



# **Environment**

## **Basis of Reporting 2022**

Version 7

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## 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. 2022 Annual Report and Accounts.

## Scope

This document explains the approach taken by M&G plc to collating and reporting our environmental data and GHG emissions published in our 2022 Annual Report and Accounts, 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 selected 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 (including company owned cars), heating and cooling.
- Scope 3 emissions include business travel booked through our central travel booker (category 6), car travel in colleague owned cars claimed on expenses in the UK (category 6), water consumption (category 1) and waste generation where data is available (category 5).

Metrics other than carbon to be reported are:

- Energy use for electricity and fuel (MWh)
- Water (global where available data) (m3)
- Waste (global where available data) from operational activities (tonnes)
- Energy attribute certificate (EAC) volumes (MWh)
- Tonnes of CO<sub>2</sub>e per employee (for scope 1 and 2 [market based] emissions)

## Reporting Period

Our 2022 reporting period covers 01 January to 31 December 2022 and corresponds with the 2022 Annual Report and Accounts. Due to this alignment some utilities data may be received after the publication and will therefore need to be estimated (based on the approach outlined in our calculation methodology). Data submitted after the 3<sup>rd</sup> February 2023 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 93,976 square meters (1,011,550 sq. ft). 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.

Changes in operational boundaries linked to acquisitions, divestment activity or lease changes will be assessed and the scope of our environmental reporting updated as appropriate.

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, however the financed emissions (scope 3, category 15) from some of these assets are reported in the metrics reported on our investment portfolios where the assets are managed by an in-scope M&G asset management company, and relevant carbon data is available for the underlying assets.

## Assessment Methodology

M&G plc uses a third party reporting platform for the calculation of its energy, water and waste 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.

Site specific data contributors are responsible for inputting data directly to the reporting platform, which is approved by the Sustainability Team at a Group Level, based on certain criteria. The data is then extracted from the platform for reporting purposes.

## Emission Factors

Our 2022 reporting has used the following sources of emission factors to calculate our footprint measured in carbon-dioxide equivalent (CO<sub>2</sub>e).

- Scope 1: UK BEIS 2022 GHG Conversion Factors
- Scope 2 location-based: IEA 2022 Edition of the CO<sub>2</sub> Emissions from Fuel Combustion (including CH<sub>4</sub> and N<sub>2</sub>O)
- Scope 2 market-based: European Residual Mixes 2022 - Association of Issuing Bodies, supplier emissions factors for renewable energy use and energy attribute certificates (EACs).
- Scope 3: UK BEIS 2022 GHG Conversion Factors.

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.

## Materiality considerations

We have set a materiality threshold of 5% of total consumption and associated emissions. 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.

- In 2022 an extension of the Group Travel policy and extension of the Travel Management Company (Reed and Mackay) took place. Travel not booked through Reed and Mackay is not currently included in our reporting.

## Intensity Ratio

Our emissions are normalised by the floor area of our occupied properties held at 31 December 2022 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 CO<sub>2</sub>e per employee (for scope 1 and 2 emissions). This is calculated as a snapshot of full time employees (FTE) on 31 December 2022 (the closest available figures to our reporting year-end) and excludes Joint Ventures, where we do not have operational control, which are not in scope.

## Methodology changes from 2021

- Travel data from Reed and Mackay now additionally covers operations in India as of April 2022 and operations in Australia from December 2022. During 2023 Poland and APAC sites will also be added to the scope.
- An intensity metric is used when modelled data is required. The intensity metric is averaged kWh per sq. ft per year calculated for sites (with actual data) in scope of the 2022 reporting year, using 12 months of electricity data from October 2021 to September 2022.
- Previously waste data was reported just for the UK properties, where we had operational control. In 2022 we are now reporting on waste generation for any site where data is available.

## 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 unless stated otherwise. 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). 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
<b>Definition</b>	Scope 1 emissions are our direct emissions from the combustion of fuel, fugitive emissions and company owned vehicles.
<b>Emissions sources</b>	<ul style="list-style-type: none"> <li>▪ Fuel combustion – gas</li> <li>▪ Fuel combustion – oil</li> <li>▪ Fugitive emissions</li> <li>▪ Vehicle fleet</li> </ul>
<b>KPI</b>	<ul style="list-style-type: none"> <li>▪ Total energy consumption (kWh) and Scope 1 emissions (Tonnes CO<sub>2</sub>e)</li> </ul>
<b>Method</b>	<p><b>Fuel combustion – gas</b> 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 data where gas is consumed, 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><b>Fuel combustion – oil</b> 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>For sites that do not provide data where oil is consumed, 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><b>Fugitive emissions</b> 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><b>Vehicle fleet</b> Transport is calculated based on distance travelled.</p> <ul style="list-style-type: none"> <li>▪ Mileage of leased cars is provided by an extract from the expense system, which to align with the company Expense Policy, is extracted a month after the quarter end. This includes vehicle type and size of engine.</li> <li>▪ Where we do not receive mileage data for company cars estimated distance entered is based on vehicle contracted annual Km’s.</li> </ul>
<b>Source</b>	Invoices, supplier reports, manual meter reads and expense system reports.
<b>Emissions factors</b>	UK BEIS 2022 GHG Conversion Factors

<b>Parameter:</b>	<b>Scope 2 emissions</b>
<b>Definition</b>	Scope 2 emissions cover our indirect emissions from the purchase of electricity, heating and cooling.
<b>Emissions sources</b>	<ul style="list-style-type: none"> <li>▪ Electricity</li> <li>▪ Heating and cooling</li> <li>▪ Vehicles that consume electricity</li> </ul>
<b>KPI</b>	<ul style="list-style-type: none"> <li>▪ Total energy consumption (kWh) and Scope 2 emissions (<b>Tonnes CO<sub>2</sub>e</b>) – both market and location based</li> </ul>
<b>Method</b>	<p>Indirect energy consumption (kWh) obtained from invoices, supplier reports and manual meter reads. Every building in the site list either has actual or estimated electricity consumption.</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"> <li>1. (Best option) takes consumption data from the same time period in the previous year and applies that as the modelled consumption data.</li> </ol>

	<ol style="list-style-type: none"> <li>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.</li> <li>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 metric 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.</li> <li>4. If a location has no actual data for any previous time period, then an defined intensity metrics 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.</li> </ol> <p>Estimations and accruals are only applied to the months where the lease is active; however, if there is incomplete lease information the model then 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>If data is unavailable for more than two consecutive reporting years, the system is unable to model consumption. Where no modelled data is available, in this instance, the most recent figure available for the equivalent time frame is used.</p> <p>Country specific emission factors are used for location based emissions. To comply with the dual reporting requirements of the GHG Protocol, both location and market based factors have been published in 2022. For market based emissions residual mix emissions factors and IEA factors are used as geographically appropriate. For market based emissions, where we have a renewable energy tariff in place or where we have purchased renewable energy attribute certificates, market based emissions have been entered manually.</p> <p>Renewable energy certificates can be subject to inherent limitations, including but not limited to the risk of double counting and uncertainty as to whether the third-party energy supplier will purchase and retire enough certificates to cover all of the energy supplied to all of its customers who have purchased the energy through the suppliers' green tariffs in the reporting period, over which M&amp;G has no oversight.</p> <p><b>Vehicles that consume electricity</b></p> <p>Transport is calculated based on distance travelled.</p> <ul style="list-style-type: none"> <li>▪ Mileage of leased electric cars is provided by an extract from the expense system, which to align with the company Expense Policy, is extracted a month after the quarter end. This includes vehicle type and size of engine.</li> </ul>
<b>Source</b>	Invoices, supplier reports and manual meter reads.
<b>Emissions factors</b>	<ul style="list-style-type: none"> <li>▪ Location-based: IEA 2022 Edition of the CO2 Emissions from Fuel Combustion (including CH4 and N2O)</li> <li>▪ Supplier emissions factors where we have evidenced the consumption of electricity is from green energy tariffs</li> <li>▪ Market-based: European Residual Mixes 2022 - Association of Issuing Bodies, where supplier factors are unavailable</li> </ul>

Parameter: Scope 3 emissions (selected categories)	
<b>Definition</b>	Scope 3 emissions include business travel (rail and air) booked through our central travel booker (category 6), car travel in colleague owned cars claimed on expenses in the UK (category 6) and water consumption (category 1) and waste generation where data is available (category 5).
<b>Emissions sources</b>	<ul style="list-style-type: none"> <li>▪ Waste generated</li> <li>▪ Water consumption</li> <li>▪ Business Travel</li> </ul>
<b>KPI</b>	<ul style="list-style-type: none"> <li>▪ Selected scope 3 emissions (tonnes CO<sub>2</sub>e)</li> <li>▪ Total water consumption (m<sup>3</sup>)</li> <li>▪ Total waste produced (tonnes)</li> <li>▪ Total waste diverted from landfill (tonnes and %) – excluded from the assurance process</li> <li>▪ Total waste recycled (tonnes and %) – excluded from the assurance process</li> </ul>
<b>Method</b>	<p><b>Waste generated</b></p> <p>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 BEIS classifications and due to availability, UK BEIS 2022 GHG Conversion Factors for all sites. In 2021 we reported waste data for 7 sites and in 2022 this has risen to 12. We only report recycling figures for sites where we have at least general waste, recycling (mixed or separated) and confidential waste data.</p> <p>We have taken the most conservative approach by applying a materials consumption factor for all waste streams. This is to account for any emissions generated across a products whole lifecycle.</p> <p>Where accurate data is missing we have used a figure calculated by taking an average of the remaining months within the year.</p> <p><b>Water consumption</b></p> <p>The total quantity of water consumed is obtained from invoices, supplier and site meter readings and recorded in cubic meters or kilolitres (reported as meters cubed). The number of properties providing water data has risen from 22 in 2021 to 25 in 2022.</p> <p>If a site usually provides water data, but a period during the reporting period is missing (e.g. missing bill etc), then 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"> <li>1. (Best option) takes consumption data from the same time period in the previous year and applies that as the modelled consumption data.</li> <li>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.</li> <li>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</li> </ol>

	<p>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> <p><b>Air Travel</b>  Travel reports are provided by our UK travel management company, Reed and Mackay, that covers travel booked through their system. All distances are reported in km and converted to CO<sub>2</sub>e using the BEIS 2022 emission factors including BEIS 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.</p> <p>No assumptions or estimations have been made for travel booked by individuals and claimed via the expense system.</p> <p><b>Other Business Travel – Rail and grey fleet</b>  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.</p> <ul style="list-style-type: none"> <li>▪ Grey fleet mileage is provided by an extract from the expense system, which to align with the company Expense Policy, is extracted a month after the quarter end. This includes vehicle type and size of engine.</li> </ul> <p>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><b>Hotels</b>  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>
<b>Source</b>	Waste management company and building manager reports, waste transfer notes, invoices, supplier and site meter readings, expense system reports, central travel booker reporting.
<b>Emissions Factors</b>	UK BEIS 2022 GHG Conversion Factors