



Environment Basis of Reporting

FINAL

February 2022

Summary

This Basis of Reporting document outlines the scope of KPIs reported covering GHG emissions data and other environmental metrics by M&G plc. for the M&G plc. 2021 annual statement in the Directors Report.

Scope

This document explains the approach taken by M&G plc to collating and reporting our environmental data and GHG emissions published in our Director's Annual Report, our Sustainability report, online and select supplementary reporting e.g. CDP. We have robust processes in place to capture, monitor and measure our performance and we aim to report openly and transparently.

GHG emissions are broken down into three scopes; we have included full reporting for Scope 1 and 2, and select Scope 3 reporting as best practice.

- Scope 1 emissions are our direct emissions from the combustion of fuel, fugitive emissions and company owned vehicles.
- Scope 2 emissions cover our indirect emissions from the purchase of electricity, heating and cooling.
- Scope 3 emissions include business travel booked through our central travel booker, car travel in colleague owned cars claimed on expenses in the UK, water consumption and waste generation where data is available.

Reporting Period

Our 2021 reporting period covers 01 January to 31 December 2021 and corresponds with the Director's Report. As the reporting period has been amended to align with the Director's Report some utilities data may need to be estimated (based on the approach outlined in our calculation methodology). Data submitted after the 4th February 2022 will be included and re-stated in subsequent years reporting.

Reporting Boundary

We apply the 'operational control' approach as the boundary for reporting our environmental data. In practice, this means that we report on 100% of emissions where we have the full authority to introduce and implement operating policies. Under this approach, our GHG emissions from all owned and leased office facilities globally over which we have operational control are counted. We also include in our scope 1 and 2 emissions estimated usage for full service gross leased offices where we receive metered energy consumption and invoices and included modelled data based on an intensity metric for offices where no data is currently available eg serviced offices.

This boundary approach covers emissions generated from all occupied leases, covering 93,915 square meters. To determine the sites where emission reporting was required, lease information was taken from our central lease database. Occupied property means M&G plc personnel on-site under normal operating conditions.

M&G plc owns and manages assets which are held on its balance sheet in the financial statements over which it does not have operational control due to fund governance structures. These are excluded from the scope of reporting under the operational control approach.

Assessment Methodology

M&G plc uses a third party reporting platform for the calculation of its energy consumption and GHG emissions. The Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (2015 revised edition) is used as the methodology. The GHG Protocol was co-developed by the World Resources Institute and the World Business Council for Sustainable Development.

We have used supplier emissions factors where we have evidenced the consumption of electricity is from green energy tariffs. Residual mix factors were used where supplier factors were unavailable.

Emission Factors

Our 2021 reporting has used the following sources of emission factors to calculate our footprint measured in carbon-dioxide equivalent (CO₂e).

- Scope 1: UK DEFRA 2021 GHG Conversion Factors
- Scope 2 location-based: IEA 2021 Edition of the CO₂ Emissions from Fuel Combustion (including CH₄ and N₂O)
- Scope 2 market-based: European Residual Mixes 2021 - Association of Issuing Bodies, supplier emissions factors for renewable energy use and energy attribute certificates.
- Scope 3: UK DEFRA 2021 GHG Conversion Factors.

Materiality considerations

We have set a materiality threshold of 5%. The following exclusions have been made based on this:

- Within Asia, Agents' business travel, (scooters – these do not come under M&G's operational control and collection of this information would be extremely difficult).
- Minor works (gardeners, minor construction works, so small as to be immaterial, anticipated < 1%).
- Emissions from refrigerants from small split-system air conditioning units are so small as to be immaterial (anticipated < 0.1%). The electricity use from these units has been reported.
- Travel not booked through Reed and Mackay is not currently included in our reporting, but from September 2021 the coverage of the central travel booker has extended to include Europe (excluding Poland) and USA. In 2022 a Group Travel policy and extension of the Travel Management Company (Reed and Mackay) is planned.

Intensity Ratio

The intensity metric is kilograms of CO₂e per Sq. ft. Our emissions are normalised by the floor area of our occupied properties held at 31 December 2021 reporting consumption between 01 January and 31 December. Our office spaces are measured in accordance of local practise, which is useable floor space often referred to as net lettable or internal area. Where floor area for an office has changed during the reporting period the figure in place for the longest percentage of the year is used. For serviced offices where the floor area is unknown, the floor area is estimated based on an industry average of 50 sq. ft. Per desk.

We have also reported tonnes of CO₂e per employee. This is calculated as a snapshot of FTE on 31 December 2021 (the closest available figures to our reporting yearend) and excludes Joint Ventures which are not in scope.

Methodology changes from 2020

As of September 2021 travel data from Reed and Mackay now covers Europe (excluding Poland) and USA.

Calculation Methodology

Our approach to the core metrics in our GHG emissions reporting is detailed below. These KPI have been tested as part of the annual external assurance process. To ensure we have complete coverage during the reporting period, consumption data may be accrued for missing invoices/supplier data, or estimated where have received no information for a property (e.g. a new lease that became active during the reporting year and no invoices have yet been received). In this case, benchmarking data is used to estimate kWh for the property. If there is incomplete lease information then we assume a conservative approach, i.e. that the property is open for the full reporting period.

Parameter: Scope 1 emissions	
Definition	Scope 1 emissions are our direct emissions from the combustion of fuel, fugitive emissions and company owned vehicles.
Emissions sources	<ul style="list-style-type: none"> ▪ Fuel combustion – gas ▪ Fuel combustion – oil ▪ Fugitive emissions ▪ Vehicle fleet
KPI	<ul style="list-style-type: none"> ▪ Total energy consumption (kWh) and Scope 1 emissions (CO₂e)
Method	<p>Fuel combustion – gas Gas consumption (kWh) obtained from invoices, supplier reports and manual meter reads. The ‘gross’ calorific value is used for carbon conversions when both gross and net are available.</p> <p>For sites that do not provide fuel data, no estimated or modelled data is generated by the platform. If a site does provide data, but it is unavailable, then the figure from the previous year for the equivalent time frame is used.</p> <p>Fuel combustion – oil Oil consumption from back-up generators is obtained from manual meter reads and delivery volumes. The ‘gross’ calorific value is used when both gross and net are available.</p> <p>Fugitive emissions Refrigerant losses are based on invoices from the provision of top up gases as well as reports from air conditioning engineers and catering equipment engineers. Losses are recorded in kg.</p> <p>Vehicle fleet Transport is calculated based on distance travelled.</p> <ul style="list-style-type: none"> ▪ Mileage of leased cars is provided by an extract from the expense system on a monthly basis. This includes vehicle type and size of engine. ▪ Where we do not receive mileage data for company cars estimated distance entered is based on vehicle contracted annual Km’s.
Source	Invoices, supplier reports, manual meter reads and expense system reports.
Emissions factors	UK DEFRA 2021 GHG Conversion Factors

Parameter: Scope 2 emissions	
Definition	Scope 2 emissions cover our indirect emissions from the purchase of electricity, heating and cooling.
Emissions sources	<ul style="list-style-type: none"> ▪ Electricity ▪ Heating and cooling
KPI	<ul style="list-style-type: none"> ▪ Total energy consumption (kWh) and Scope 2 emissions (CO₂e) – both market and location based
Method	<p>Indirect energy consumption (kWh) obtained from invoices, supplier reports and manual meter reads. Every building in the site list either has invoice/accrual or estimated electricity consumption.</p> <p>For electricity use if we have received an invoice for part of the month only then data is accrued for the remaining days of the month based on the existing average daily rate per meter squared.</p> <p>If a site has no electricity consumption data available, then estimation has been applied. An average substitute is calculated using internal benchmarks at the following levels:</p> <ol style="list-style-type: none"> 1. (Best option) takes consumption data from the same time period in the previous year and applies that as the modelled consumption data. 2. If the location has at least seven months in the previous 12 months from the month that the modelling will apply to. The value used for the missing month is the average of the previous 12 months data. When calculating this data the system evaluates the variance of this average value and if it exceeds 50%, the next level of modelling is used for this location. 3. If the location does not meet the requirements for either Steps 1 or 2 then this option is used to model the data (Step 3). This option can only be used if the location has at least one actual data entry for the previous 12 months and has area (Sq. ft) data in the system for that month. For each of the last 12 months that has data and area data, a 6 month running average intensity factor is calculated and stored against that month. Then the average of those intensity factors is calculated over the last 12 months and this is multiplied by the location's area to complete the modelling. 4. If a location has no actual data for any previous time period, then a defined intensity metric is applied for Stage 4 modelling. Stage 4 modelling will only occur if the associated locations have floor area for the time period which is looking to be modelled. <p>Estimations and accruals are only applied to the months where the lease is active; however, if there is incomplete lease information that the model assumes a conservative approach i.e. the property is open for the full reporting period.</p> <p>The intensity metric is averaged kWh per sq. ft per calendar year usage across site using actual and estimated data.</p> <p>Country specific emission factors are used. To comply with the dual reporting requirements of the GHG Protocol, both location and market based factors have been published in 2021.</p>
Source	Invoices, supplier reports and manual meter reads.
Emissions factors	<ul style="list-style-type: none"> ▪ Location-based: IEA 2021 Edition of the CO₂ Emissions from Fuel Combustion (including CH₄ and N₂O) ▪ Market-based: European Residual Mixes 2021 - Association of Issuing Bodies

Parameter: Scope 3 emissions	
Definition	Scope 3 emissions include business travel booked through our central travel booker, car travel in colleague owned cars claimed on expenses in the UK, water consumption where data is available and waste generated from our UK properties that have been occupied during the reporting period and have operational control.
Emissions sources	<ul style="list-style-type: none"> ▪ Waste generated ▪ Water consumption ▪ Business Travel
KPI	<ul style="list-style-type: none"> ▪ Scope 3 emissions (CO₂e) ▪ Total water consumption (m³) ▪ Total waste produced (tonnes) ▪ Total waste diverted from landfill (tonnes and %) – excluded from the assurance process ▪ Total waste recycled (tonnes and %) – excluded from the assurance process
Method	<p>Waste generated Waste data is provided by waste management companies, property managers and waste transfer notes. At sites where the waste is not weighed, the reported weight is based on the assumed weight per uplift, which is provided by the waste contractor. Waste figures within the UK are inclusive of feminine hygiene waste (where available). Final waste treatments are based on DEFRA classifications and due to availability UK DEFRA 2021 GHG Conversion Factors for all sites. We only report recycling figures for sites where we have at least general waste, recycling (mixed or separated) and confidential waste data.</p> <p>Water consumption The total quantity of water consumed is obtained from invoices, supplier and site meter readings and recorded in cubic meters or kilolitres. The number of properties providing water data has risen from 13 in 2020 to 22 in 2021.</p> <p>If a site provides water data, but it is unavailable, estimation has been applied by the model. An average substitute is calculated using internal benchmarks at the following levels:</p> <ol style="list-style-type: none"> 1. (Best option) takes consumption data from the same time period in the previous year and applies that as the modelled consumption data. 2. If the location has at least seven months in the previous 12 months from the month that the modelling will apply to the value used for the missing month is the average of the previous 12 months data. When calculating this data the system evaluates the variance of this average value and if it exceeds 50%, the next level of modelling is used for this location. 3. If the location does not meet the requirements for either Steps 1 or 2 then this option is used to model the data (Step 3). This option can only be used if the location has at least one actual data entry for the previous 12 months and has area (Sq. ft) data in the system for that month. For each of the last 12 months that has data and area data, a 6 month running average intensity factor is calculated and stored against that month. Then the average of those intensity factors is calculated over the last 12 months and this is multiplied by the location's area to complete the modelling. <p>Air Travel Travel reports are provided by our UK travel management company that covers travel booked through their system. All distances are reported in km and converted to CO₂e using the DEFRA 2021 emission factors including DEFRA Well to Tank for air travel and radiative forcing uplift. Data for the reporting period were run to allow any cancellations of booked travel to filter through. No assumptions or estimations have been made for travel booked by individuals and claimed via the expense system.</p> <p>Other Business Travel – Rail and grey fleet</p>

	<p>Travel reports are provided by our UK travel management company that covers travel booked through their system. A cut-off date of the 7th January is applied to allow cancellations to filter through. Grey fleet mileage is provided by an extract from the expense system on a monthly basis. Average car is assumed for vehicle type and fuel is marked as unknown due to these details not being provided.</p> <p>No assumptions or estimations have been made for travel booked by individuals and claimed via the expense system.</p> <p>Hotels</p> <p>Reports are provided by our UK travel management company and cover hotels booked through their system. Hotel emissions are currently excluded from the scope of reporting.</p>
Source	Waste management company and building manager reports, waste transfer notes, invoices, supplier and site meter readings, expense system reports, central travel booker reporting.
Emissions Factors	UK DEFRA 2021 GHG Conversion Factors

Parameter: SECR kWh passenger and UK electricity for electric vehicles	
Definition	kWh arising from passenger vehicles and UK electricity for electric vehicles
Energy sources	<ul style="list-style-type: none"> ▪ Scope 1 car travel from expenses ▪ Scope 2 car travel from expenses ▪ Scope 3 car travel from expenses
KPI	<ul style="list-style-type: none"> ▪ kWh
Method	<p>The factors are calculated using a two-step approach:</p> <p>Step 1 - Convert km or miles data into kg CO₂ using the appropriate transport GHG conversion factor. Step 2 – Divide the kg CO₂ by the fuel net kWh conversion factor (e.g. diesel or petrol).</p> <p>The CO₂ GHG conversion factor for some vehicle types are calculated using a mixture of fuels, such as hybrid vehicles, or for those where the fuel is unknown. In these instances, the kWh conversion factor used in step 2 is calculated using the appropriate percentage fuel split used in calculating the GHG conversion factors.</p>
Source	UK Government Conversion Factors for greenhouse gas (GHG), 2021