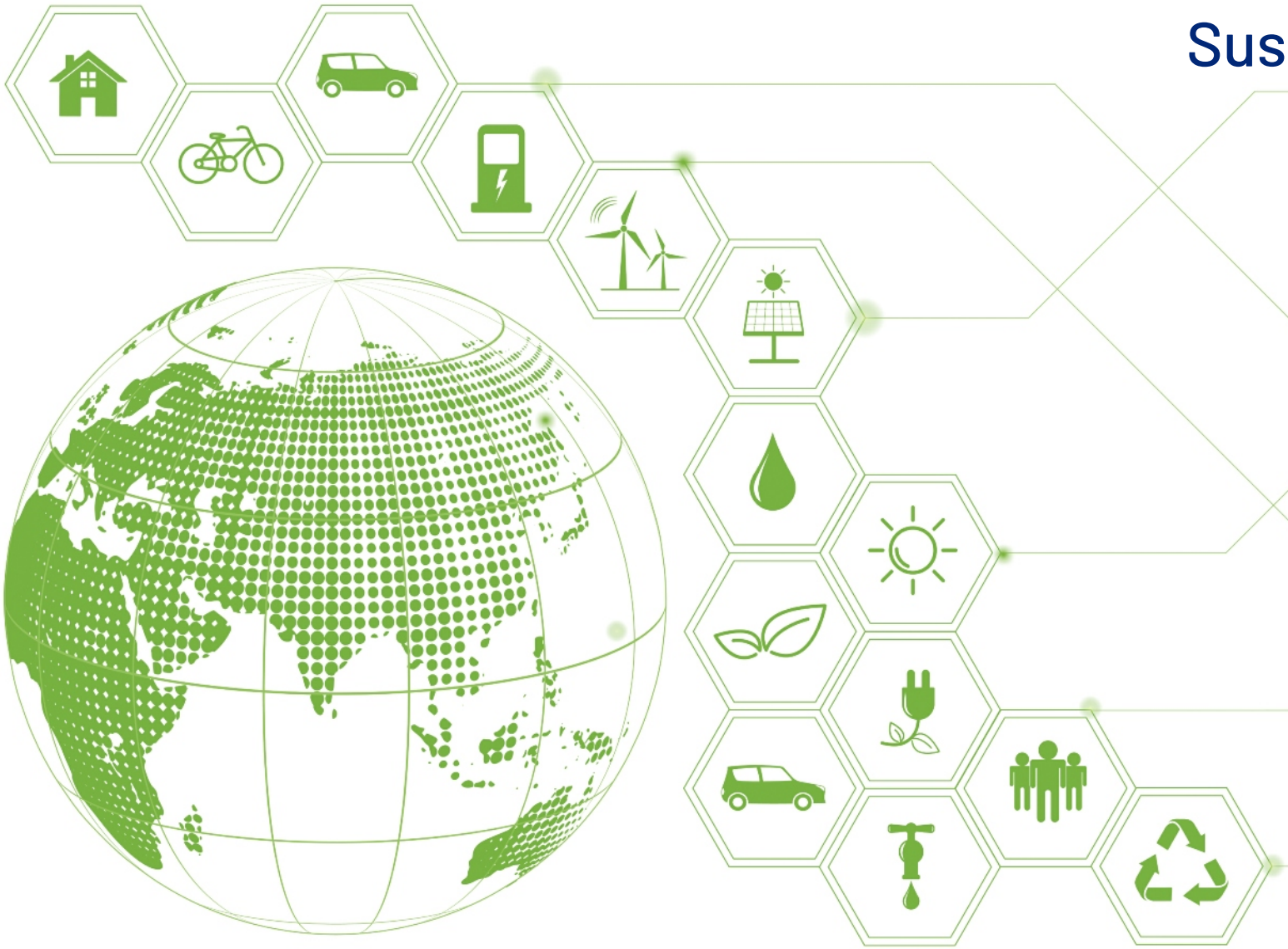
Sustainability Report

2022



FALCO

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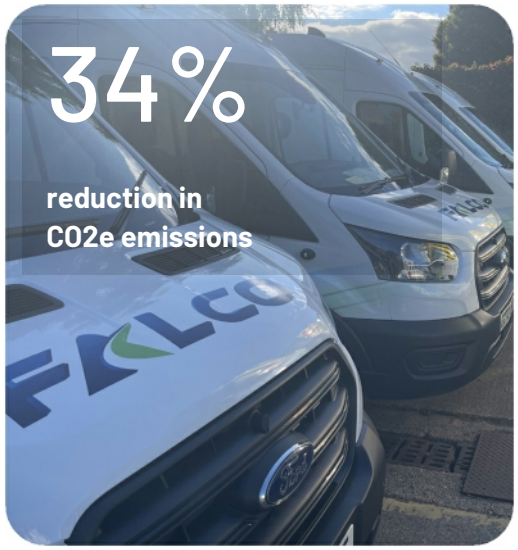
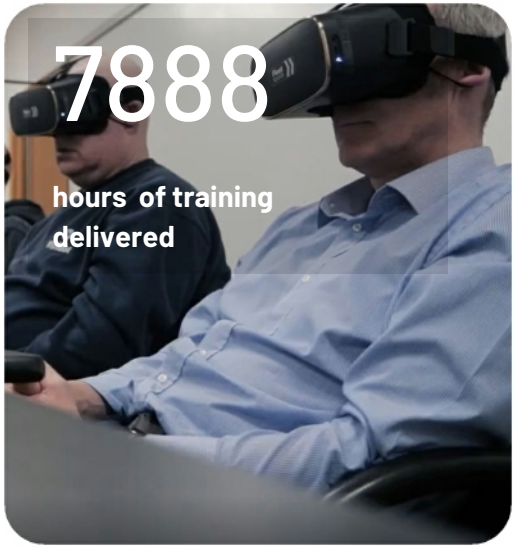
2022 Highlights





Message from our Founder

There has undoubtedly been a noticeable sea-change in the approach to sustainability from within the utility and construction sectors in recent years. Ten years ago or more efforts to implement environmental and social performance were often seen, at best, as an unwelcome imposition from the powers-that-be, at worst a hindrance to programme and commercial viability.

Gradually, however as the commercial as well as environmental benefits of reducing consumption and supporting and engaging local communities have become more apparent and as the consequences of global climate change have become more tangible and urgent so the drive for sustainability has started to come from within – now we are all becoming advocates and indeed campaigners for greater sustainability in our industry.

After all, it would be difficult for us to turn a blind eye as our work, either directly or indirectly, addresses some of the major consequences of climate change i.e. alleviation of flooding, maintenance of energy provision and installation of digital technology.

This is our third annual Sustainability Report and we have made great strides in that time to adapt our business to conserve materials, minimise consumption and reduce carbon emissions as well as building a positive legacy for the local environment and communities we serve.

The year was notable for the implementation of a number of initiatives which have focused on reducing our carbon performance largely through efficiencies in our logistics operation; developing greater appreciation within our management team of environmental issues, how to manage them and engaging more constructively with our stakeholders, especially the local communities in which we serve.

A business is only as good as its staff and we have made great efforts through the transition to employee-ownership and a number of programmes to boost staff wellbeing which, we strongly believe, have made Falco a more sustainable and enjoyable place to work.

There continues to be much pressure on the utilities sector to respond and play a leading role in our transition to a sustainable, low-carbon future.

We are mindful that we work in an interconnected community of suppliers, network providers, regulators and consumers and will continue to monitor their plans and objectives to ensure we remain in lock-step with our partners and stakeholders to ensure together we achieve the sustainability targets set for our sector.

Brendan Griffin, Managing Director, Falco

Our Approach

According to estimates the power and electric utility sectors alone account for thirty four percent of the global greenhouse gas emissions. The sector therefore has to accept a disproportionately greater responsibility than most to reduce its impact upon Climate Change

There is therefore considerable pressure and expectation upon our clients to show leadership in transforming the sector into a low-carbon emitter.

Energy companies are tasked with ensuring power is produced from low-carbon sources and the water sector has already set a more immediate target of net zero carbon emissions by 2030.

For those in the utilities sector that face these challenges and have these targets to meet, working with supply chain partners that can quantify their environmental impact is a crucial step.

We therefore acknowledge and embrace our responsibility to align our business processes with our customers such as UKPN's Green Action Plan and Thames Water's latest ESG Statement.

While as a company we have focused on what we can do to reduce energy consumption we acknowledge that the concept of sustainability isn't limited to just carbon reduction.

Our holistic approach to the discipline therefore encompasses other aspects such as social value, employee and customer wellbeing, health and safety as well as resource conservation to broaden our commitments and demonstrate our credentials as a responsible company.

UK Power Networks
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GREEN ACTION PLAN

Sustainable Management

We have adopted the systems approach to managing our business and have developed an integrated environmental, quality and health & safety management system to provide the discipline and framework to develop, implement and monitor our sustainability initiatives

The integrated management system, which is certificated against ISO 9001, ISO14001 and ISO 45001 passed its recertification audit by NQA in September 2022.

Amongst our business processes, we have diligently identified the relevant environmental aspects which are recorded and maintained in the Environmental Aspects Register.

This register documents the activities undertaken and the environmental impacts associated with it, allocating a severity, impact rating and current/future controls and is assessed during each management review meetings to be kept up to date.

Furthermore, during the lead-in phase for major projects, the register is revisited.

Each environmental impact is assessed according to the contract and any proposed activities mitigating these are once again documented, as are performance indicators.

In the ISO spirit of 'continuous improvement' we have invested heavily to develop processes and methods to gather feedback to measure our performance on key sustainability metrics in order to identify areas for improvement.

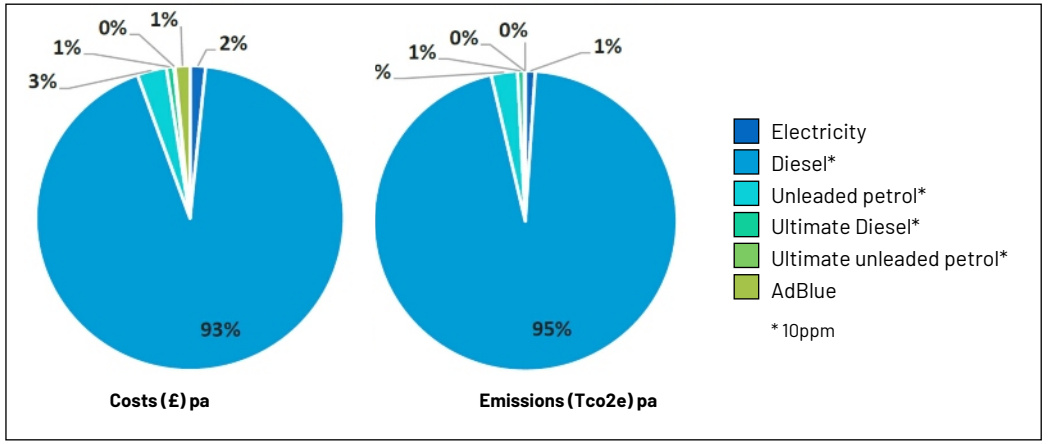
Data about consumption of materials and fuel, client and customer feedback, staff well-being and health and safety among others are continuously fed back into the systems and evaluated to ensure Falco moves forward as a business.

Carbon Reduction

The utilities sector is one of the most significant contributors to global greenhouse gas emissions, estimated to be responsible for over a third of the UK's total emissions. There is therefore considerable pressure on network operators as well as their supply chains reduce energy consumption and to publish and deliver net-zero plans and strategies

Energy type	Emissions (tCO_2e/yr) Scope 1	Scope 2	Scope 3	Total	*Outside of Scopes**
Electricity	0.0	12.4	4.4	**16.7**	*7.4*
Diesel (10PPM)	1225.4	0.0	292.2	**1517.5**	*52.8*
Unleaded petrol (10PPM)	34.8	0.0	9.9	**44.7**	*1.3*
Ultimate diesel (10PPM)	8.8	0.0	2.1	**10.8**	*0.4*
Ultimate unleaded petrol (10PPM)	1.4	0.0	0.4	**1.8**	*0.1*
AdBlue	0.2	0.0	0.0	**0.2**	*0.0*
Total	**1270.6**	**12.4**	**308.9**	**1591.8**	***61.9***

**Biogenic CO_2 accounted for as net '0' due to absorption during growth phase, does not contribute to carbon footprint.*



In 2022 we published our second corporate carbon footprint report. When factoring-in the increase in business (largely due to the expansion of our UKPN work to include LPN and more remote areas of EPN) it revealed a 34% reduction in relative carbon emissions.

Over 90% of Falco's energy consumption is taken up by logistics. It is unsurprising therefore that we have concentrated our efforts to reduce fuel consumption from transport as a the most significant early win in our holistic carbon reduction strategy.

After considerable research of the market we settled upon the Ford Transit (L3H3 RWD - 2.0 TDCi EcoBlue - 170PS) as the standard model to replace our existing fleet of operational vans.

This vehicle is more fuel efficient and with a Euro 6.2 Engine and use of AdBlue emit far less pollutants. Despite difficulties in the supply chain due to COVID, we were able to roll-out a wholesale replacement of 140 vehicles during 2022.

Our commitment to transition to full EV for company cars made in 2018 came to fruition when the last of our hybrid vehicles were replaced by electric models in 2022. Our next target on the road map is to transition vehicles used by Site Agents and supervisors to EV by the end of 2025.

Analysis of telematics data from our fleet management system JobWatch has allowed our transport team to identify and address driver behaviour which includes instruction in techniques to boost fuel efficiency.

Finally in 2022 we implemented a programme to redeploy teams based on their residential locations i.e. clustering the allocation of field staff by proximity to their local dept which has significantly reduce journey distances.

Further scrutiny and analysis of our carbon calculations will take place to identify other areas to target.

Falco's Net Zero plan will be published in 2023.

Staff Development

A truly sustainable business is one which acknowledges, engages, develops and rewards the contribution that its staff make to its success. Continued investment in training, worker engagement and initiatives which build upon the company's employee-ownership model are aimed at creating a productive, flexible and healthy workplace environment which will aid staff retention and happiness

Building upon our transition to an Employee-Owned Trust in 2021 our EOT representatives attended an interactive workshop-style seminar organised by the Employee Ownership Association (EOA) to discuss how to represent employee voice in their business.

In October, our Health, Safety & Wellbeing Director joined 670 other delegates at the 2022 EOA Conference in Liverpool.

All employee-owners owners took part in a first Pulse Survey to gauge their views on the progress of our employee ownership journey and to guide us on our next steps. The results were published in the first issue of the Forum, our new quarterly e-newsletter for employee-owners in December.

We are especially proud of our continued professional development programme which encompasses vocational, health and safety and soft-skills training. We continue to invest heavily and embrace the latest innovations in workforce development.

For example, in July Falco became the first South-East based FORS-accredited fleet operator to use state-of-the-art virtual reality (VR) technology in CPC driver training.

Ten of our drivers attended a Work-Related Road Risk (WRRR) course organised by driver-training specialist, Fleet Source where they donned VR headsets to experience an immersive 6-hour session which included live scenarios to simulate typical situations they are likely to encounter.

We also continue to invest in measures to monitor and support the mental-health of our staff. In 2022 we became a 'company supporter' of the construction charity, the Lighthouse Club.

Lighthouse
The Construction Industry Charity
CLUB

Five of Falco's management team attended webinars organised by the charity in September while a wider training programme to create a 15-strong team of Wellbeing Champions responsible for monitoring their colleagues, providing support and intervention started with a half-day induction for volunteers organised by Mental Health First Aid (MHFA). 'Start the Conversation' training for 30 staff was also delivered by Mates in Mind.

An interactive phone app, which prompts users to assess and record their mood, confidentially monitors these interactions and provides feedback and support when necessary, was installed for all staff.

Mates in Mind

Health & Safety

For all companies operating in the utilities sector, health and safety is a fundamental issue to be managed and it is a core value which is fundamental to our philosophy and success. Our corporate commitment to health & safety is demonstrated and delivered by an occupational health & safety management system which is certificated against ISO 45001. The system was successfully re-assessed following a surveillance audit by NQA in September 2022

Our holistic management system is predicated upon the keys disciplines of risk assessment, competency, monitoring and review.

A key philosophy of ISO 45001 is the requirement for worker engagement in every level of health & safety.

We have introduced monthly meetings which are attended by the management team a supervisor from each division as well as representatives from field operatives.

Discussions include analysis of site audits, accidents/incidents and near misses as well as customer feedback and provide a regular, structured forum for workers to participate and contribute to the management of their own health & safety.

Our monthly Health, Safety & Environmental Dashboard monitors a series of agreed KPI's using RAG (red, amber, green) graphics to track our performance against agreed standards.

The teams review the most recent monthly dashboard, with discussions on improvement action plans for red & amber flagged topics & encouragement & recognition for the aspects that are exceeding targets.

Our monitoring measures include a rolling programme of health surveillance in which field operatives are required to self-assess their health as well as undergo mandatory health inspections every 36-months by Xpress Medicals.

In 2022 we also continued to implement a programme to monitor and support worker mental health - the number one cause of workplace absence according to the HSE.

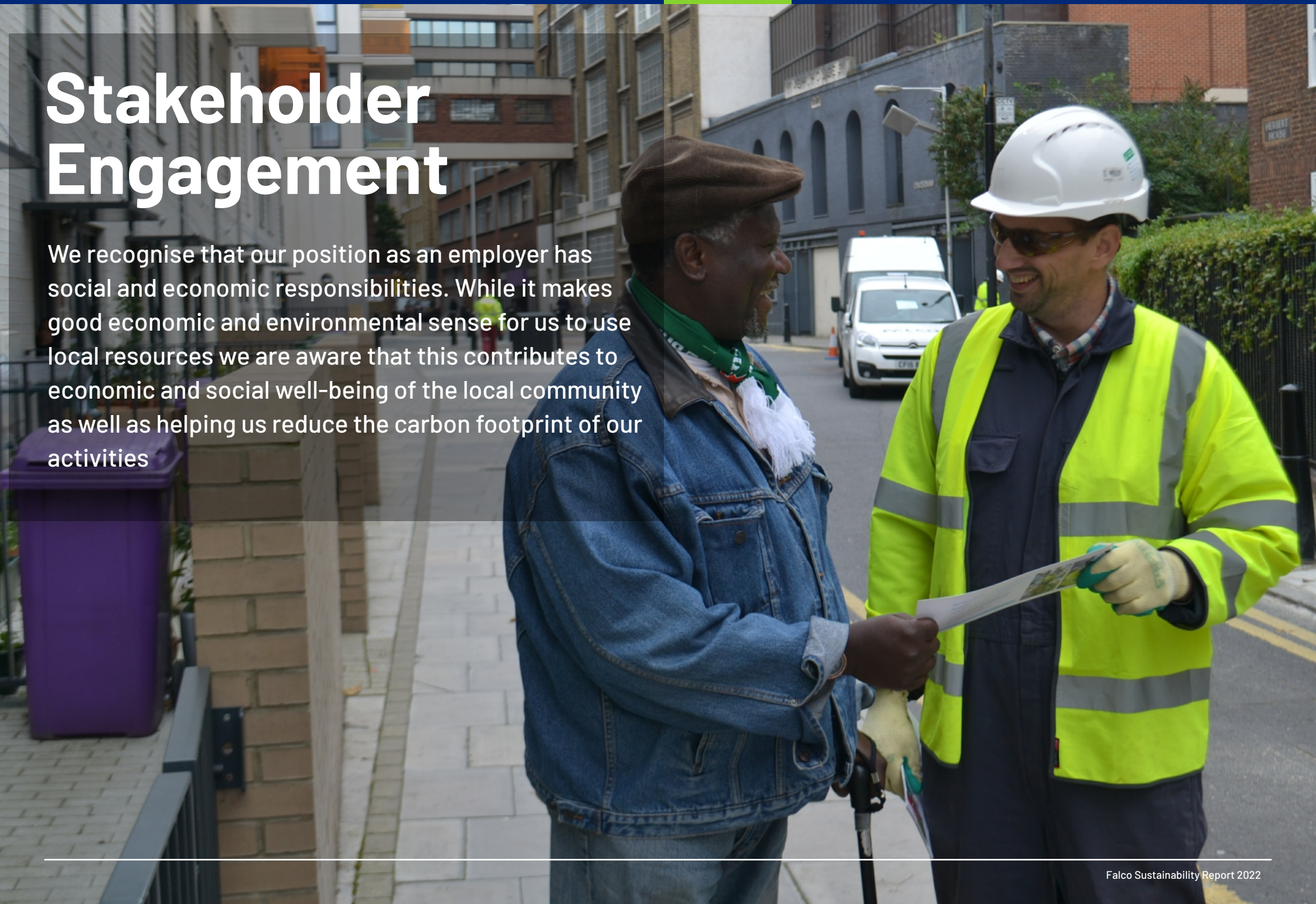
The robustness of our system is demonstrated by a number of milestones achieved in 2022 including 1.5 million person-hours since our last RIDDOR and excellent overall accident/incident rates which compare favourably with our competitors and the utilities sector as a whole.

2022 HEALTH & SAFETY IN NUMBERS	
Site Audits completed	723
Toolbox talks delivered	134
Accident Frequency Rate (AFR)	0
Health Screenings	128
RIDDORs	0
H&S training delivered (hrs)	7888

"Levels of worker engagement are high and various mechanisms are in place to support and encourage participation and consultation. A focus on health and wellbeing is evident and investment in infrastructure with the involvement of workers is evident."
NQA Surveillance Report, Sep 2022

Stakeholder Engagement

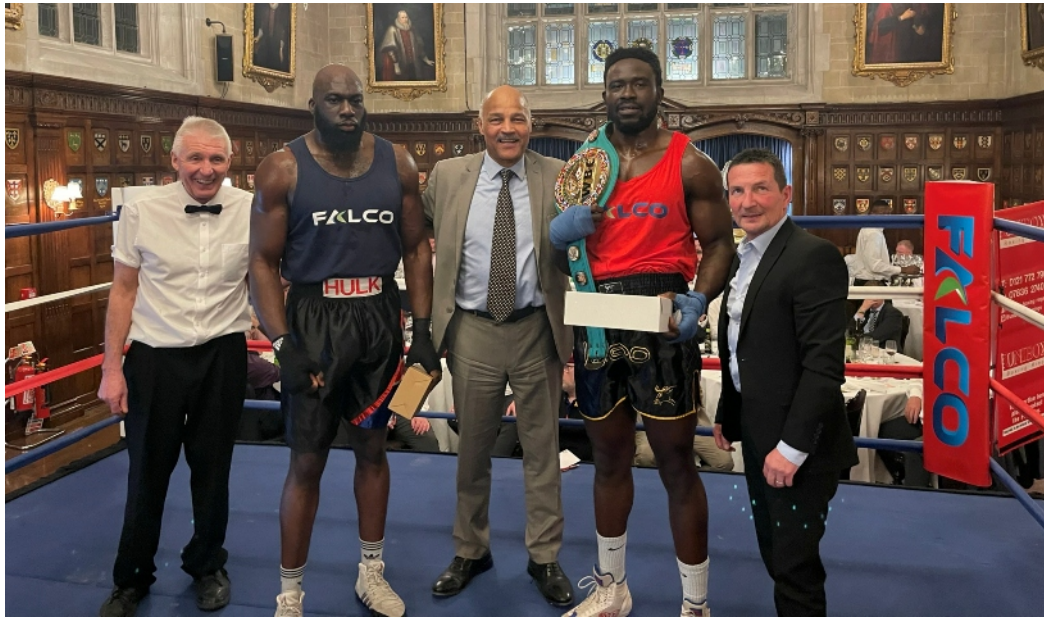
We recognise that our position as an employer has social and economic responsibilities. While it makes good economic and environmental sense for us to use local resources we are aware that this contributes to economic and social well-being of the local community as well as helping us reduce the carbon footprint of our activities



Falco has a demonstrable track record for initiating and developing genuinely collaborative relationships with clients, residents, supply chain partners and other stakeholders. We have many examples of where we have made tangible contributions to the economic, social, environmental and educational well-being of the local communities in which we work.

As part of our new community outreach initiatives Falco has teamed up with the Custom House Canning Town Community Renewal Project (CHCTCRP), which is located in the old St Luke's Church just minutes round the corner from our head office in Custom House. It is a charity working to develop and manage self-sustaining local groups and a range of activities and enterprises for the benefit of the local people.

Falco will be working to enhance CHCTCRP's Skillshop, to provide future training to individuals who may be looking at a career in the construction industry, as well as the insight and education around what those careers may include.



Falco sponsored two tables at the 7th Fit-Out & Construction v The City Boxing Charity Challenge held at Ironmongers Hall, Barbican, London in March 2022.

Attendees included clients and staff as well as our special guest special guest, former world light-heavyweight champion John Conteh MBE. The annual event raised over £3,000 for various good causes including Help for Heroes.

"We are delighted to be starting a new relationship with Falco - our Skillshop project was a huge success, and we are keen to restart this, especially at a time when our young people have been so affected by the pandemic. This initiative will give hope to some of our most marginalised young people."

Sarah Ruiz, Chair, Custom House Canning Town Community Renewal Project (CHCTCRP)

Minimising Waste

Our approach to minimising, salvaging and recycling the wastes we generate is the key principle which enables us to introduce the concept of the circular economy to our contracts and projects. We endeavour to apply the concept of the Hierarchy of Waste into our methodology in which we look to minimise waste generation and promote re-use before recycling and energy recovery with only hazardous materials considered for disposal

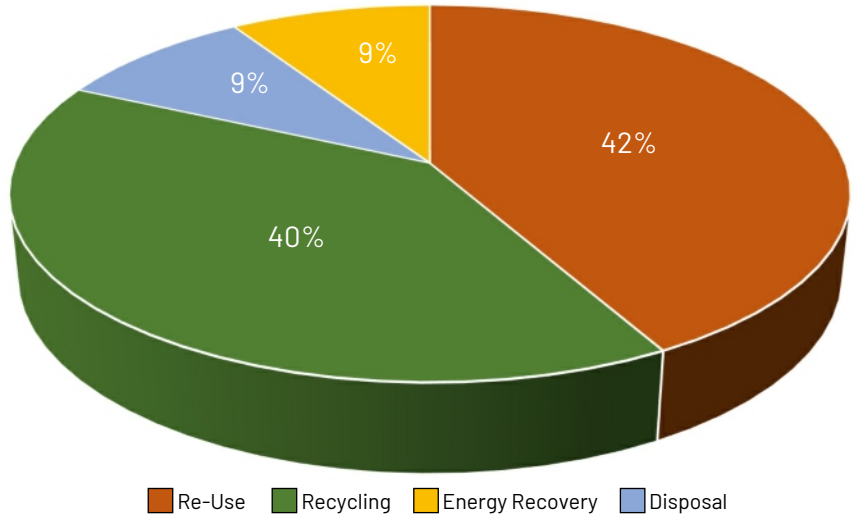
The minimisation of wastes being generated at source is largely achieved through careful planning and accurate procurement of materials which has been refined through experience and analysis of waste data.

The overwhelming majority of wastes generated are from non-hazardous streetworks. Field teams are given regular training and instruction to encourage re-use of materials from site.

For example, FLIP pump tanks have a longer design life than the pumps housed within them, so the teams assess the remaining life of the tank structure & the tank is now re-used rather than being replaced in many cases.

Metallic-trench/tunnel support material is routinely salvaged by field teams and stored for future project use, as is timber which can also be recycled upon reaching end-of-life.

If the quality of excavated arisings can be validated by laboratory testing to demonstrate compliance with the HAUC Specification, they can be re-used as infill for reinstatement.



SITE WASTE MANAGEMENT				
WASTE TYPE	**EWC CODE**	**DESCRIPTION**	**PROCESS**	**DESTINATION**
Metals	02-01-10	Trench/tunnel excavation support	Re-use	Other projects
Timber	17-01-01	Temp works i.e. shaft timbers/offcuts etc	Re-use	Other projects
uPVC	17/02/03	FLIP Pump tanks	Re-use	Same project
Spoil/Subsoil	17-05-04	Arisings generated by excavation	Recycling	MRF
Concrete	17-01-01	Arisings generated by excavation	Recycling	MRF
Asphalt	17-03-02	Surface wastes generated by excavation	Recycling	MRF
Metals	17-04-07	Redundant pipework / offcuts	Recycling	MRF
Plastics	17-02-03	Packaging, containers, redundant pipework	Recycling	MRF
Paper/card	15-01-01	Packaging, General office wastes	Recycling	MRF
Hazardous		Asbestos/Leached contaminants	Disposal	Landfill

Any waste we are unable to reuse, items such as general spoil/subsoil, redundant pipework, packaging, offcuts etc, are collected in skips and removed to a Materials Recycling Facility (MRF) from a list of selected waste providers operating in the regions we work.

We ensure that our waste partners can meet a number of minimum performance requirements, such as recycling rates, distance and accurate traceability reporting for transparent accountability.

This data is shared with our clients to contribute to demonstrating compliance with environmental standards such as BREEAM Infrastructure, contract-specific KPIs or clients' own in-house targets.

Controlling Pollution

When on-site, we have always aimed to be as sympathetic to the surrounding area as possible, and considerate to those in the vicinity. Through our Environmental Management System we consider and implement a hierarchy of emission controls at planning stages to prevent or minimise pollution emissions such as dust, noise, vibration and water-borne contaminants that are generated by our activities on site.

Since most of our work is carried out in urban or city-centre locations preserving air quality is one of our primary concerns.

Excavation can generate significant emissions of dust and we have various methods of damping-down the site including power saws fitted with water-tank/pumps and portable misting systems.

Our fleet replacement programme in 2022 with fuel-efficient sustainable vehicles has delivered dual benefits of carbon and pollution reductions.

The newer spec E6.2 engine combined with use of AdBlue has enabled us to reduce NOx emissions by 100% in 2022 and meet Euro VI standard making our fleet compliant with the Ultra-Low Emission Zone (ULEZ).

This programme has enabled us to contribute to the air quality of the capital and assist clients to achieve their own pollution reduction targets e.g. UKPN to decrease NOx emissions by 33% by 2030.

Since most of our work is undertaken in close-proximity to occupied areas i.e. residential and retail locations and often busy highways, limiting noise and vibration to acceptable levels is a key issue to generating customer satisfaction and goodwill.

Noise is generated primarily through the use of powered plant and equipment and we endeavour to eliminate or reduce impacts during the planning stages by selecting low noise-rated items or techniques.

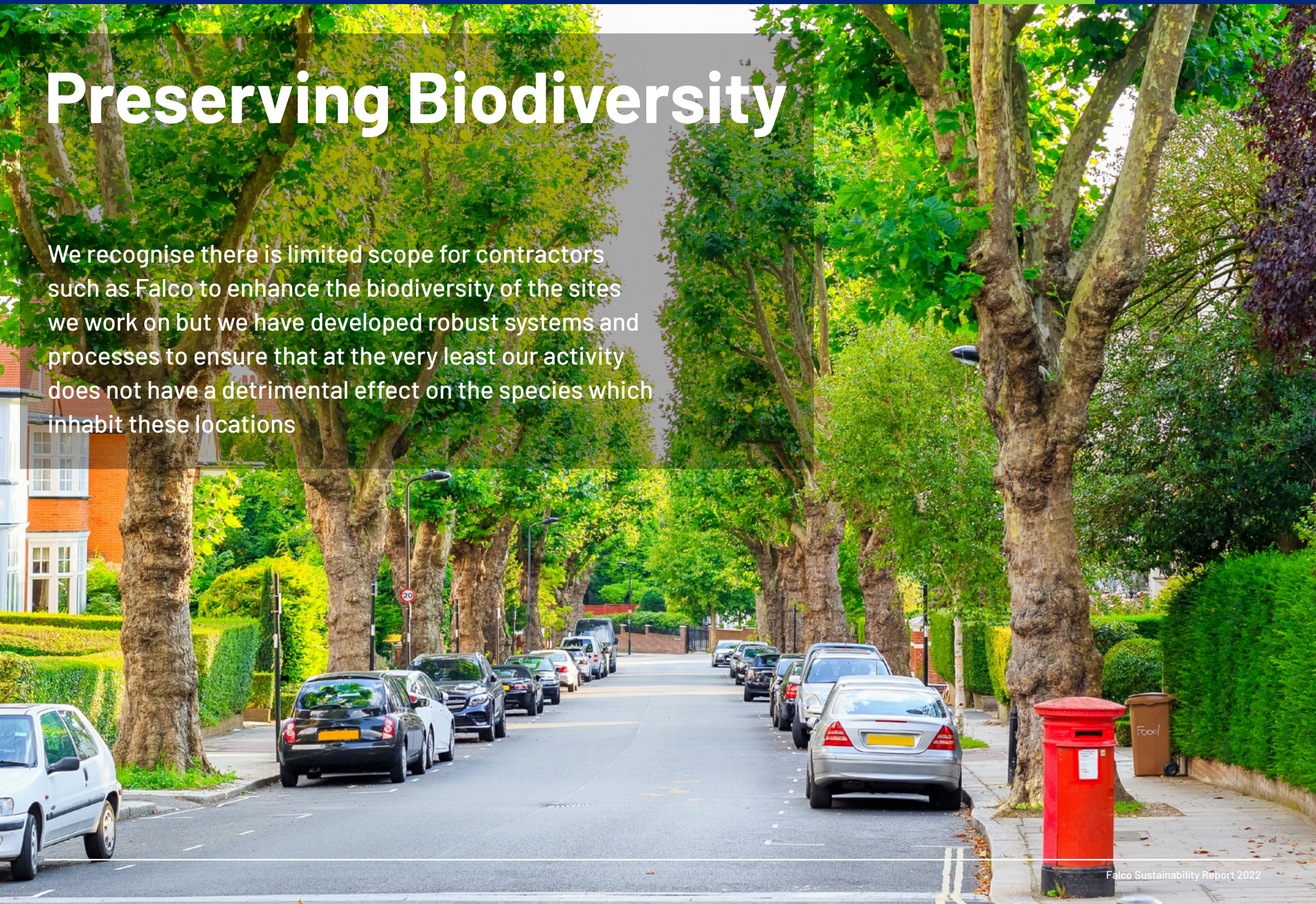
We combine specific initiatives with more traditional measures such as minimising percussive methodologies for compaction and excavation, restricting noisy works to certain time periods and the use of acoustic screens.

To prevent contaminated water within the local environment, we use vacuum well-point dewatering where possible, ensuring pumped water is free from suspended solids and of suitable quality to be discharged into storm-water, as well as foul-water drainage systems.

For compliance with Waste Regulations excavated wastes are sampled and sent for WAC testing to check for contamination prior to disposal

Preserving Biodiversity

We recognise there is limited scope for contractors such as Falco to enhance the biodiversity of the sites we work on but we have developed robust systems and processes to ensure that at the very least our activity does not have a detrimental effect on the species which inhabit these locations



We are keenly aware of our responsibilities as a tier-1 contractor to contribute and assist distribution network operators to achieve their own biodiversity targets.

For example, Thames Water's commitment with regulator Ofwat to enhance biodiversity by 5% at over 250 of its sites by 2025.

Similarly UKPN has its own GAP biodiversity target in which it has surveyed over 100 of its sites to enable it to establish baselines and create site specific management action plans to achieve an overall target of increasing their ecological potential by 20-30%.

Our contribution tends to be limited to in-situ conservation.

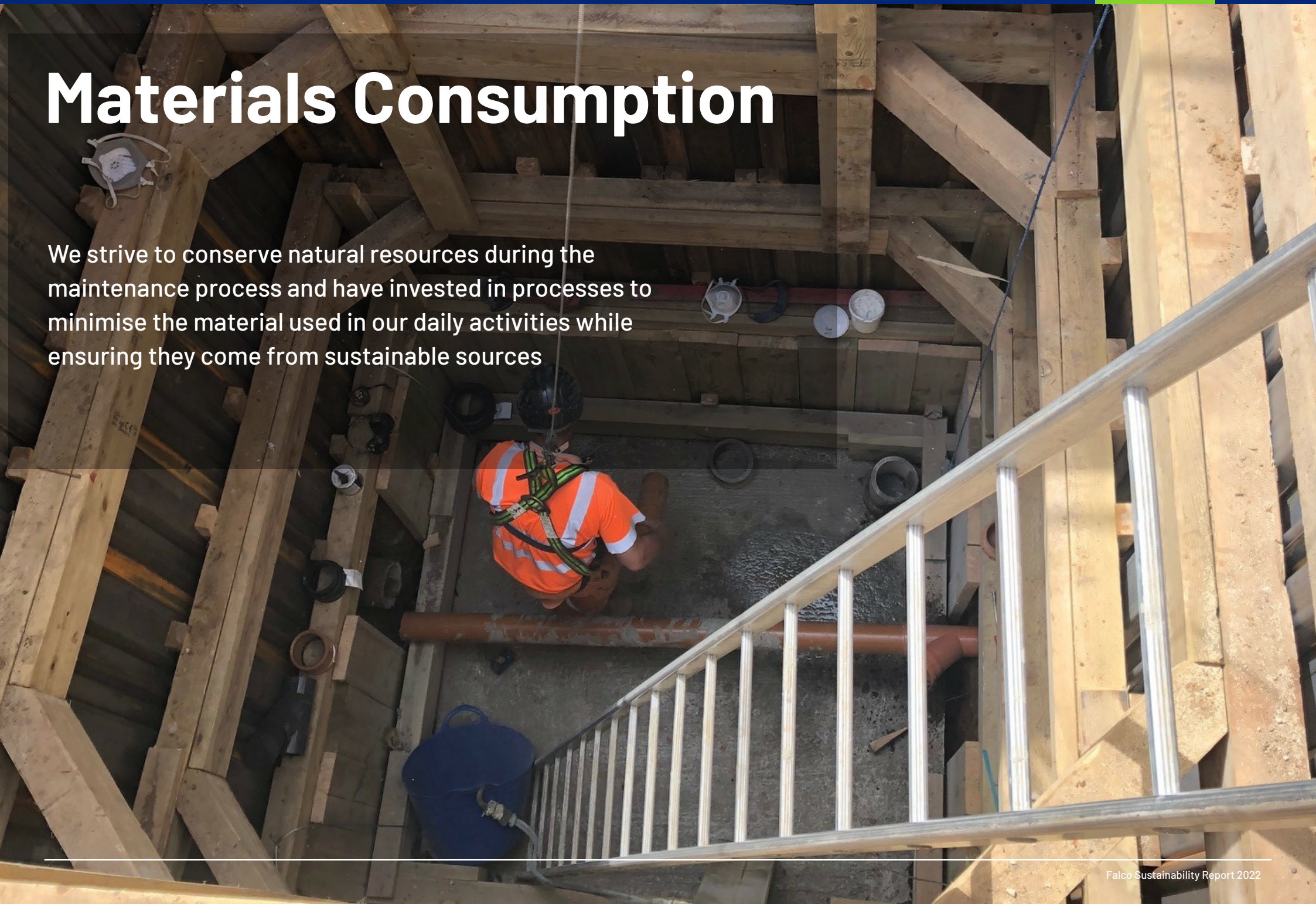
During the mobilisation stage of term contracts and significant standalone projects our HSQE team works closely with the client's team to carried out an Environmental Impacts Assessment which includes an evaluation of the effects our works may have on the ecology and biodiversity of the immediate area.

This information is fed into the planning process with, typically, our methodology adapted to avoid obstructing or hindering protected species.

Environmental specialists will typically be responsible for capturing and relocating animal species and arboricultural suppliers will implement any tree protection required.

Materials Consumption

We strive to conserve natural resources during the maintenance process and have invested in processes to minimise the material used in our daily activities while ensuring they come from sustainable sources



Our core activities - the facilitation of the installation and maintenance of underground utility assets - tend not to consume much in the way of materials.

However, we have developed and implemented various policies from the planning stage to site-level works to reduce the use of new materials where possible.

Site teams are given regular instruction and training to identify items which can be salvaged for re-use e.g. FLIP Chambers, trench/tunnel support etc.

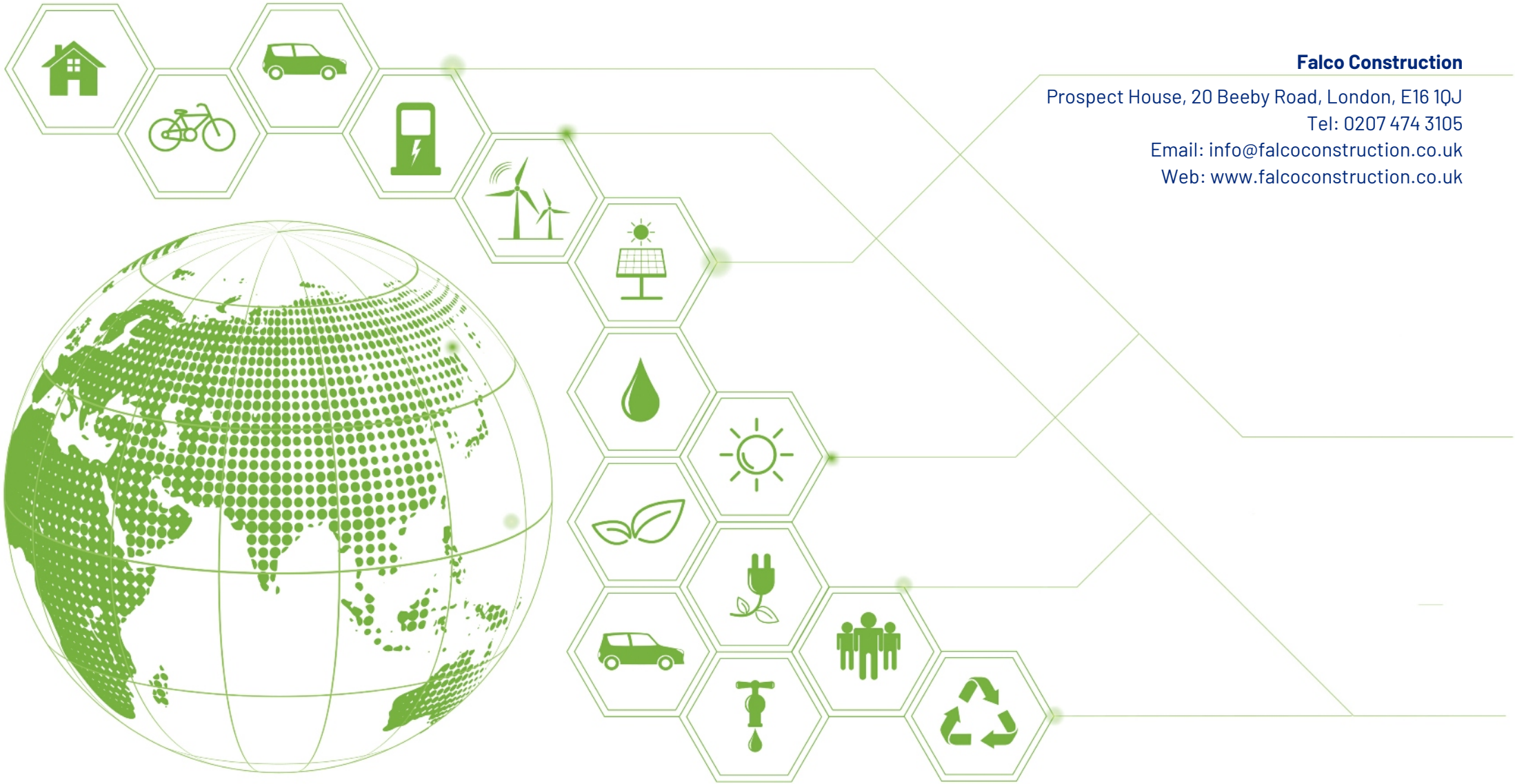
We are also mindful of the provenance of materials when procuring new with emphasis on sources that can display sustainable product stewardship and ethical labour practices.

For example, timber for hoardings is purchased from a demonstrably sustainable resource and certificated to an appropriate FSC standard.

Where feasible, our Estimators are expected to source locally and procure materials with reference to BES 6001 - The Framework Standard for Responsible Sourcing and the Green Guide.

BES 6001

Responsible Sourcing



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