

July 2023

Carbon Reduction Plan

GXO Logistics UK Limited



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Commitment to achieving net zero

GXO Logistics UK Limited (“GXO Logistics UK”) is committed to achieving net-zero carbon emissions by 2045.

GXO is committed to setting high standards of environmental responsibility throughout our operations, by leading in the industry through technological advances that seek to minimise our impact on the surrounding environment.

We have set the target to be net zero by 2045 and are already working towards achieving our interim emissions reductions targets set forth by our global parent company, GXO Logistics, Inc: for a 30% reduction in scopes 1 & 2 by 2030 versus our 2019 baseline, and Carbon Neutrality (scopes 1 & 2) by 2040.

We are working to improve the efficiencies of our operations and choose sustainable alternatives in both our fleet and warehouse operations. Not only are we focusing on our own operations and value chain, but also supporting and delivering results for our customers.

Emissions footprint

We have calculated our greenhouse gas (GHG) emissions based on international standards including the Carbon Disclosure Standards Board (CDSB) Framework 1.1 and the GHG Protocol Corporate Standard for company reporting using “operational control”.

We monitor our progress using DEFRA’s conversion factors for carbon emissions equivalent (CO₂e) which incorporates the seven greenhouse gases named by the Kyoto Protocol: Carbon Dioxide (CO₂), Hydrofluorocarbons (HFCs) Methane (CH₄) Nitrous Oxide (N₂O) Nitrogen Trifluoride (NF₃) Perfluorocarbons (PCFs) Sulphur Hexafluoride (SF₆).

For sites where we purchase REGO certified ‘green tariff’ electricity, we comply with the market-based scope 2 reporting requirements of the GHG protocol. However, we report electricity use of our UK business at UK grid average emissions for the purposes of this Carbon Reduction Plan (CRP) and the annual GXO Logistics Inc. Environmental, Social, Governance (ESG) reports.

Baseline emissions footprint

Baseline emissions are a record of the greenhouse gases that have been produced in the past and were produced prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which emissions reduction can be measured.

The figures below are for our GXO Logistics UK operations (excluding Ireland).

Baseline year: 01 January 2019 to 31 December 2019

Emissions	tCO ₂ e
Scope 1	135,462
Scope 2	31,516
Scope 3	Not reported * <i>Explanation below</i>
Total emissions	166,978
Intensity measures	101.6 tCO ₂ e per million GBP revenue

*GXO did not monitor scope 3 emissions in the baseline year 2019 as this was not a requirement for our corporate reporting at that time.

Current emissions footprint

Current reporting year: 01 January 2022 to 31 December 2022

Emissions	tCO ₂ e
Scope 1	142,870
Scope 2	24,665
Scope 3	Not reported in 2022 * <i>Explanation below</i>
Total emissions	167,535
Intensity measures	73 tCO ₂ e per million GBP revenue

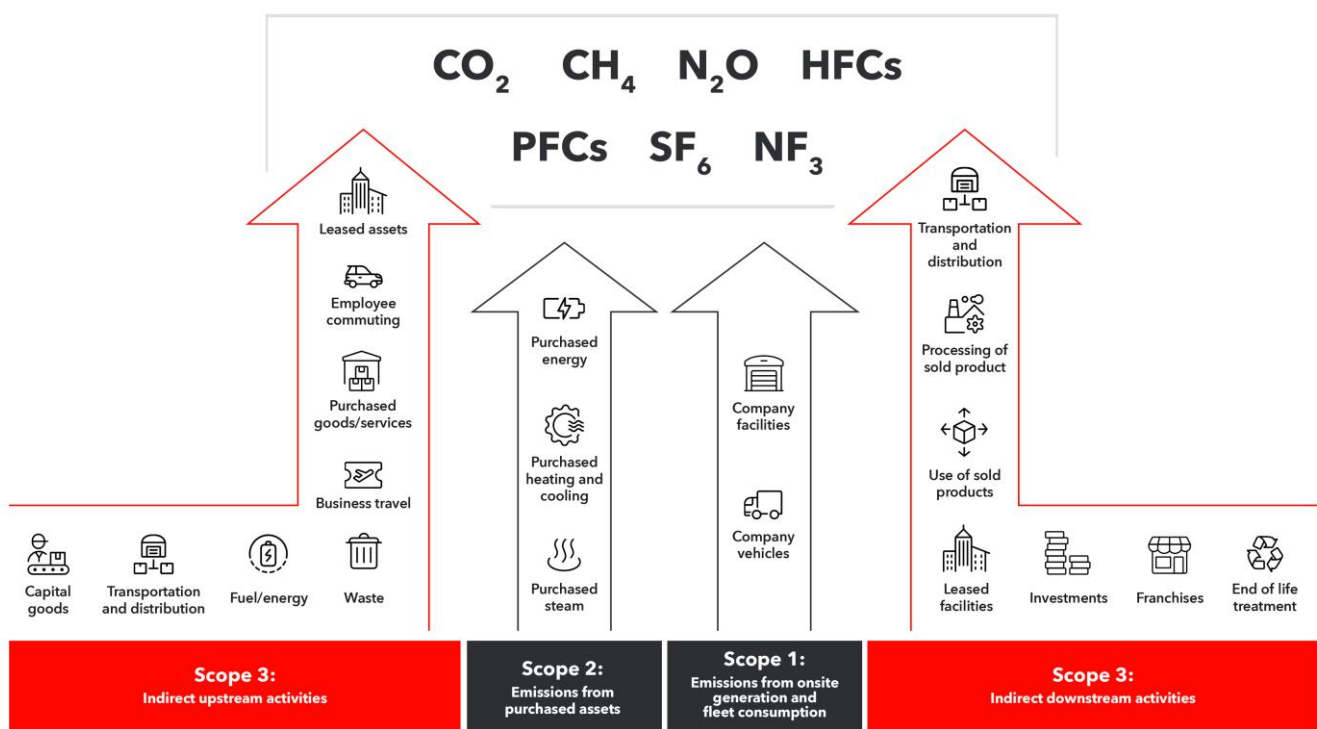
*To date, we are monitoring scope 3 categories; water consumption, business travel and waste generated in operations (restricted to air and rail travel with plans to include road transport in future reporting). For the 2023 year, the unaudited figures to date are Scope 1 = 70,704 tCO₂e, Scope 2 = 9,774 tCO₂e and Scope 3 = 423 tCO₂e. We are aiming to report employee commuting and upstream and downstream transportation throughout 2023 and will have all 5 required Scope 3 emissions reporting in place in 2024. We will update our CRP on a calendar year basis aligned with our global corporate and financial reporting moving forward.

The increase in emissions from base year to current year is due to the rapid expansion of our business. We measure emissions using intensity measures to account for our growing business including tCO₂e/m², tCO₂e/km driven, tCO₂e/ per million GBP revenue.

Emissions scopes breakdown

We are currently undertaking a global scope 3 project for GXO Logistics Inc, which is conducting a full analysis of our emissions profile and boundary setting, in order to set out our baseline measurements. This project has highlighted a breakdown of our scope 3 emissions, which will include the following metrics:

- Business travel
- Upstream and downstream transportation and distribution
- Colleague commuting
- Water consumption
- Waste generated in operations



Emissions reductions targets

GXO Logistics Inc. (our global parent company) was formed in 2021 and began reporting its annual emissions and environmental impact against its global targets. These targets have been set in line with the Paris Agreement.

GXO Logistics Inc. have adopted the following carbon reduction targets, which cascade down to GXO Logistics UK:



2030- Reduce our emissions by 30% within our own operations (Scope 1 and 2) against our 2019 baseline.



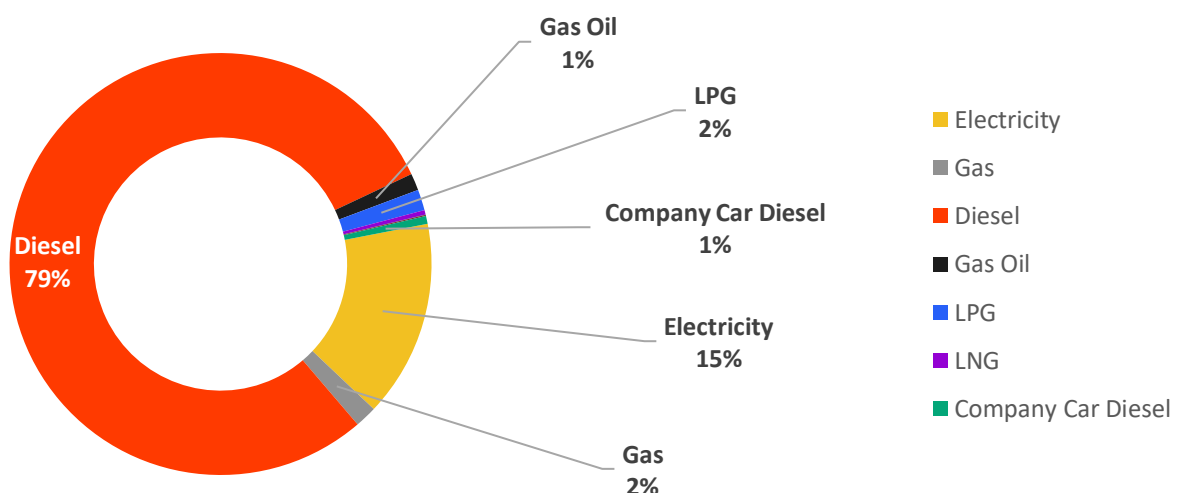
2040- Carbon Neutral within our own operations (Scope 1 & 2)

In addition to the above, GXO Logistics UK, in recognition of our advanced environmental impact strategy, has adopted additional targets:

→ **2045-** Net zero across the value chain (inclusive of Scope 3)

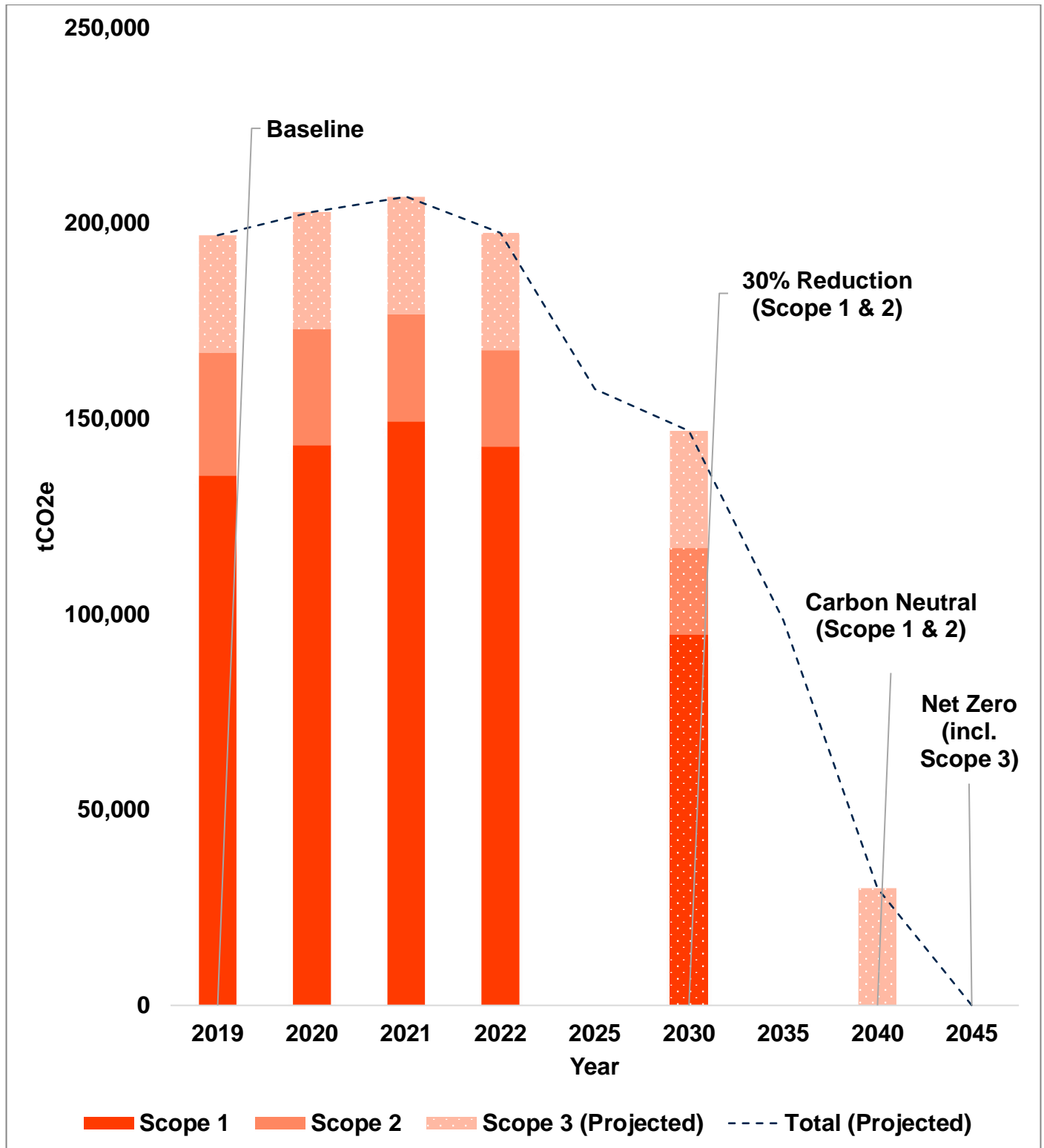
Our sustainability goals and carbon reduction targets do not have rigid linear annual reduction values but deadline dates. Plans and progress will be reviewed at country level and be monitored through quarterly progress reports. Any areas requiring additional support are discussed at the global leadership level.

We cannot make accurate carbon emissions projections for the next five years in terms of a tCO₂e number because of business expansions. We do however monitor progress against various intensity measures to ensure we are continuously progressing in the right direction. At GXO Logistics UK, with 79% of our carbon footprint being transport related, we are dependent on development and advancements in technology and infrastructure of lower carbon fuels to ensure they become more commercially and economically viable later in the decade.



Emissions Trajectory

Our GXO Logistics UK emissions trajectory can be seen in the diagram below, with our reported emissions (in bold), and projected emissions (in dotted).



Carbon Reduction Projects

GXO continuously aims to implement initiatives where possible, share opportunities and address challenges across our own operations as well as across our value chain. The breadth of our customer portfolio means not all initiatives are appropriate, but we understand the importance of collaborative working so continuously aim to support not only our own corporate goals but our customers goals to build successful partnerships.

The following environmental management measures and projects have been completed or implemented since the 2019 baseline for GXO Logistics UK.

Certifications, Reporting and Verification

61

Sites with ISO 14001 certification

- Our UK Environmental Management System has been certified to ISO 14001 and sets a standard across our business, creating a consistent approach to minimising our impact on the environment. This embeds sustainability across all levels of our business and throughout our operations.
- Across the UK, we have 61 sites certified to ISO 14001 and will see this figure increase in 2023 (up to 70 sites), with a review of all other sites following this.
- GXO Logistics Inc (global) participates in EcoVadis sustainability assessments.
- GXO Logistics Inc (global) reports to the Carbon Disclosure Project (CDP).

Warehouses

5

Sites with BREEAM certification

- BREEAM - All new builds are assessed for BREEAM Excellent specification in building design to ensure optimal energy efficiencies can be achieved. This will include censored LED lighting installed as standard and consideration given to feasibility of Solar PV, heat pumps and rainwater harvesting. Currently 5 sites are under BREEAM certification across the UK.

Energy and gas

46%

LED Lighting coverage

5

sites installed with solar PV

- ‘Analyse and Act’ project with our commissioned energy consultants Inenco. This provides a full energy audit and ‘deep dive’ into our energy consumption at our highest consuming sites. This survey is followed by site energy surveys to identify energy saving opportunities across our estate and plan the implementation of energy reduction projects relating to refrigeration, HVAC and other equipment.
- LED and sensor lighting - Scoping and install projects continue across the estate to ensure we reach our global 80% LED coverage target by 2025. Installing LED lighting (inclusive of sensors) can typically reduce lighting energy by 30 and 50%. For ambient sites, lighting energy can be between 40-50% of overall building emissions. Our coverage for the UK is currently 46%, with projects in place to bring that to 57% by the end of 2023.
- REGO certified Green Tariff electricity has been investigated by procurement to analyse the costs and benefits. We have recently reviewed purchasing green energy for certain sites and currently procure 25% REGO certified green tariff electricity. The top 5 emitting countries within GXO Logistics Inc (includes the UK entity) are aiming for 100% green tariff energy by 2030.
- Solar PV – 5 sites in the UK currently have Solar PV installed. Scoping studies have been carried out for further sites by the projects engineering team.
- Voltage optimisation at various sites, reduces incoming excess voltage from the national grid. This transformer means less energy is used by the site. This offers an energy and carbon saving.

Water

- Rainwater harvesting system on various sites including our Head Office. This utilises rainwater for use in our toilet facilities.

Waste

98%

Landfill diversion rate in the UK

- Our waste minimisation and prevention projects contribute to reducing our scope 3 emissions. Waste prevention projects, packaging reductions/ alternatives, eliminating single use plastics, accurate waste segregation.
- Paperless manifests- Removal of returns note within parcels for domestic customers by switching to returns facilitated online. 35 million orders no longer require a note to be printed, saving energy (2.83 tCO₂e) and paper.
- Automatic balers removes the need for manual labour to make cardboard bales. This allows much higher volumes of denser bales to be produced at a faster rate. This process increases the recycling rates by 400 tonnes per year increasing revenue and saving 261 tonnes of CO₂e annually.
- Processing waste on site- waste that was previously sent to recycling centres is now being processed on site, saving 20 vehicle loads, equating to £38,000 saving and emissions saved from the transportation.
- Shrink wrap reduction through trialling and promoting thinner microfilm, has resulted in a plastic saving across 25 sites of 144,615 kgs of plastic. One site tested various films to determine the most optimum option to reduce waste and costings based on the new Plastic Packaging Tax. The result produced a 30% reduction of shrink wrap used, from 3 to 2 tonnes. This has an embedded saving of £1,500 and 2.6 tCO₂e per year based on 24,500 pallets wrapped.
- Reusable sacks replacing pre-printed cardboard. This has resulted in a 275 t CO₂e saving a year and £140,000.

Transport

32%

Of company cars are electric

- Logistics UK – ‘Route to Net Zero’. We are signatories to the new Logistics UK ‘Route to Net Zero’ campaign, an industry wide pledge to work towards reducing emissions and adopt lower carbon sustainable technologies as and when they become viable.
- Microsoft Teams is now widely used, preventing business travel for meetings, allowing employees to work from a single location or from home. Comparisons of company car emissions data pre and post pandemic to demonstrate the benefits in terms of carbon emissions reduction (figure will also encompass virtual meetings covered in substitute section).
- Increased lower carbon company car options- There are currently a good selection of both EV and PHEVs in the company car fleet list. Proportion of company car vehicle types (as of November 2022), showing 59% of vehicles are electric/hybrid and 32% of company cars are electric.
- Electric Taxi transporting colleagues or customers on one of our sites, aiming to reduce the sites reliance on local taxis and offers a carbon reduction option.
- EV Charge point coverage across the business is increasing to support the increasing number of electric and hybrid company car fleet.

Vehicle efficiencies

- Euro VI D - All new vehicle fleet purchases will be Euro VI as standard. EURO VI D are currently diesel vehicles with the lowest available tail pipe emissions in terms of Nitrous Oxides, Carbon Monoxide, Hydrocarbons and Particulate Matter.
- Telematics can be used to monitor driving styles including acceleration, braking, idling. This data is then used to coach drivers on how to drive more efficiently, avoiding, idling, harsh braking, hard acceleration, over revving / number of revs, speeding and ‘green band driving’. Reports can be downloaded by management to educate drivers and increase awareness to increase fuel efficiency.
- Awareness and energy efficiency training drivers are assessed on commencement of employment using one to one coaching and telematics as described above. Driver CPC training includes green band driving. Combining regular coaching with effective monitoring has helped enable fuel efficiencies of between 5 and 10%.
- Fuel Efficiency Competition between drivers at our Milton Keynes site have further increased mpg and encourage continuous improvements.

Route and load optimisation

>90%

Of sites use route optimisation

- Route optimisation is achieved using planning software such as Paragon to plan routes more effectively, ensuring the most efficient routes are taken, avoiding heavy traffic and minimising distance between delivery points. To ensure optimal benefit, local knowledge can also be planned in, and parameters reviewed regularly to override anything that the system does not pick up. GXO Logistics UK currently have adopted route optimisation at >90% of sites.
- Load optimisation- utilising technology and tools to monitor our vehicle loads, we are optimising capacity to ensure we remove unnecessary vehicles from the road.

Alternative fuels

142

CNG Trucks in our fleet

129

LNG vehicles in our fleet

- Liquefied Natural Gas (LNG) trucks are commercially available now as a lower carbon alternative to diesel trucks. Although LNG is lower carbon it is still a fossil fuel and so will also be phased out eventually (likely to be from 2035). Emissions reductions estimated at 20% vs a Euro VI diesel or 33% if a blend of bio-LNG is used. We operate 129 of our own LNG vehicles in the UK.
- Compressed Natural Gas (CNG) trucks are a commercially viable lower carbon alternative to diesel trucks. We currently operate 142 in the UK Although CNG is lower carbon it is still a fossil fuel and so will also be phased out eventually (likely to be from 2035).
- Electric- we are currently conducting trials with 1 electric vehicle to understand the potential opportunities for roll out.
- Hydrogen - GXO Logistics UK are signed up to the Aggregated Hydrogen Freight Consortium (AHFC), a group working towards bringing the demand, supply base and infrastructure for RHD Hydrogen fuel cell vehicles to the UK. Trials are planned for 2023 to determine the opportunities across the business.

- Green Hydrotreated Vegetable Oil (HVO) – trials conducted in partnership with a customer which utilised waste oil from pubs, contributing to a circular economy within the operations. The results from the trials showed a reduction in carbon emission up to 90% compared to diesel. Our procurement department is currently reviewing opportunities to source additional Green HVO from our designated suppliers to incorporate across more of our sites.

We understand our future fleet will be made up of a combination of fuels. In the short term, we are looking to improve our vehicle and fuel efficiency on fleet within our portfolio, as well as improving load and route optimisation. Drop-in fuels and natural gas are viewed as a mid-term solution, before implementing hydrogen and electric in the long term. We are trialling alternatives across the business to understand the challenges and opportunities associated with each.

Upcoming Carbon Reduction Projects

- Specialist electricity reduction projects targeted at our cold storage sites to reduce energy consumed by refrigeration equipment such as installation of a Variable Speed Driver to divert incoming excess energy from the grid.
- Further LED lighting projects to cover > 80% of operational warehouse space. In the UK, the predicted roll out should see 57% of sites with full LED installed by the end of 2023, with an additional 10% of sites a year until the target of 80% is reached by 2025.
- Ever increasing number of lower carbon alternatives in fleet including gas trucks, EV and Hydrogen fuel cell.
- Purchase of REGO certified green energy tariff for all UK sites, to be 100% coverage for entire portfolio.
- A project to review current systems and methodology for Sub Contractor reporting (scope 3 emissions) underway. Determination of our scope 3 boundaries have been conducted by external consultants. The project will review reporting systems and current procurement policies and requirements.
- Roll out the ESG Ambassador programme, to ensure at least one representative per site across our global portfolio.
- GXO Logistics Inc Scope 3 footprint exercise and exploration of global Corporate Net Zero target through the Science Based Targets Initiative (SBTi)

Declaration and Sign Off

This Carbon Reduction Plan has been completed in accordance with PPN 06/21 and associated guidance and reporting standard for Carbon Reduction Plans.

Emissions have been reported and recorded in accordance with the published reporting standard for Carbon Reduction Plans and the GHG Reporting Protocol corporate standard and uses the appropriate Government emission conversion factors for greenhouse gas company reporting.

Scope 1 and Scope 2 emissions have been reported in accordance with SECR requirements, and the required subset of Scope 3 emissions have been reported in accordance with the published reporting standard for Carbon Reduction Plans and the Corporate Value Chain (Scope 3) Standard.

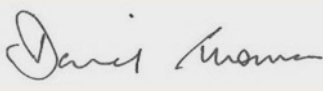
This Carbon Reduction Plan has been reviewed and signed off by the board of directors (or equivalent management body).

Title: Division President, Supply Chain (UK and Ireland)

Signature: 

Date: 17/04/2023

Title: Senior Vice President Finance, Europe

Signature: 

Date: 17/04/2023

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Logistics at full potential