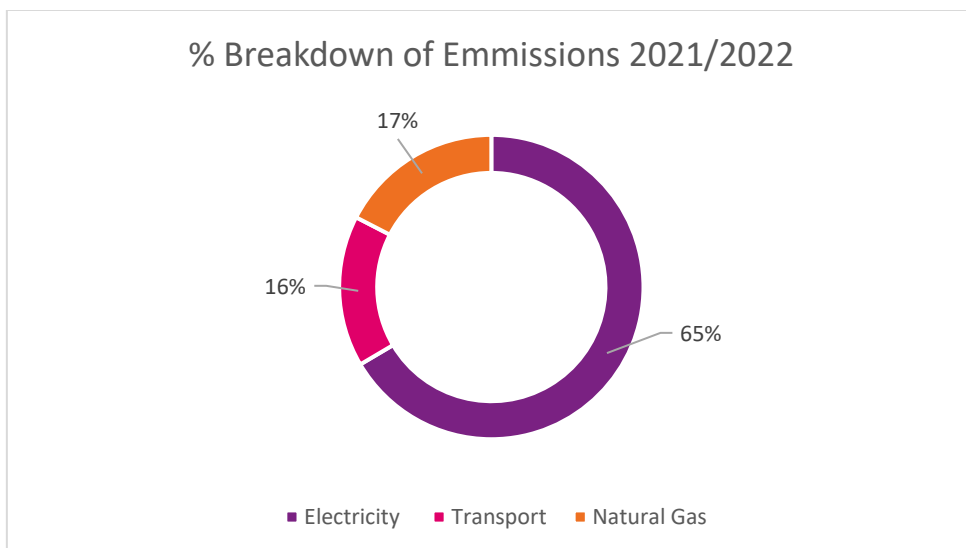


Figure 1 - Emissions breakdown, 2021/22

Emissions performance

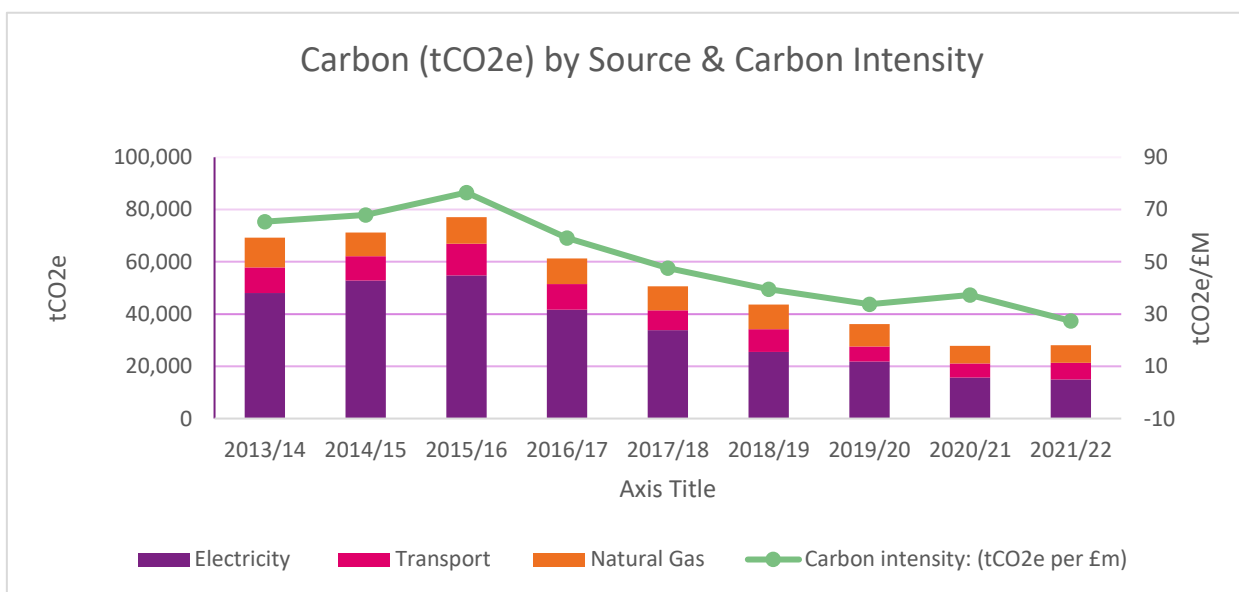


Figure 2 - tCO₂e) by source, and carbon intensity from 2013/14 to present

Matalan’s carbon footprint was first reported in 2013/14, although for 2016/17 and 2017/18 the transport data was estimated due to issues of data availability. Looking at the trend from 2015/16 there is a significant decrease in the emissions until present. This is good news for Matalan, and we can say that a key reason for the CO₂ decrease is that Matalan are consuming less electricity, gas and transport fuel – see figure 4 below showing kWh energy use from 2013/14 to present day.

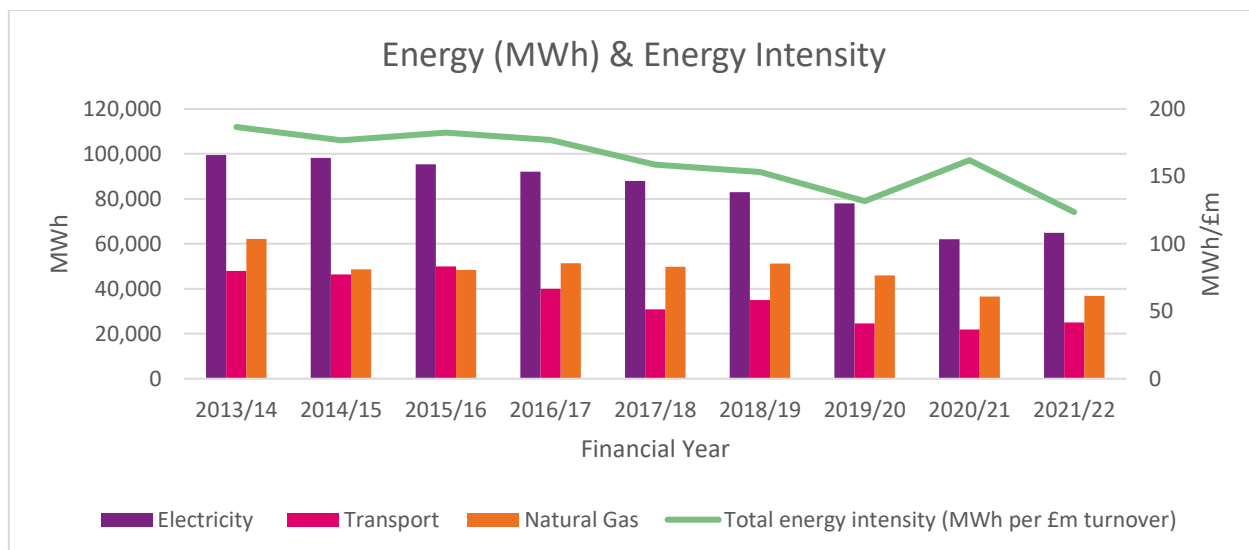


Figure 3 – Matalan Energy Use (MWh) & Energy Intensity (MWh per £m Revenue) from 2013/14 – 2021/22

Since 2013/14 to present Matalan’s revenue figures have been relatively stable, (except during the main 2020/21 Covid restrictions) whilst:

- ⦿ Carbon intensity (tCO₂ per £m revenue) has reduced by 58%
- ⦿ Energy intensity (MWh per £m revenue) has reduced by 34%
- ⦿ Transport fuel usage reduced by 48%

This shows that Matalan’s operations are showing consistent improvements in energy efficiency, as well as carbon efficiency, reflecting consistent progress in the energy efficiency of Matalan’s buildings. It is worth noting that the upturn in energy intensity in 2020/21 was due in large part to the Covid19 pandemic and the resulting drop in revenue, which has since reduced in 2021/22 as revenue has returned to more typical levels.

In regard to Transport, Matalan have introduced the most fuel efficient vehicles on the market (with the fleet running on Euro 6 engines) in addition to reducing Nitrogen dioxide emissions by 55% and the Particle emissions 60%, which have a direct link to public health in the form of respiratory issues.

From 2017/18 to present, since Matalan have owned/controlled the transport fleet there has been an average mpg increase of 11%, which has resulted in a reduced CO₂ output.

We also acknowledge that part of the story will be the reducing electricity grid emissions factors, as more renewables generation come online within the UK grid generation mix. Please see graph of grid carbon emissions factors below showing generated electricity reducing CO₂/kWh (0.49kgCO₂/kWh to circa 0.23kgCO₂/kWh) emissions over the years.

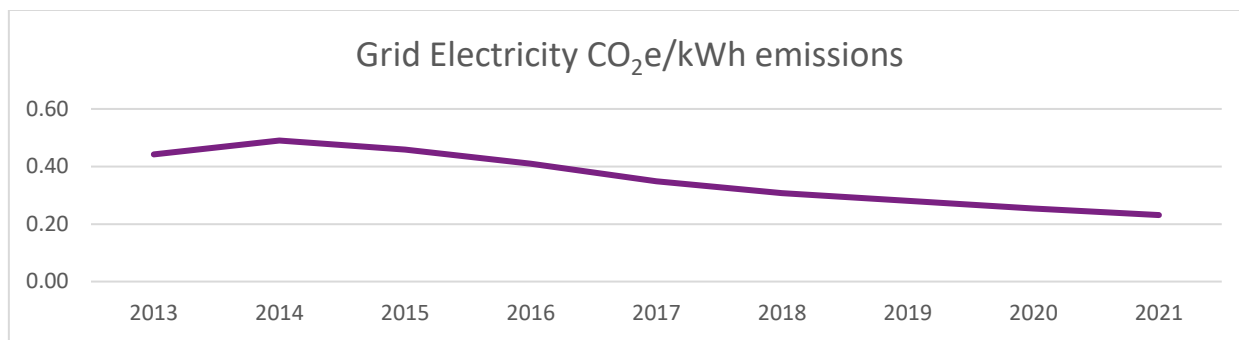


Figure 4 – Grid Electricity CO₂/kWh Emissions 2013 – 2021

And this can be compared to how much actual energy (kWh) has been used by Matalan and how this has changed over the same period. The carbon intensity (tCO₂e per £m) for Matalan follows a similar slope as Grid electricity emissions per kWh of generated electrical power.

It can be seen in the Table below that there was a 4% reduction in emissions from purchased electricity, a 0.4% increase in emissions from natural gas use and a 18% increase in emissions from the combustion of fuel in mobile equipment/transport.

The slight increase in consumption (kWh) from all sources was mainly due to the loosening of restrictions on non-essential retail stores during the second phase (2021/22) of the Coronavirus pandemic. An emissions intensity of 27.4 tonnes CO₂e per £m revenue was achieved during 2021/22 which is 10.0 tCO₂e per £m lower than in 2020/21, but more significantly is also 6.4 tCO₂e per £m lower than in 2019/20, which was the last normal year of trading. For Matalan, it is best to compare energy and carbon performance against 2019/20 which was the last year unaffected by Covid pandemic restrictions.

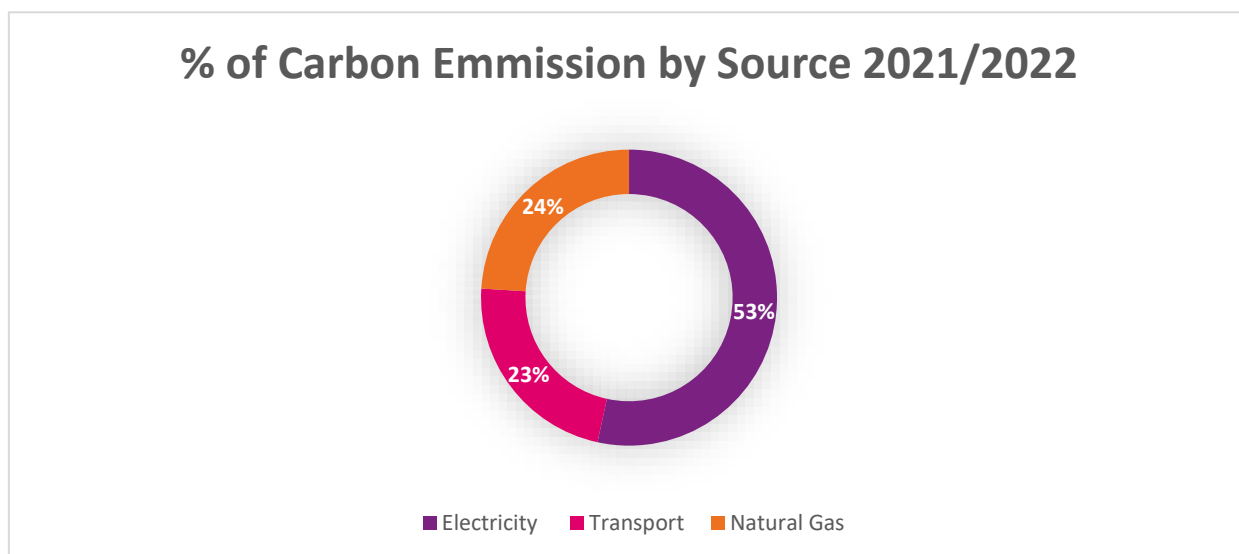


Figure 5 - Emissions breakdown % in 2021/22

Energy consumption

The introduction of Streamlined Energy and Carbon Reporting (SECR) means that companies are required to publish annual energy consumption as well as emissions.

Table 2 - Energy & Transport GHG Consumption, 2020/21 vs 2021/22

Emissions source	Consumption 2020/21 (kWh)	Consumption 2021/22 (kWh)	change vs last year
Electricity	62,073,303	64,954,500	4%
Natural gas for heating	36,583,654	36,858,179	1%
Transport fuel	21,877,891	25,090,537	13%
Total	120,534,848	126,903,216	4%

The table below is showing historic energy & transport consumption from 2013/14 to present, which is showing annual energy consumption is steadily reducing.

Table 3 – MWh Energy Consumption from 2013/14 - 2021/22

Emissions by source, by year MWh	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Electricity	99,473	98,189	95,326	92,160	88,010	83,011	78,012	62,073	64,955
Transport	47,897	46,391	49,904	39,999	30,852	35,028	24,635	21,878	25,091
Natural Gas	62,203	48,720	48,399	51,379	49,804	51,167	45,966	36,584	36,858
Total	209,573	193,301	193,629	183,538	168,666	169,205	148,613	120,535	126,903
Revenue £m	1,123	1,094	1,061	1,037	1,063	1,104	1,129	744	1,027
Total energy intensity (MWh per £m turnover)	186.6	176.7	182.4	176.9	158.7	153.3	131.6	162.0	123.6

Emissions by scope

It is standard protocol to define greenhouse gas emissions by scope:

- Scope 1: direct emissions arising from activities on site, including combustion of fuels to heat buildings, use of fuel in company vehicles.
- Scope 2: indirect energy emissions from purchased electricity, heat or steam
- Scope 3: indirect emissions such as those associated with energy usage in third party sites, the disposal of goods, or purchase of goods and services such as air travel. In Matalan's case, the only reported scope 3 emissions are from electricity transmission and distribution losses and from business travel in employee-owned cars.

Table 4 - Emissions (tCO₂e) breakdown by scope, 2021/22

Emissions source	Scope 1(tCO ₂ e)	Scope 2(tCO ₂ e)	Scope 3(tCO ₂ e)	Total (tCO ₂ e)
Natural Gas	6,751	0	0	6,751
Transport	6,318	0	19	6,338
Electricity	0	13,792	1,221	15,012
Total	13,069	13,792	1,240	28,101
Share of total	47%	49%	4%	100%

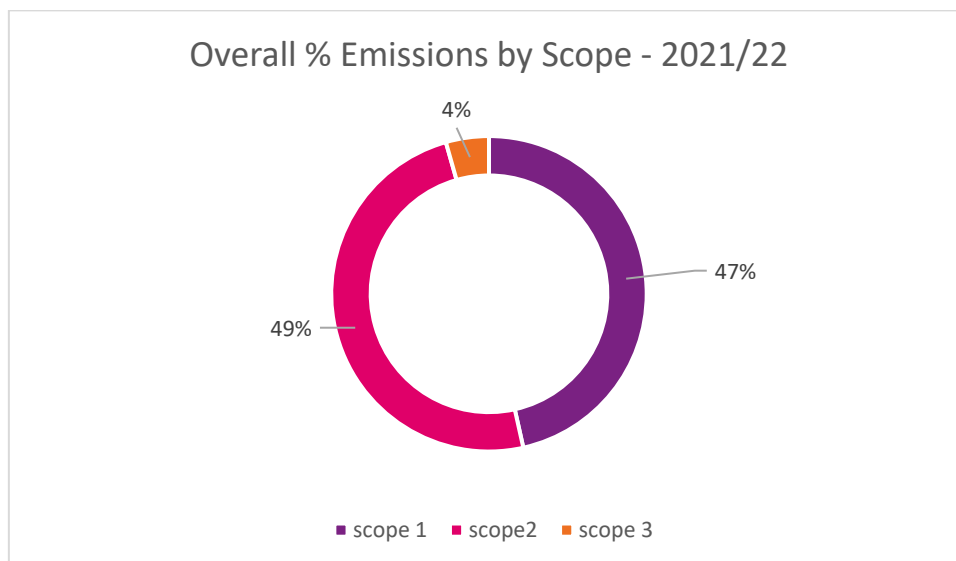


Figure 6 - Emissions breakdown, by scope 2021/22

By scope, the largest contribution (49%) is from scope 2 emissions, which entirely consists of grid electricity consumption.

Scope 1, direct emissions (from heating and company owned vehicles), represents 47%.

3. STRATEGIC RECOMMENDATIONS

We have identified the following opportunities for Matalan to expand and improve their carbon management activities.

Emissions Reduction

Green Tariff

Matalan could reduce their carbon emissions by over 47% by procuring a zero carbon electricity tariff. This will require Matalan to specify an electricity tariff that commits the supplier to procure or generate a volume equivalent to Matalan's annual demand from renewable sources. While there is likely to be a premium associated, this will enable a much more challenging emissions reduction target to be set and enable Matalan to play a part in driving further decarbonisation of the UK's electricity mix.

Energy Management

We suggest that Matalan should continue to analyse half hourly settled data (HHD) across their stores to identify wastage and then identify and remedy the areas where energy wastage is occurring.

ESOS Opportunities

Follow the Energy Saving Opportunities Scheme (ESOS) recommendations in the phase 1 (2015), phase 2 (2019) and phase 3 (2023) ESOS reports provided by Inenco and engage in implementing any other energy and water related savings available.

Target Setting and TCFD

Matalan have consistently reduced their energy and carbon consumption and intensity since 2013/14. Setting a carbon reduction target will allow Matalan to capitalise on their good performance. Whilst not mandatory at this stage, setting a target will strengthen Matalan's disclosure against the upcoming mandatory Task Force on Climate-Related Financial Disclosures (TCFD) requirements, which Matalan will need to comply with in their 2022 annual report.

TCFD will be a legal requirement for inclusion in your annual report The UK government wants to shine a light on corporate performance where climate change is being considered and the areas Matalan will be required to disclose against are as followed:

- ⦿ Governance: What is management's role in assessing and managing Climate related risks and opportunities?
- ⦿ Risk Management: How you identify risks and opportunities, what is your process for identifying these and what is your process for assessing and managing risks and opportunities?
- ⦿ Strategy: What are the short, medium and long term risks and opportunities that you have identified as a business, what are the impacts of these on the organisation's business plans, strategy and financial planning.
- ⦿ Metrics and Targets: What metrics are used to assess the risks and opportunities in line with your strategy and process,

We recommend that Matalan consider setting a net-zero and/or science-based carbon reduction target over the next 12/18 months. The risks presented by TCFD should be considered in the light of expectations of key stakeholders.

We recommend that Matalan set interim targets and plan emission reduction activities moving forwards.

4. METHODOLOGY

This report was produced in line with the methodology set out in the UK Government's Environmental Reporting Guidelines 2020.

Carbon emission conversion factors

We have converted activity data into greenhouse gas emissions (measured in tonnes of CO₂ equivalent) using the UK Government's most recent GHG Conversion Factors for Company Reporting (2021). This is in line with standard industry practice and allows fair comparison with other UK businesses.

Transmission and distribution emissions, which reflect losses from the electricity grid, are included within Scope 3. Well-to-tank emissions associated with sourcing and transporting the fuels, are not included.

A list of the conversion factors used in this report are available upon request.

Activity data

'Activity data' is the data used to represent Matalan's consumption of emission-producing utilities and activities. They are a mixture of primary data from energy suppliers (electricity and gas) and data provided by Matalan. This includes mileage data for company vehicles (HGV's, company cars and also includes business mileage claimed by staff in private cars) and fuel purchase volumes, where applicable. Specific data sources are listed in the Data Sources and Quality section.

Annual sales revenue total was selected as the intensity metric denominator as this is a suitable overall indicator of the business activities of the organisation. This information was provided by Matalan Retail Ltd from the provisional company accounts for the 2021/22 financial year.

Details on the sources of, and assumptions and exclusions applied to, the activity data are provided on the next page.

5. DATA SOURCES AND QUALITY

Assumptions and exclusions

The following assumptions and exclusions are applicable to the activity data used to produce this report. Note that primary data signifies measurement of actual consumption, such as electricity and gas meters or fuel cards usage. Secondary represents a fair proxy that allows calculation of emissions such as invoices (that show purchased amounts but not exact usage) and mileage.

Of total 2020/21 emissions, <1% are based on estimated data. This is a good position and is mainly thanks to the availability of reliable automatic meter data for electricity. The contributors are listed below.

Table 5 - Data sources and quality Year

Emissions source	Data source	Assumptions/ Exclusions/ Limitations	Estimates/ Primary/ Secondary data	% Estimated data (by tonnes CO ₂ e)
Electricity (in house)	Invoices, AMR meter data	Based on Invoice data	Primary	0%
Natural gas	Invoices	Based on Invoice data	Primary	0%
Business road transport	Fuel expense claims from users of company cars and private cars.	Based on miles travelled by staff for business purposes.	Secondary	0%

Data quality comparison with previous years

This table review how data quality and availability has changed between 2020/21 and 2021/22. Overall data quality is good (except historic company car/grey fleet details).

Table 6 - Review of data quality year on year

Emissions source	Data quality (2021/22)	Comparison vs. last year
Electricity (in house)	Excellent	Same
Natural gas	Excellent	Same
Business road transport	Good	Same



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