

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

2023



In this report

Overview

Red squirrels: facing an uncertain future 3

Message from our CEO 5

About us 6

Governance

Our ESG governance 11

Our Board 12

Our environmental policy 15

Risk management

Our risk management process 19

Our risk mitigation measures 23

Strategy

Overview 25

Climate scenarios 26

Our financial modelling 27

Materiality 28

Our risks 31

Our opportunities 35

Metrics & targets

Measuring and managing our climate impact 37

Our climate-related targets and KPIs 38

Our greenhouse gas emissions 39

Carbon balance sheet 40

Energy 44

Appendices

Our climate risks 47

Our calculation methodology 50

Re-stated figures 51

Introduction

Since 2017, we have been working to transform Inspired from a procurement-focused energy advisor into a full-suite sustainability services provider, offering innovative solutions to help businesses achieve Net Zero and thrive in the future low-carbon global economy. This has been in response to considering the risks and opportunities associated with climate change and the transition to a low-carbon economy. As part of this, we have been publishing a Task Force on Climate-related Financial Disclosures (TCFD) Report since FY20, outlining our process for assessing risks and our responses to climate change.

As a sustainability service provider, we aim to hold ourselves to the highest standards, especially around transparency and reporting, so our stakeholders understand our strategy and actions. This disclosure follows the TCFD guidance, to ensure the reporting is clear, comparable, and consistent year after year. It demonstrates how we are responding to the challenges and opportunities of climate change and embedding this into our business operations.

This financial year, we have made our Scope 1 & 2 Net Zero target more ambitious, by bringing it forward from 2035 to 2030. We are currently in the process of having our targets validated by the Science-Based Targets Initiative (SBTi).

Red squirrels: facing an uncertain future

The species within an ecosystem often evolve together to form a complex web of interactions and relationships.

This equilibrium can be threatened by changes such as the introduction of new species or altered weather patterns.

At Inspired PLC, our operations have a limited impact on biodiversity but we still want to be making a difference. We therefore highlight a different animal or habitat each year to provide a focus to our efforts.

This year, in conjunction with our ESG report, we have chosen to focus on the red squirrel. An iconic symbol of British wildlife, this small mammal was once common in the woods and forests of the United Kingdom. Unfortunately, the introduction of the grey squirrel from North America by the Victorians led to the decline of the red squirrel. Loss of habitat also contributed to their decline.

The red squirrel is now considered near threatened in Scotland and endangered in the rest of the UK, according to the Red List, which classifies endangered animals.

Across the UK, there are projects aimed at protecting and reintroducing the red squirrel. There are also research projects into how to manage the grey squirrel population to allow our native species to flourish.

Supporting one species often requires restoring more of the original ecosystem to enable a stable population to establish. This is an increasingly important area of focus and research for reintroduction projects, without which, many species face an uncertain future.



About this report

Recognising the importance of good disclosures on climate-related risk management, various regulations require UK companies to produce TCFD-aligned reports each year. Since 2021, the Financial Conduct Authority (FCA) has required TCFD disclosures for Premium-listed UK Companies, with Standard-Issuers having been required to report from 2022. Also, since 2022, the Department for Energy Security and Net Zero (DESNZ) has mandated Climate-Related Financial Disclosures (CFD) aligned to the TCFD framework for many UK companies.

We have been using the TCFD framework voluntarily since FY20 and are now required to comply with the mandatory CFD regulations as an AIM-listed company with over 500 employees. In the current financial year, we have complied with all of the eight mandatory climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

The TCFD recommendations provide guidance on reporting the risks and opportunities associated with climate change and the transition to a Net Zero world, aiming to increase transparency about how companies respond. Investors are able to understand climate-related risk exposure and the carbon footprint of their assets and allocate capital accordingly.

The recommendations have four sections, following key business themes to ensure climate change is embedded throughout the operations of a company: governance, strategy, risk management, metrics and targets. Under each theme, there are recommended disclosures.

The TCFD has divided the risks into physical (from changes to the climate) and transition (from changes to regulations, society and the economy due to climate change). These are further divided into acute and chronic physical risks and transition risks associated with policy and legal, technology, markets, and reputation. Opportunities are an important part of the TCFD, and these can arise from resource efficiency, energy sources, products and services, markets, and developing resilience.

At Inspired, we believe a resilient business model depends on good risk management, including management of climate-related risks and opportunities. Therefore, we have used the TCFD guidelines, to create an internal climate risk framework to identify physical and transition risks and opportunities for our business. Based on these findings, we implement measures to mitigate climate-related risks and seize opportunities.

This report outlines the risks, how they are evaluated and how their management is integrated into our strategy and governance. It explains the metrics and targets we use to monitor our response to the challenges of climate change.

Figure 1: TCFD structure



Message from our CEO



During 2023, the Board decided to revise our Scope 1 and 2 Net Zero target to make it more ambitious by bringing it forward to 2030.

Mark Dickinson
Chief Executive Officer
Inspired PLC



The delivery of Net Zero is a critical requirement for society, and Inspired has worked hard to position itself as a leading provider of practical sustainability solutions.

Businesses will be crucial in helping the UK achieve Net Zero emissions by 2050. We are committed to doing our part, supporting businesses in reaching their decarbonisation goals through effective management of energy costs, diligent measurement of scope one, two and three emissions and delivering projects that remove carbon from society.

Over the last few years, we have been working to develop and grow Inspired into a business that can support companies with all aspects of their Net Zero journey, from measuring and managing their energy to setting targets, installing on-site generation such as solar panels and preparing disclosures on their response to climate change.

This has included developing our ESG department, providing a range of new services to all our clients, which build on our existing offerings. Also, we can offer clients comprehensive support on all the main regulations and reports around environmental, social and governance topics. In addition, it has diversified our business revenue and aligned it to some of the most

relevant macro themes that are facing society today; energy crisis defence, ESG and Net Zero. We are pleased to have seen strong growth again this financial year and are proud to be a market-leading commercial energy and sustainability advisor.

We are particularly pleased with how the Group is progressing with its ESG and sustainability journey. It starts with best-in-class disclosures, which are provided to a standard that underpins our award-winning service. This was recognised for Alliance Pharmaceuticals disclosures, created by the Inspired team and recognised for the “Best Communication of Sustainability” from the Investor Relations Society.

During 2023, we focused our attention on our decarbonisation plan and our journey to Net Zero. As a result, the Board decided to revise our Scope 1 and 2 Net Zero target to make it more ambitious by bringing it forward from 2035 to 2030. This will be achieved through the decarbonisation of our estate. I am proud to say that our Kirkham Head Office is set to be a Net Zero building as part of our phase 2 development during FY24.

Mark Dickinson
Chief Executive Officer
Inspired PLC

About us

Inspired PLC (“the Group” or “Inspired”) is a full-suite sustainability service provider, offering innovative solutions to help businesses achieve Net Zero and thrive in the future low-carbon global economy. Our services range from utility data management and procurement to consumption reduction and intelligent ESG strategies. We offer a full range of integrated sustainability solutions through our four divisions.

We aim to take our clients on a journey to Net Zero, by offering customised and practical solutions which help them to manage risks and succeed in the future Net Zero economy. Energy is an essential item for all businesses, playing a crucial role in achieving business goals and reducing carbon emissions, with the transition to Net Zero. Therefore, we focus on helping our clients improve cost control, reduce energy consumption and carbon emissions, and comply with regulations.

Our divisions

We support over 3,500 clients across our four divisions. The services of each division are interconnected, to enable us to offer our clients a full suite of ESG services. Here is an overview of our services:

Assurance Services

Our Assurance Services Division helps our clients manage their utility data and costs.

ESG Services

Our ESG Services Division specialises in supporting businesses making revenue critical ESG disclosures to retain customers, comply with regulations and attract investment.

Optimisation Services

Our Optimisation Services Division delivers innovative solutions to help our clients transition to net-zero by reducing carbon emissions, cutting costs, and optimising utility usage.

Software Services

Our Software Services Division delivers technology and software solutions to manage the vast amounts of sustainability data that underpin the services provided by Inspired. Also, Inspired’s software is licenced by third parties.



The red squirrel is easily recognisable with its distinctive red colour and tufted ears.

Our reporting

This voluntary TCFD and mandatory CFD report is one of a suite of disclosures we produce each year, to ensure that our stakeholders have the information they need and to demonstrate our capabilities to clients. Each year, we publish a standalone voluntary TCFD and mandatory CFD report; a GRI-aligned ESG report; a Streamlined Energy and Carbon Reporting (SECR) disclosure; a CDP disclosure; and a Gender Pay Gap report.

Four principles underpin our disclosures:

1. Transparency

Climate-related disclosures that represent relevant information that is specific and complete about the business.

2. Honesty

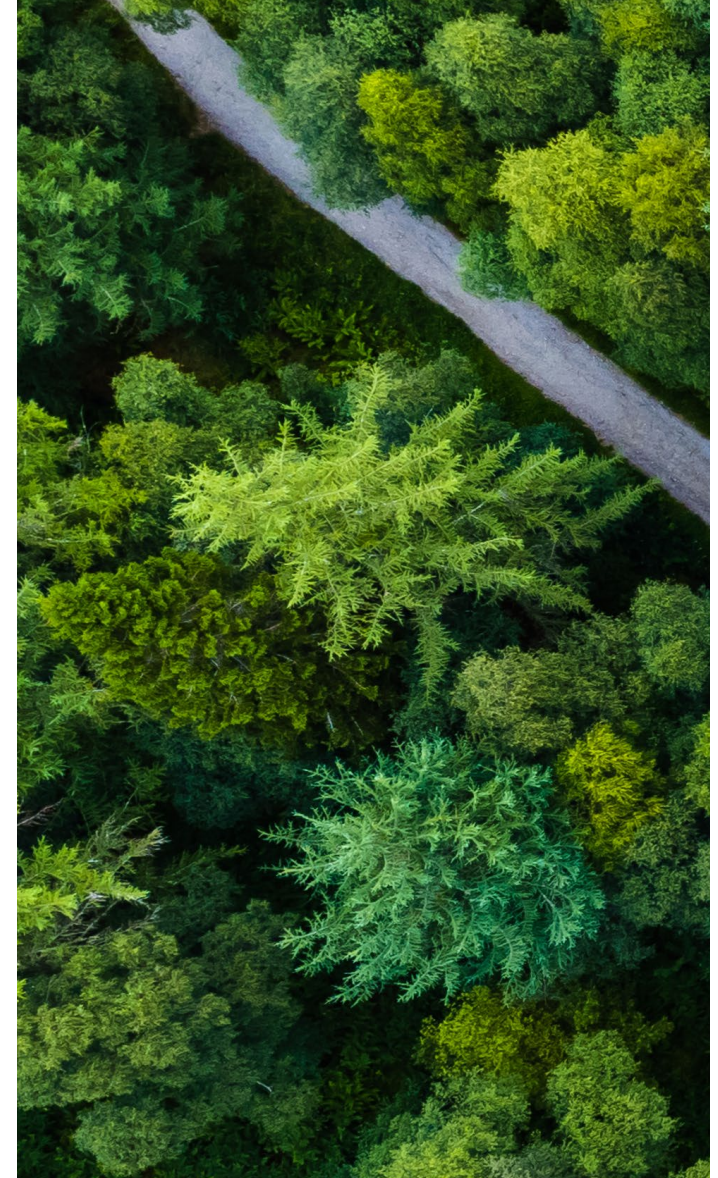
Clear, balanced, and understandable climate-related disclosures reflect what we can and cannot do as an organisation, based on the overall needs of the business.

3. Practicality

Implementing improvements that address our climate-related impacts, while being cognisant of not prejudicing the underlying business strategy.

4. Pragmatism

Recognising that maintaining employment and access to capital through the delivery of market expectations are important.



Our path to net zero

Completed

- | | |
|------|--|
| 2021 | 100% green energy used in our offices.
Carbon offset operational Scope 3 emissions.
Waste reduction targets set. |
| 2022 | Submitted Letter of Intent to the SBTi.
Opened our London office in a BREEAM in-use Very Good building. |

Planned

- | | |
|------|---|
| 2024 | Open our new head office in Kirkham, set to be net-zero after development. |
| 2025 | 25% absolute emissions reduction (Scope 1 and 2).
Replace all single-use plastics.
25% water use reduction. |

Net-zero targets

- | | |
|------|--|
| 2030 | Updated target: Scope 1 and 2 net-zero target achieved. |
| 2050 | Scope 1, 2 and 3 net-zero target achieved. |

GOVERNANCE

Disclose the organisation's governance around climate-related risks and opportunities.

As woodland creatures, red squirrels rely on trees for food with their diet largely consisting of nuts and seeds.

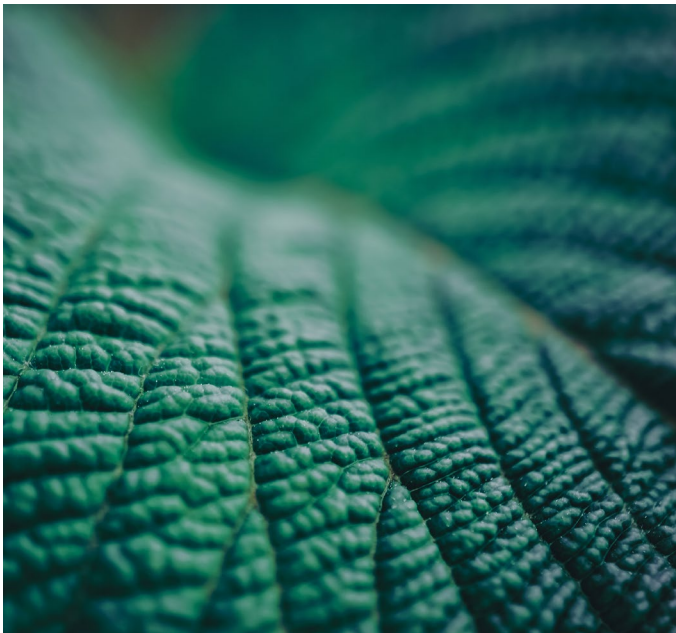


Our ESG governance

Sustainability and climate change are embedded throughout our internal governance processes, from the Board to our Employee Engagement Committee. As well as ensuring we are following best practices, we want to have that practical knowledge of embedding climate change into our business processes to showcase and support our clients.

In 2023, our ESG Action Committee met for the first time and held three meetings, which are outlined on the next page.

Figure 2: The diagram below gives a summary of the Group's governance structure



Our ESG governance *continued*

The Board

The Board and executives have overall responsibility for identifying, assessing and managing our climate-related risks. Risks are reviewed annually, following a workshop led by our internal sustainability team, which explains any changes or updates to the modelling and outputs that year. This financial year, the risks were reviewed in November 2023, and climate change was added as a regular agenda item for the November meeting going forward. Our Net Zero targets are considered when reviewing the October annual budget.

In July 2023, a climate risk and Net Zero workshop was held with the Board to provide insight into how we can decarbonise our operations and wider Scope 3 categories. A climate-related financial disclosures working session was held with the executive management in October 2023. This session covered our reporting requirements and current position and provided further information on climate change and climate-related risks and opportunities.

Climate change has been included in our main risk register under the ESG & Political section since November 2022. It outlines the potential physical risks to our sites and contractors, the possible impacts of increasing demand for our services, particularly around our engineering contractors, and the transition risks within our supply chain.

In FY24, we will overhaul our climate risk register, to reflect the changes to the business in the last three years and embed the latest findings from our scenario modelling and horizon scanning. This will be discussed quarterly at the corporate risk-register review meeting.

Executive Responsibility

Our CEO, Mark Dickinson, drives our focus on Net Zero and has executive responsibility for climate impact. He is responsible for ensuring that climate-related risks, opportunities, and responses are integrated into the existing business strategy. Our CFO, Paul Connor, has responsibility for consideration of the potential financial impacts. He provides the financial figures, which allow us to conduct the financial modelling (for further information, see here).

Aligning Incentives

We have had an ESG component to our Executive Remuneration since 2021. It has a weighting of 20%, and we are currently exploring how best to include specific climate-related targets within the bonus structure.

Audit Committee

The Audit Committee consists of three non-executive directors from the Board and has oversight of Inspired's risk assurance and management framework and risk mitigation. It is responsible for the final sign-off on our annual TCFD disclosure within the Annual Report.

ESG Performance Committee

The ESG Performance Committee sits at the Board level alongside the Audit, Remuneration and Nomination Committees. It comprises our non-executive directors and chairman and is responsible for holding the Executive Directors to account with respect to climate risks, impacts and all ESG-related matters to the business. It meets quarterly and reports to the Board after each meeting. In November 2023, our internal sustainability team held a climate-related financial disclosures working session with the Committee to explain our reporting requirements and current position and to provide capacity building on climate change and the associated risks.

ESG Action Committee

In FY23, our ESG Action Committee convened for the first time and had three meetings across the year. It consists of a senior representative from each business area, allowing it to monitor and manage the day-to-day actions that will help us achieve our sustainability targets, thereby reducing our climate-related risks. The role of each committee member is to facilitate ESG dialogue and implement the various ESG initiatives within their departments. This financial year, actions were planned for each of our ESG and Net Zero targets, and responsibility for each was assigned to a named role. The Committee reports to the ESG Performance Committee and the Board after each meeting.

Employee Engagement Committee (EEC)

Our Employee Engagement Committee is important because we want sustainability to be championed by our employees. It meets monthly and consists of employees from all business divisions. It is supported, where appropriate, by the ESG Action Committee, which can help in developing plans or submitting requests for funds to the Board. This ensures the EEC is empowered to act while remaining a safe space outside of management for employees.

SDGme

We have developed an app called SDGme, which promotes engagement with the United Nations' (UN) Sustainable Development Goals (SDGs) and carbon reduction actions. It aims to help people understand the impact their choices can have on their carbon footprint and links to global social and environmental issues.

SDGme is available to all employees, and in 2023, over 2,000 actions were logged, saving 8.1 tCO₂e. Actions include choosing active travel over driving, conserving energy by turning off devices at night and shopping locally. It has been rolled out to the first clients in 2023, and we look forward to developing it further in 2024.



Our Board

Richard Logan

Non-Executive
Chairman



Mark Dickinson

Chief Executive
Officer



Paul Connor

Chief Financial
Officer



David Cockshott

Chief Commercial
Officer



Skills and experience

Richard is a chartered accountant with nearly 40 years' experience of working in industry.

Having qualified with Ernst & Young in 1984, he has held senior roles with Ben Line Group, a shipping and oil company, and Kingston SCL Limited, a provider of mobile phone billing software, where he was involved in a private equity-backed management buyout and subsequent trade sale. Richard was Finance Director of cloud computing company Iomart Group plc (AIM: IOM) from 2006 until his retirement in December 2018.

Richard holds a BA in Accountancy from the University of Stirling and in 2013 was Smaller Quoted FD of the Year at the FD Excellence Awards.

Mark joined the Board during 2016 as a Non-Executive Director and became CEO in October 2017. Mark is an energy consultancy specialist with over 25 years' experience of developing and advising companies in the sector.

Mark was CEO of M&C Energy Group, where he led the buy and build strategy, completing four acquisitions before selling the company to Schneider Electric in 2013. He brings significant industry knowledge coupled with experience in executing acquisitions and has a Master's in Finance from the London Business School, where he was voted Accomplished Entrepreneur of the Year in 2012.

Paul was appointed Chief Financial Officer in December 2014, having joined the company as Head of Finance in September 2013.

Paul has been responsible for facilitating and delivering the acquisitions of 18 businesses. Paul qualified as a chartered accountant in 2009.

David joined the Group in 2020 and became Chief Commercial Officer in March 2022, bringing over 30 years' experience in the energy sector. He has held board positions at Marubeni-owned Smartest Energy Limited and at Inenco Group, as well as had executive responsibility for I&C and latterly, domestic markets for energy supplier Npower.

External appointments

Richard is a Non-Executive Director and Chairman of the Audit Committee of Pebble Beach Systems Group Plc, an AIM listed company (PEB) providing software solutions to the broadcasting industry.

N/A

N/A

N/A

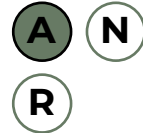
Sangita Shah

Non-Executive
Director



Dianne Walker

Non-Executive
Director



Peter Tracey

Non-Executive
Director



Skills and experience

Sangita is the Senior Independent Non-Executive and has extensive experience in corporate finance, journalism and senior consultancy. She has held a number of senior roles within blue chip organisations, including Unilever, Mars, Ernst & Young and KPMG, was a former board director of Swindon Town FC and a past President of the Chartered Institute of Journalists. She has consulted to a number of organisations including HM Cabinet Office and HSBC.

Sangita is a qualified accountant and a frequent keynote Chair and speaker in forums for the Windsor Leadership Trust, and in the past, the European Parliament.

Dianne is an experienced, award-winning Non-Executive Director with a strong background in finance, risk and governance. Prior to holding non-executive and board advisory roles, Dianne was a member of the senior management team at PwC overseeing audit and transaction support professional services. Diane is a Fellow of the Institute of Chartered Accountants in England and Wales.

Peter is Managing Director of Blackdown Partners Limited, an independent investment bank. Peter has over 25 years of capital markets experience, including Head of Investment Banking at Liberum Capital and senior leadership positions at Merrill Lynch across cash equities and investment banking in London, Frankfurt and New York.





External appointments

Sangita is currently Chairman of AIM quoted companies Kinovo plc and RA International Group plc, a board Director of Ten Entertainment Group plc, and NASDAQ listed Forward Industries Inc. On a policy level she presides over the Quoted Companies Alliance, and as an investor presides over several private companies.

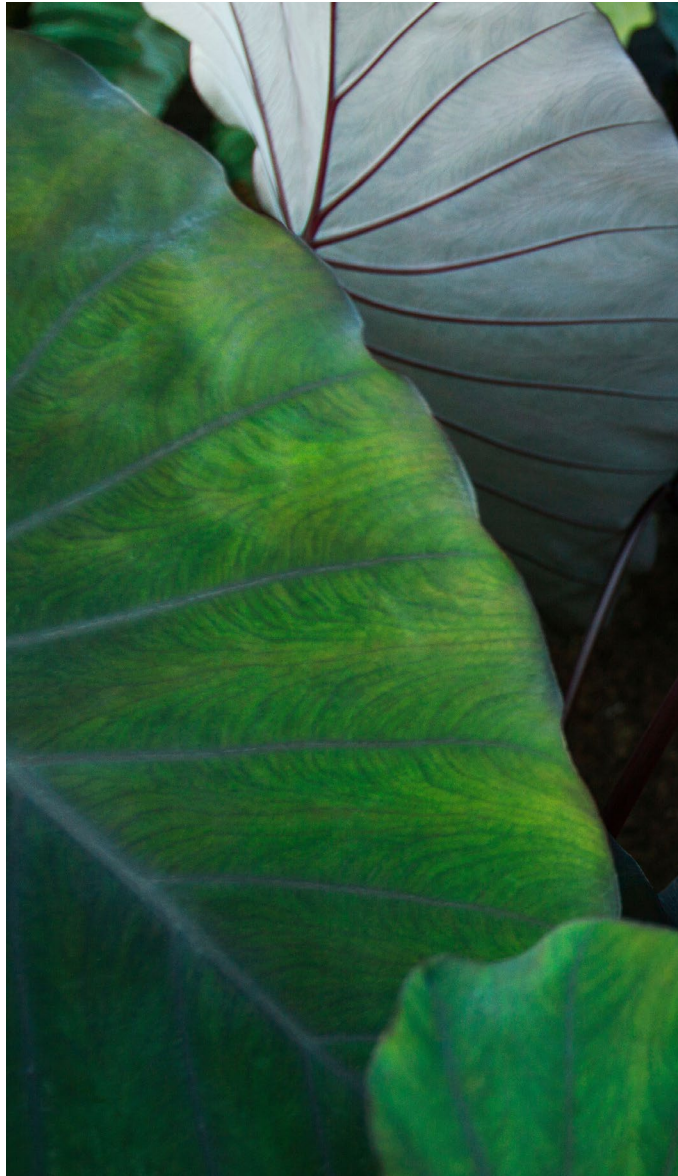
Dianne holds the position of Non-Executive Director and Chair of the Remuneration Committee of Victoria Plumbing plc, Non-Executive Director of Development Bank of Wales plc and Senior Independent Director and Chair of the Audit Committee Scott Bader Co.Ltd. Dianne is also Non-Executive Chair of a small private limited companies, J&L Elevator Components (EOT) Ltd.

Peter is a Non-Executive Director of Water Babies Group Limited and is Chairman of Hurtwood Capital Limited, a private family office with interests in the real estate and media sectors.

Key:

-  Audit & Risk Committee
-  Nomination Committee
-  Remuneration Committee
-  ESG Performance Committee
-  Chair

Our environment policy



We acknowledge the climate emergency and are committed to assessing our business strategy's climate-related risks and opportunities, taking actions to mitigate the risks, and seizing the opportunities. As demonstrated by our Net Zero targets, we are proactively reducing our environmental impact every year. Continually improving our environmental performance is fundamental to our business strategy and something we embed across our operations. We want our stakeholders to adopt sound environmental practices so that together we can safeguard the environment today and for future generations. [View our policy here.](#)

Travel

We operate and maintain company vehicles (where appropriate) with due regard to environmental issues, as far as reasonably practical. We encourage the use of alternative means of transport, including public transport, cycling and car sharing. We promote using travel alternatives, for example, e-mail, or video or telephone conferencing.

Offices

We are currently assessing our offices in terms of energy efficiency and usage. We are moving towards a collection of smaller collaboration hubs, as most employees now work remotely. This will reduce the energy and water usage associated with our office space. We are increasing the use of environmentally friendly cleaning materials, where possible.

We have signed for a new head office in Kirkham for 2024, which will allow us to create a Net Zero building. When refurbishing our offices, we aim to maximise the use of as many environmentally friendly materials as possible. We consider environmental impact when purchasing products and services. We encourage others to do the same.

Local Community

We aim to continuously reduce the air, water, noise and light pollution from our premises and any impacts from our operations on the environment and local community. We prioritise using local labour and materials (where available) to reduce GHG emissions and help the community, both economically and environmentally.

Managing climate-related risks through our supply chain

We ask all our suppliers to disclose their environmental policies and check this as part of our supplier onboarding. This allows us to ensure that all our suppliers maintain environmental standards that are consistent with our own.

As part of our Scope 3 targets and data collection improvement, we are working with our suppliers to better understand their emissions. We want to encourage most of our suppliers to produce TCFD or equivalent disclosures. In 2023, we started discussing lifecycle analysis with some of our key suppliers, to provide more granularity to the data around the products we sell. In 2024, we will be updating our Supplier Code of Conduct, to include more specifics around environmental management, data and targets.



RISK MANAGEMENT

Disclose how the organization identifies, assesses, and manages climate-related risks.



Reintroduction projects of pine martens suggest that they may predate more grey squirrels, which could help red squirrel numbers recover.

Our risk management process

Good risk management is key to a strong and resilient business. We operate in a constantly evolving environment, and not all risks are controllable or foreseeable. For example, natural disasters or pandemics. This is particularly true of the risks associated with climate change and the transition to a low-carbon world.

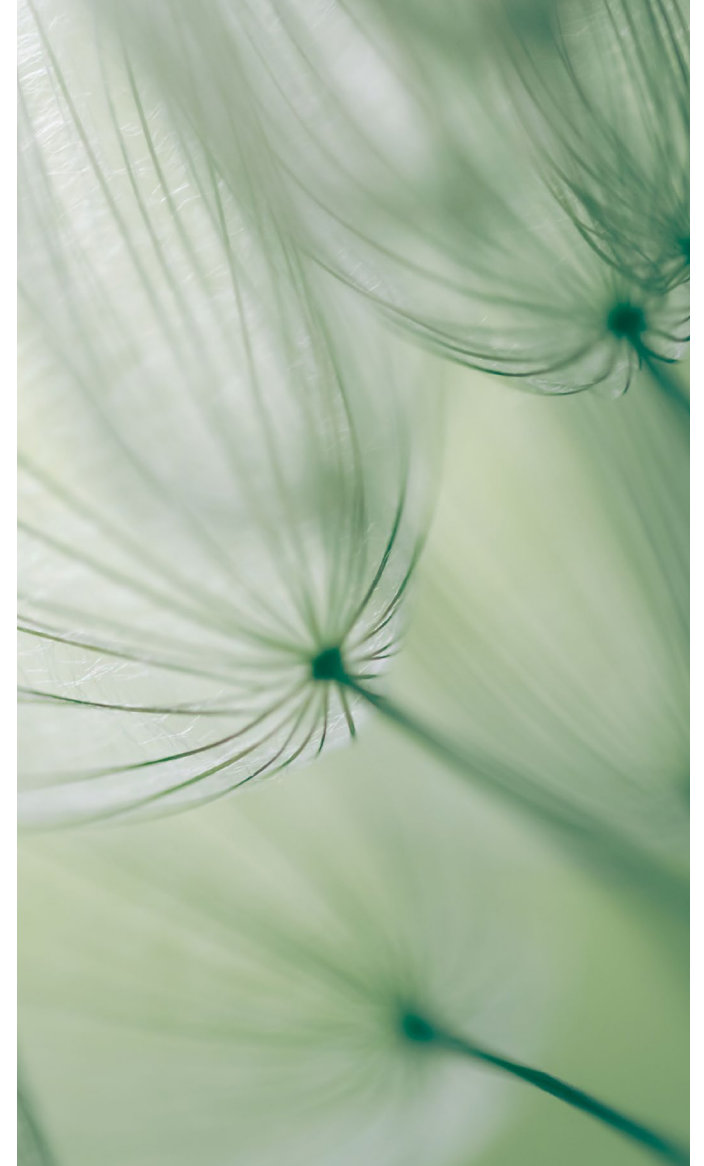
However, by having considered these risks in advance and putting controls in place, we can minimise impact and disruption. For example, in the case of a natural disaster, we have planning protocols, with clear accountability, to minimise disruption to operations and our customers, whilst prioritising the safety of our employees.

Our risk management process for climate-related issues is based on the UK Government's Green Leaves III Environmental Risk Management (ERM) guidelines, which provide four interconnected processes to identify, assess and address the potential risks to our operations. This is outlined on the following pages.

1. Understand the Problem

The first step of our process was the creation of our climate risk framework (Tables 1 and 2), which considers which of our 19 business categories is potentially impacted by each climate-related risk and opportunity. This allows us to assess the potential impact that each risk could have on our business from a strategic, operational and financial perspective.

Each year, a workshop is held where the Board is presented with the latest updates to the climate scenario analysis and its findings. This allows them to identify material risks, understand potential changes to the risk assessment, and sign-off on the risk register which is prepared by our ESG department. This year, the workshop was held in November.



Our risk management process *continued*

2. Assess the Risks & Opportunities

For each risk and opportunity, we consider the potential impacts on the business, including the financial impact to the business. For example, through reduced revenue, increased costs or impact on the balance sheet. Subsequently, we use the modelling to assess how these would vary in each of the three scenarios we have created and across the three time horizons (for further details, see here).

We calculate a value for each business category based on figures such as revenue, spend and capital expenditures. For each category, we calculate the percentage of the value at risk using internal information. The climate risk framework, which aligns business categories to risks, provides an insight into the total value at stake for each risk and opportunity. Based on this, we can assess the materiality of risks and rank them according to their financial impact value on the business.

Table 1: Mapping our business categories to the TCFD's climate-related transition risks.

Category	Key Areas	Climate-related Risks	Business Category			
Transition risks	Policy & Legal	Increase in the pricing of GHG emissions	Technology Providers			
			Transport			
			Energy and Utility Costs			
		Increased emissions reporting obligations	Capital Markets			
			Bank Finance			
		Regulation due to climate change	ESG Disclosure Services			
		Litigation due to climate change	Asset Values			
		Market		Changes in customer behaviour	Technology Providers	
					Change in market signals	Technology Providers
					Changes in asset values	Asset Values
Increase in Costs	M&A Execution					
	Energy & Utility Costs					
	Increase in costs					
	Robotic Process Automation					
Capital Equipment						
New markets developing	Capital Markets					
Impact of government funding	Bank Finance					
Reputation		Increased stakeholder concern	Labour			

Category	Key Areas	Climate-related Risks	Business Category
Transition risk (cont.)	Technology	Substitution to lower emission	Engineering Contractors
		Impact of investment in new low emissions technology	Capital Equipment
		Impact of transition to low emissions	Offices
Physical risks	Acute	Increased severity of extreme weather	Office Transport
	Chronic	Changes in Precipitation patterns	Office
		Rising mean temperatures Sea level rise	Energy Assurance Services Office
Opportunities	Policy & Legal	Increase in pricing of GHG Emissions	Energy Optimisation Services
		Increased emissions reporting obligations	Energy Assurance Services
			ESG Disclosure Services Software Solutions
	Technology	Substitution to lower emission	Engineering Contractors
	Market	New markets developing	Equipment Manufactures
	Reputation	Increased stakeholder concern	Energy Optimisation Services
	Chronic	Rising mean temperatures	Office

3. Appraising our Risk Management Options

Once we have assessed the risks, we are able to consider what the appropriate risk management options are for each risk. For each opportunity, we consider how this can be integrated into our business strategy.

When deciding on risk management options, we review the potential consequences of taking no action against the costs of acting. There are five potential risk management options we can utilise, as per the Government’s Green Leaves III model for environmental risk assessment and management. This states that risks can be terminated, mitigated, transferred, exploited, or accepted. For each option, it is important to consider the potential positive and negative effects in terms of costs, technical factors (practicality weighed against risk reduction), environmental security, social issues and organisational capabilities.

By assessing the gross risk before we apply management measures, as well as the net risk after, we are able to understand the relative impact of controls and thereby determine the best course of action. If there is limited difference between the gross and net risk assessment, i.e., if an action has a negligible impact on the risk assessment, then we may be better off allocating resources elsewhere.

Our risk management process *continued*

4. Addressing the Risks

After considering all the options for managing risks, we are able to decide which actions to take forward. We focused on our top six business category risks by impact value and top three business category opportunities by potential revenue. Table 2 shows how we are addressing each of the key risks that we have identified. For most, this is a combination of mitigating the effects and transferring the risk, by improving our technology or procedures or through investment. Additionally, we have included the opportunities we are exploiting (Table 6).

We understand that there is a level of uncertainty in our modelling, and the situation is developing each year. However, the science is also improving, so we will continue to monitor and assess these risks annually.

Table 2: Details on our risk mitigation measures.

Category	Key Area	Climate-related Risk	Business Category
Transitional Risks	Technology	Substitution to lower emissions	Engineering Contractors
	Market	Increase in costs	Capital Equipment
			IT Development
		Changes in asset values	Asset Values
Reputation	Increased stakeholder concern	Labour	
Physical Risks	Chronic	Rising mean temperatures	Energy Assurance Services
Opportunities	Policy & Legal	Increase in pricing of GHG emissions	Energy Optimisation Services
		Increased emissions reporting obligations	ESG Disclosure Services
			Energy Assurance Services

Mitigating Business-Related Category Risk

We operate a forward contracting program for engineering contractors that will need to be accelerated if we observe a realisation of this risk to remain ahead of it. In addition, we are investing in software to create a contractor marketplace, to increase the feedstock of contractors available.

As a technology-enabled service provider, our primary spend is on capital equipment relating to IT Equipment. Our supply chain is simple and not a material part of our cost base. Still, we will invest in a more comprehensive supply chain management process, which will be the first step in providing more risk knowledge.

IT development is in high demand and a growing expense. We have procured an option to buy one of our technology providers to move down the supply chain should resources become scarce.

The impact of climate change on asset values is expected to be minimal in the short-term. In the long-term, asset values could be impaired by climate change. To mitigate the risks, all acquisitions shall be made carbon neutral (market basis) from FY21 and, to the extent possible, Net Zero by 2030.

To attract new employees, we have started to embed UN Sustainable Development Goals and ESG metrics within our corporate culture, including executive and employee remuneration.

The physical risk is mitigated by reducing the amount of client revenue that is linked to energy consumption.

Following several strategic acquisitions, we are well-positioned to provide energy optimisation services to corporate businesses. We expect improved payback on energy efficiency projects due to increased costs of GHG allowances, government grants and reduced cost of capital through companies applying a lower cost to Net Zero projects.

Currently, we have an organic market entry into ESG disclosure services. With TCFD becoming mandatory, we are experiencing additional revenues in this area.

Implementation of TCFD and the requirement for corporate businesses to disclose and report on their scope 3 emissions represents a commercial opportunity for energy assurance services.

STRATEGY

Disclose the material actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Red squirrels are smaller than greys and are susceptible to the squirrelpox virus which can be transmitted by grey squirrels.

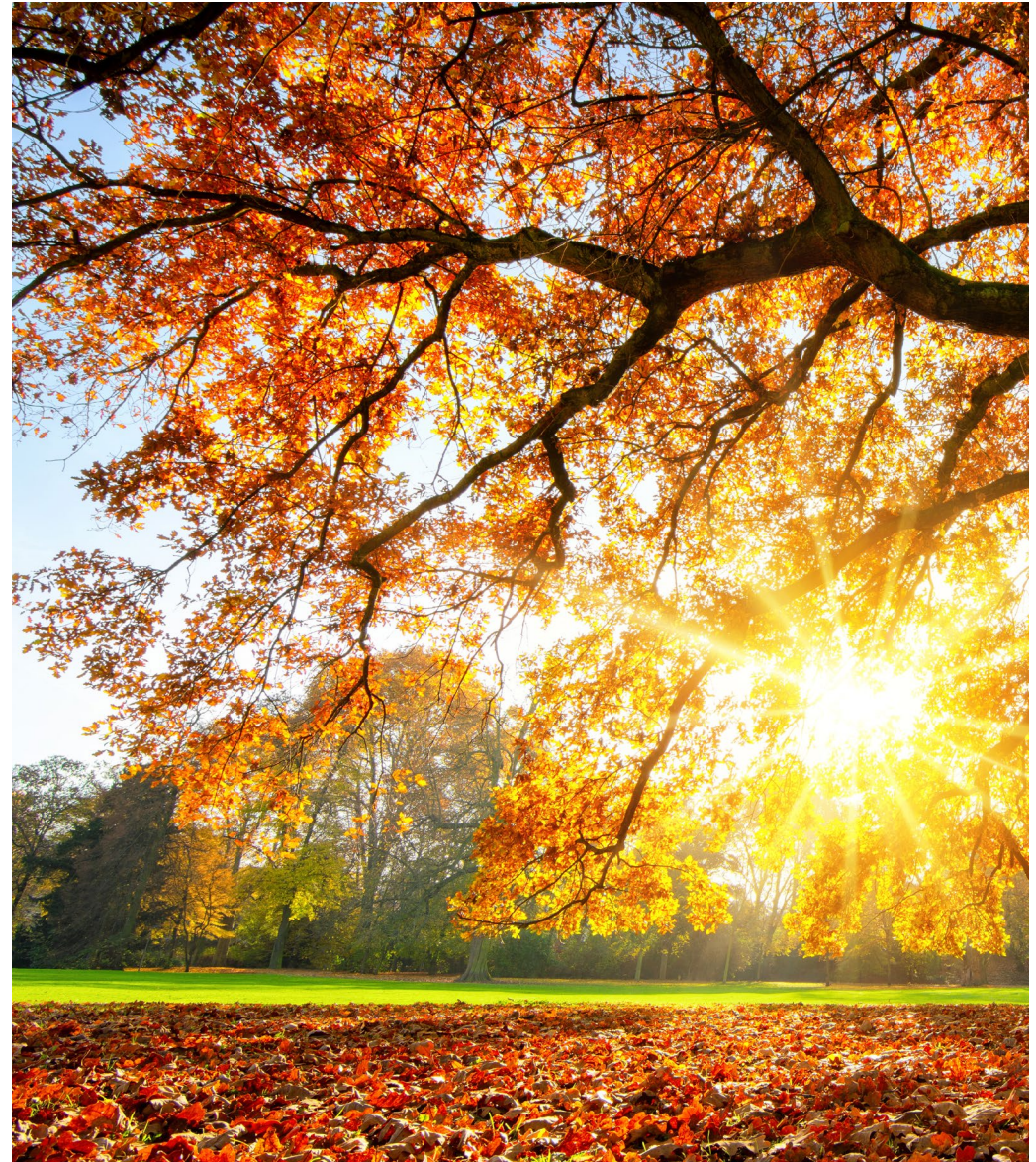


Overview

As a business, we recognise the reality of climate change and know that we must understand the potential impacts to integrate these into our business strategy, where appropriate. This will ensure we are creating a resilient business that can cope with the range of possible futures resulting from climate change and the transition to a low-carbon economy. A key part is understanding and seizing the opportunities that come with the transition to a Net Zero world.

We are a sustainability services provider committed to providing solutions and support for the transition to a low-carbon economy. We want to be a responsible business, as outlined in our policies on our website, including our Environmental Policy and Supplier Code of Conduct.

In this section, we outline the climate-related risks and opportunities that we have identified and explain the potential financial impacts and how we have integrated these into our business planning.



Climate scenarios

As climate change is a complex and shifting issue, with our understanding and response developing each year, the TCFD provides guidelines on the use of climate scenarios, which are potential futures based on the extent of climate change and the rate of transition. These help companies to envisage the impacts these scenarios could have on business operations, strategy and resilience. This is conducted as a separate process, outside our standard risk assessment, in recognition of the additional complexities and uncertainties of climate change and the associated risks, including the extended timeframes that we need to consider.

These scenarios cannot perfectly predict the future, due to the uncertainty of climate change. Therefore, it is important to use a range of scenarios, which cover the various possible outcomes. As recommended by the TCFD, we have used three scenarios representing the best-case scenario, the current most likely outcome and the worst-case scenario. These are all based on predicted increases in global average temperature by 2100, compared to the pre-industrial era, and the associated transition response. We use a combination of IPCC-accredited external databases, the International Energy Agency’s World Energy Model, and other existing global and regional models, to inform our climate scenarios. We have chosen these as they are widely accredited models, which provide a broad range of information and a rounded view of the potential futures. These are rerun each year, to ensure we are basing our assessments on the latest data.

We use three time horizons, which align with how we plan our business strategy from an economic, environmental and social perspective (Table 3).

Table 3: Our climate scenarios and time horizons.

Proactive: <2°C by 2100	Strong climate leadership and innovation lead to an approximate alignment with the Paris Agreement’s ambition, to limit global warming to well below 2°C of warming above pre-industrial levels. A coordinated approach means an inclusive, orderly change, with each business intending to lead the way for regeneration. These changes generate high levels of transition risks but limited physical risks. It offers substantial opportunities for our business to offer services to other companies.
Reactive: 2–3°C by 2100	In this scenario, warming follows a trajectory modelled from the commitments and pledges made during COP26. Uncoordinated government action leads to only proactive companies taking a stand on climate change and deep decarbonisation only occurring in easy to abate sectors. This pathway has the most transition risks and increased severity of physical risks compared to the proactive scenario.
Inactive: >3°C by 2100	With geopolitical focus on other areas leading to a lack of interest in climate change, minimal action on climate change is taken for the next decade. This allows strong growth but is followed by a period of societal and economic turmoil, as the impacts of climate change are experienced. This scenario brings limited short- and medium-term transition risks, followed in the long term by the most severe physical impacts.
Short term (2023 -2027)	This timeframe aligns with our short-term business targets around growth, market growth and mergers and acquisitions (M&A) . It allows us to integrate climate change into our immediate business strategy.
Medium term (2028-2037)	This timeframe includes our medium-term carbon reduction target (absolute Scope 1 and 2 Net Zero by 2030). It allows us to consider the potential challenges and opportunities for achieving this target.
Long term (2038-2052)	This timeframe has been chosen, as it covers our and the UK’s 2050 Net Zero target. It helps us consider this longer time period and factor in the UK government’s target of Net Zero by 2050.

Our financial modelling

Table 4 shows the value assigned to each business category, calculated with data from revenue, spend and capital expenditure. From this, risk and opportunity values were calculated, which were based on the percentage of the value at risk. Table 4 shows these risk values per business category, over each of the three time horizons in the proactive scenario and the assigned risk magnitude.

We have chosen to base this financial modelling on the proactive scenario, as we are striving for a below 2°C world, in line with the Paris Agreement and the UK government’s ambitions. Furthermore, our business is exposed to more transition risks than physical risks and these will be greatest in the proactive and reactive scenarios.

Table 4: Transition and physical risks financial modelling for the three time horizons in the proactive scenario.

Category	Key Area	Business Category	Area Value (£m)	Short-term Risk Value (£m)	Medium-term Risk Value (£m)	Long-term Risk Value (£m)
Transition Risks	Policy & Legal	Technology providers	0.8	0.1	0.1	0.2
		Transport	0.9	-	-	-
		Energy and utility costs	0.7	0.7	1.4	2.8
		Capital markets	0.5	-	-	-
		Bank finance	4.4	-	-	-
	Technology	Engineering contractors	7.0	0.9	2.7	5.5
		Offices	0.5	0.5	0.5	0.5
	Market	Assets	82.6	-	-	4.1
		Robotic process automation	0.6	0.1	0.3	0.6
		Capital equipment	0.9	0.1	0.4	0.7
IT Development		2.6	0.3	1.0	2.0	
M&A Execution		0.0	-	-	-	
	Reputation	Labour	41.1	0.8	2.1	4.1
Physical Risks	Chronic	Energy assurance services	36.3	0.5	0.5	0.5

Materiality

To determine the risks that are material, we ranked the value of the impact of the business categories from largest to smallest, including only the top three as material. To determine the material opportunities, we ranked the opportunity value of the business categories related to revenue from largest to smallest, including only the top three as material.

Tables 5 and 6 list the top three material risks and opportunities, including the warming pathway and time horizon that will impact our business and services. Our top three material business categories represent 64% of the total 2023 value of impact area subjected to the impact of climate change, equating to £160m and a long-term risk value of £8.6m. Our top key risks help shape our business strategy for climate change.

Table 5: Detailed information on our top three material risks.

Material risk criteria		Most applicable scenario	Risk description
Materiality Ranking: 1	Market - transition risk: changes in asset values	Proactive/ Reactive Long term (2038-2052)	The impact of climate change on asset values is expected to be minimal in the short term. In the long term, asset values could be impaired by climate change. We conclude that the risk potential is very high but has a minimal probability of occurring due to most of the Group's acquisitions providing services that should support sustainability improvement.
Potential impact: Asset values			
Materiality Ranking: 2	Reputation - transition risk: increased stake-holder concern	Proactive Short / Medium / Long term (2023-2052)	The labour force demands that businesses have robust carbon credentials, and the same for all stakeholders. This is a factor across all our scenarios and time horizons.
Potential impact: Labour			
Materiality Ranking: 3	Chronic physical risk: rising mean temperature	Proactive Long term (2038-2052)	In more southern locations, increases in mean temperature may result in increased frequency of heat waves. Rising temperatures will impact revenue from our Assurance service due to changes in energy consumption.
Potential impact: Assurance Services			

2023		2022		Mitigation measures
Value of impact area (£m)	Risk value (£m)	Value of impact area (£m)	Risk value (£m)	
82.6	4.1	83.0	4.2	To mitigate the risks, all acquisitions shall be carbon offset (market basis) from FY21 and, where possible, operate at Net Zero by 2030.
41.1	0.8	33.8	0.7	To attract new employees, we have started to embed UN Sustainable Development Goals and ESG metrics within our corporate culture, including Executive and employee remuneration. Additional voluntary disclosures and actions, such as having validated Science-Based Targets for the Group, will support the mitigation of this risk.
	Short term		Short term	
	2.1		1.7	
	Medium term		Medium term	
4.1	3.4	Long term	Long term	
36.3	0.4	36.0	0.4	The physical risk is mitigated by reducing the amount of client revenue that is linked to energy consumption through amending revenue streams to be fee-based as opposed to charges linked to billed consumptions.

Materiality *continued*

Table 6: Detailed information on our top three material opportunities.

Material opportunity criteria	Most applicable scenario	Risk description	2023		2022		Mitigation measures	
			Value of impact area (£m)	Risk value (£m)	Value of impact area (£m)	Risk value (£m)		
Materiality Ranking: 1 Potential impact: ESG Services	Policy & legal - transition opportunity: increased emissions and reporting obligations	Proactive/Reactive Short / Medium / Long term (2023-2052)	Increased demand for ESG Services is reflected in the growth within the ESG Service Division. This demonstrates that the opportunity is already being experienced in the business in the short term. We anticipate it will keep growing over time. The impact will be largest in our proactive and reactive scenarios as more businesses are mandated to act and seek advice from companies like Inspired.	5.4	40.5	2.6	19.5	Currently, we have an organic market entry into ESG disclosure services. With TCFD becoming mandatory and large UK businesses being captured by DESNZ CFD, we are experiencing additional revenues in this area.
Materiality Ranking: 2 Potential impact: Optimisation Services	Reputation - transition opportunity: increased stakeholder engagement	Proactive Short / Medium / Long term (2023-2052)	As regulation increases and energy and carbon costs rise, climate change becomes a bigger financial burden on businesses as the UK transitions into a low-carbon economy. A reduction in hurdle rate for carbon reduces investment costs as businesses try to mitigate reputation risks. We anticipate growing demand for our Optimisation Services to support businesses in decarbonising their operations in line with UK targets.	54.0	8.1	47.7	7.0	Following several strategic acquisitions, we are well-positioned to provide energy Optimisation Services to corporate businesses. We expect improved payback on energy efficiency projects due to increased costs of GHG allowances, government grants and reduced cost of capital through companies applying a lower cost to Net Zero projects.
Materiality Ranking: 3 Potential impact: Assurance Services	Policy & legal - transition opportunity: increased emissions reporting obligations	Proactive Short / Medium / Long term (2023-2052)	Increasing reporting obligations allows us to expand our offering in terms of disclosure preparation and energy reduction strategies for clients. We see this as an opportunity for our Assurance Services client base as we develop our client lifetime value (CLV) strategy.	36.3	4.4	36.0	4.5	Implementation of TCFD, DESNZ CFD and the requirement for corporate businesses to disclose and report on their Scope 3 emissions represents a commercial opportunity for energy Assurance Services on a wider scale.

Our risks

For each risk, we have considered which business category(s) it will have the greatest impact on and the associated business impact type (see Table 1 above), as well as the most important timeline(s) and scenario(s) for that risk. The subsections of (Proactive, Reactive and Inactive) outline the risks we consider most significant for each scenario, as well as a description of their impact on our business.

From our analysis, we know that we are most vulnerable to transition impacts, which would be highest in a proactive or reactive scenario. A proactive scenario would result in a high but orderly and controlled transition risks in the short to medium term, whereas risks would be slightly further out and harder to respond to in the reactive scenario.

Both these scenarios provide opportunities for our business, as we can support other businesses in responding to their transition risks.

The next few pages provide more detail on the risks and what they mean to Inspired as a business.



Transition risks

Transition risks are primarily driven by macroeconomic factors as the world moves to a lower-carbon global economy. Whether and how these risks manifest is normally dependent upon actions from an external body or stakeholder.

For our business, each business category is anticipated to become more sought after and expensive as society reacts to climate change and attempts to overcompensate for past climate failures. This increases both our risk and opportunity values in the long term. Also, with the demographic shift in the labour market, we expect millennials and younger generations entering the workplace to want to work for businesses with sound ESG credentials. The most considerable potential transitional risk relates to the impact on asset valuation. If an acquisition is adversely impacted by climate change, then the value of such assets would be impaired.

Increase in Costs

For Inspired, this will have the biggest impact on our capital equipment and IT development categories. As a technology-enabled service provider, our primary spend is on capital equipment relating to IT Equipment. Although our supply chain is simple and not a material part of our cost base, we will improve our supply chain management to have more knowledge about this risk. As a mitigating action, we have procured an option to buy one of our technology providers, allowing us to move down the supply chain if resources become scarce.

As we aspire to be a Net Zero business with a long-term target of 2050 for Scopes 1, 2 and 3, we will need to invest in more energy-efficient technology, which comes at a high initial cost. For example, we have recently signed off the budget to install heat pumps at our new Kirkham head office. Therefore, the building will be Net Zero, although the installation cost is higher than for the equivalent gas boiler system. There are likely to be cost increases in IT development, Robotic Process Automation and Capital costs as technology and processes must adapt to become low-carbon.

This risk is expected to be most disruptive in the reactive scenario. We expect it to be greatest in the medium term, as costs for several areas all increase and have the potential to put pressure on the business if there is insufficient planning.

Increased Stakeholder Concern

This risk is considered to have the largest impact on our workforce and concerns employees' interest in working for a sustainable business. Our employees are fundamental to our business, and we want to attract and retain the best talent. Therefore, if employees demand that businesses have robust carbon credentials, we must respond to ensure we can continue to hire the best people for the roles.

To attract new employees, we have embedded UN Sustainable Development Goals and ESG metrics within our corporate culture, including Executive and employee remuneration. Additional voluntary disclosures and actions, such as having validated Science-Based Targets for the Group, will support mitigating this process.

This is a risk across all time horizons, growing over time as concern becomes more common. It is highest in the proactive scenario, where climate change is highest on the political agenda and public consciousness.

Changes in Asset Values

Most of the Group's acquisitions provide services that support a sustainable world. Although the risk potential of a change in asset values is very high, the probability of it occurring is minimal. Overall, the impact of climate change on asset values is expected to be minimal in the short term. In the long term, asset values could be impaired by climate change. The risk is greatest in the proactive scenario, where all businesses try to champion sustainable values and demonstrate commitment to a low-carbon economy. To mitigate the risks, all acquisitions shall be carbon offset (market basis) from FY21 and, where possible, operate at Net Zero by 2030.

Physical risks

Due to our location (primarily UK and Ireland) and the nature of our business operations (mainly office-based), physical risks are likely to be insignificant in their impact in the short, medium or long term. Our physical risks are modelled to have the largest impact in our above 3°C scenarios as emissions rise unchecked, generating the largest warming potential.

Rising Mean Temperatures

In the reactive scenario, a 6% increase in average temperatures is predicted by 2052. Increasing warm days may reduce overall energy demand, reducing revenue from energy procurement services linked to energy consumption. This risk is valued at £0.4m, which is negligible in relation to the revenue brought in by Assurance Services.

The physical risk is mitigated by reducing the amount of client revenue that is linked to energy consumption through amending revenue streams to be fee-based, as opposed to charges linked to billed consumptions.



Our risks by scenario

Due to the nature of our business, as described above, there were only risks classed as material in the proactive scenario, as detailed below. For all the other risks we considered, across all three scenarios, please see the Appendix.

Table 7: Material risks in the proactive (<2°C) scenario.

Category	TCFD Area	Climate-related Risk	Business Category	Timeline	Description
Transition risks	Market	Changes in asset values	Asset Values	Long term (2038-2052)	We do not expect to see a noticeable impact on our asset values in the short term, although this will increase with time as there is the potential for impairment due to climate change. Whilst the risk potential is high, the probability is low due to our focus on providing services, which support a sustainable future. Therefore, acquiring companies should not be impacted by changes in asset value due to changing expectations in a transitioning world. Although this has a value of zero this financial year, this is likely to increase again in future.
			M&A Execution	Medium/ Long term (2028-2052)	
	Reputation	Increased stakeholder concern	Labour	Short/ Medium/ Long term (2023-2052)	We have experienced an increase in stakeholder concern from our employees, customers and investors. They will want to see that we have a robust response to climate change planned, and we may lose them if not. This is a factor across all our scenarios and time horizons and has been modelled as a material risk in this scenario.
Physical Risks	Chronic	Rising mean temperature	Energy Assurance Services	Long term (2038-2052)	We have offices around the country, but those further south, e.g., London and Oxford, will experience a greater impact from the increased frequency of heatwaves. There are complex considerations around associated changes in energy use for our Energy Assurance service and the potential impact on revenue. This is a long-term risk, especially in this scenario where warming is kept well below 2°C. Rising temperatures are ranked as the third of our three material risks to our business.

Impact on our business strategy

Opportunities

The proactive and reactive scenarios offer substantial opportunities for our business to support other companies in their response to climate change, both through managing their energy use and carbon footprint and in complying with reporting regulations. These opportunities would be limited in a reactive scenario.

However, as the UK has set a 2050 Net Zero goal and has increasing climate-related regulations, the likelihood of this is considered low. We are acting on these opportunities with the strategic development of our ESG and Optimisation Service divisions. Our results suggest a similar financial impact across all three scenarios, with minimal differences for some business categories.

Impact and Resilience

Climate change is currently not considered to pose a material risk to our business and has not been added to our principal risks. The transition risks associated with moving to a low-carbon economy that could potentially impact our business are policy actions, technological evolution, market changes and reputational damage.

Whichever climate scenario unfolds, our potential opportunities could outweigh the scenario's risk factor, demonstrating a strong business resilience to climate-related risks. Importantly, all our opportunities have the potential to unfold under each scenario. In addition, we have seen our opportunity values increase more than our risk values over the last two years, signifying that the business is moving in the right direction. For our proactive scenario, the opportunity value outweighs the risk value in each time horizon due to our Optimisation Net Zero solutions and ESG disclosure services offering. The services are increasing in demand as the effects of climate change are being experienced worldwide.

We have chosen to disclose information on all the risks we have assessed to be transparent about the climate-related information we have been considering. This is shown in the tables below, with each providing the key risks considered for each scenario.



METRICS & TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Red squirrels live in nests call dreys. They usually make more than one to reduce the risk of being found by predators and in case the first is damaged.



Measuring & managing our climate impact

As a provider of ESG Services to businesses, we aim to lead by example. This financial year, we have brought forward our Scope 1 and 2 net-zero target by five years to 2030, based on our transition plan modelling and to reflect our ambition as a company. This reduces the risks associated with a large carbon footprint, such as the introduction of carbon taxes or the impact on our asset values, which is identified as a material risk (see Tables 5 and 7 for more information). Each year, we calculate our full carbon footprint to measure our progress.

We use a broad range of metrics to assess our impact on the environment and manage climate-related effects on our business. These metrics include Inspired's Scope 1, 2 and 3 GHG emissions and the emissions reduction pathway, aligned with the Paris Agreement 1.5°C Scenario and the UK Nationally Determined Contribution 2020 (NDC).

Since 2020, we have achieved carbon neutrality through offsets for Scope 1 and 2 and operational Scope 3 emissions. This means we have purchased carbon offsets equivalent to our stated emissions. Expanding our offsetting to include Scope 3 emissions associated with our operational supply chain provides a further incentive to improve emissions from our suppliers. We are currently working with our suppliers to understand their emissions and improve our data collection

process. This will allow us to reduce our Scope 3 emissions, a key step on our path to net zero. In 2023, we submitted our targets for validation to the Science-based Targets Initiative (SBTi).

Our Targets

We have chosen a longer deadline for reducing our full Scope 3 emissions compared to our Scope 1 and 2 and partial Scope 3 emissions, due to the size and complexity of reducing emissions in our value chain. Scope 3 is the largest area of carbon emissions for almost any company, and this is true for Inspired.

Calculating our Scope 3 carbon footprint allows us to identify our suppliers that have high emissions and work with them to improve their impact. We can use this data to ensure we are choosing suppliers with a low or lower environmental impact. We are currently working with our suppliers to understand their emissions better and improve our data collection process. This is an essential part of our path to net zero. However, it will take longer than reducing our Scope 1 and 2 emissions, and our targets reflect this complexity.

Our targets

2030
updated net-zero target for Scope 1 and 2

2050
net-zero target for Scope 1, 2 and 3

90%
targeted minimum emissions reduction, per SBTi methodology

Progress against our targets and KPIs

Table 8: Our Key Targets and KPIs.

Target year	Key Performance Indicators	Progress in 2023	Next Steps	Applicable Risk/ Opportunity
2023	Commit to submitting science-based targets to SBTi.	<ul style="list-style-type: none"> Officially committed to set near-term and Net Zero SBTs. Presented SBT options to the Board. Sign-off received from the Environmental Committee on SBTs. Modelled decarbonisation trajectory for SBTs. 	<ul style="list-style-type: none"> Target Completed. 	<p>Reputation - Transition Risk: Increased Stakeholder Concern.</p> <p>Policy & Legal – Transition Opportunity: Increased Emissions Reporting Obligations.</p>
2024	Have Science-Based Targets validated by SBTi.	<ul style="list-style-type: none"> Commitment made for near-term and Net Zero targets. 	<ul style="list-style-type: none"> Book validation slot with SBTi. 	<p>Reputation - Transition Risk: Increased Stakeholder Concern.</p> <p>Policy & Legal – Transition Opportunity: Increased Emissions Reporting Obligations.</p>
2030	<p>Reduce absolute Scope 1 and 2 GHG emissions to Net Zero (at least 90% reduction, with up to 10% off-sets) by 2030 from a 2019 base year.</p> <p>Reduce Scope 3 GHG emissions intensity from the use of sold products to 51.6% per £m revenue compared to a 2021 baseline.</p>	<ul style="list-style-type: none"> Installed half-hourly monitoring at the Kirkham office and trialled energy efficiency measures. 	<ul style="list-style-type: none"> Roll out energy efficiency measures identified in the Kirkham trial to remaining offices. Improve f-gas data collection. Decarbonise heating systems within the new head office. Continuous Scope 3 data improvement. 	<p>Chronic – Physical Risk: Rising Mean Temperature.</p>
2050	Reduce absolute Scope 3 GHG emissions to Net Zero (at least 90% reduction, with up to 10% offsets) by 2050 from a 2021 base year.	<ul style="list-style-type: none"> Designed schedules for the lifecycle analysis of products over the next five years. Set up an internal team to manage and improve waste data. Improved financial data system, which streamlines Scope 3 Category 1 (Purchased Goods and Services) and 2 (Capital Goods) calculations. Electric Car Benefit Scheme to reduce Scope 3 Category 7 emissions (Employee Commuting). 	<ul style="list-style-type: none"> Produce 5 Life Cycle Assessments (LCAs) for top-selling Inspired products. Set up a central folder for all Scope 3 data sharing and process for data collection. Begin supply chain engagement with top suppliers (by spend). Continuous Scope 3 data improvement Develop a Net Zero strategy for the whole business. 	<p>Chronic – Physical Risk: Rising Mean Temperature.</p>

Our greenhouse gas emissions

The main tool in managing climate change is reducing the emission of carbon and other gases associated with global warming, known as greenhouse gases. These emissions are classified into three scopes: direct emissions from the combustion of natural gas and other fuels (Scope 1), indirect emissions from the generation of purchased electricity (Scope 2) and emissions from activities not controlled by Inspired PLC but from our value chain (Scope 3).

It is not possible to fully remove carbon from the global economy. However, we can proudly inform our clients that the services we provide are carbon-neutral. This means that whilst we work on reducing our absolute emissions, we are also purchasing carbon offsets equivalent to our operational emissions. These take the form of avoidance and sequestration offsets, as well as REGOs (Renewable Energy Guarantees of Origin) and RGGOs (Renewable Gas Guarantees of Origin).

We purposefully achieve carbon neutrality for our operations to ensure there is a commercial cost associated with our emissions and, therefore, provide a commercial incentive to make improvements to our business. This is a form of internal carbon pricing. Carbon neutrality is a useful tool in the short term, but our ultimate aim is net zero. As part of this, we have chosen to invest in achieving absolute emissions reductions rather

than expanding our carbon offsetting programme to include all Scope 3 emissions, which would be a considerable expense to our operations.

Our carbon balance sheet

We have been reporting on our full carbon footprint since 2020. We check all categories for applicability and data availability and provide information on all possible categories. Whilst this is voluntary, we believe it is important because Scope 3 covers over 95% of our total emissions (2023: 99.1%). We report on 10 Scope 3 categories; the other five are not applicable to our business (8 and 13: upstream and downstream leased assets, 9: downstream transportation and distribution, 10: processing of sold products and 14: franchises) as we do not have any leased assets, franchises and for our products there is no processing or downstream transportation.

Operational analysis

Our operational analysis shows that our absolute carbon cost of operations reduced by 18% during 2023. While we are working to reduce our emissions, we are buying carbon offsets that cover our Scope 1, 2 and value chain so that our services are carbon neutral. We have purchased 2,485 tCO₂e of avoidance offsets, 650 tCO₂e of carbon sequestration offsets, 54 tCO₂e of REGOs (Renewable Energy Guarantees of Origin) and 69 tCO₂e of RGGOs (Renewable Gas Guarantees of Origin) to achieve carbon neutrality across our operations.

Overall, our total emissions for all scopes increased by 14% between 2022 and 2023. This was driven by a 12% increase in the energy used by products we sold to third parties, which is by far the largest category for Inspired and represents 66% of the Group's total emissions. When we consider this growth in the context of the increasing scale of our operations on both a revenue and employee basis, we are becoming more effective in our emissions management.

Our carbon balance sheet

Key Findings

- The increase in emissions was mainly driven by an increase in Scope 3 Category 11 (Use of Sold Products) and Category 1 (Purchased Goods and Services) emissions, which increased by 12% and 27%, respectively.
- The most significant emissions source is from the use of goods sold by Inspired – this Scope 3 category accounted for 66% of the company's total carbon footprint.
- Emissions embedded in purchased goods and services, capital goods and business travel are also notable contributors to Scope 3 emissions.

Meeting Our Targets

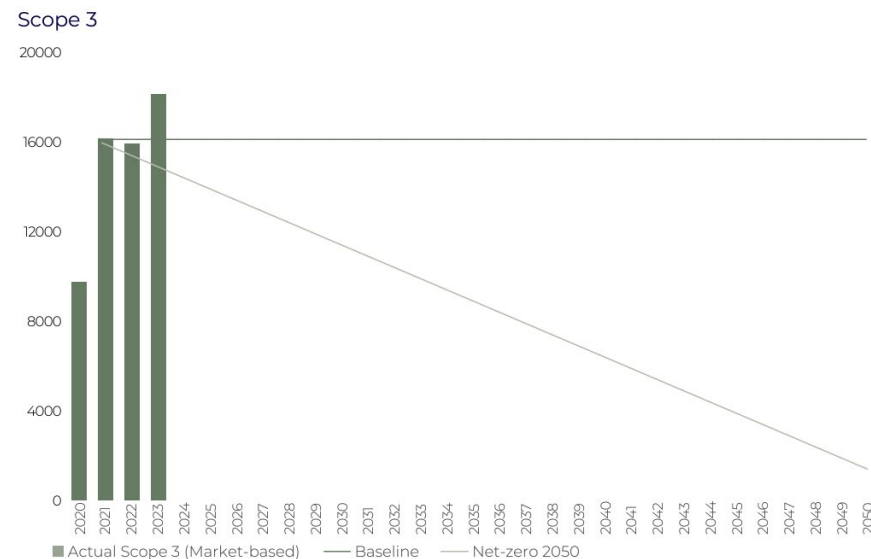
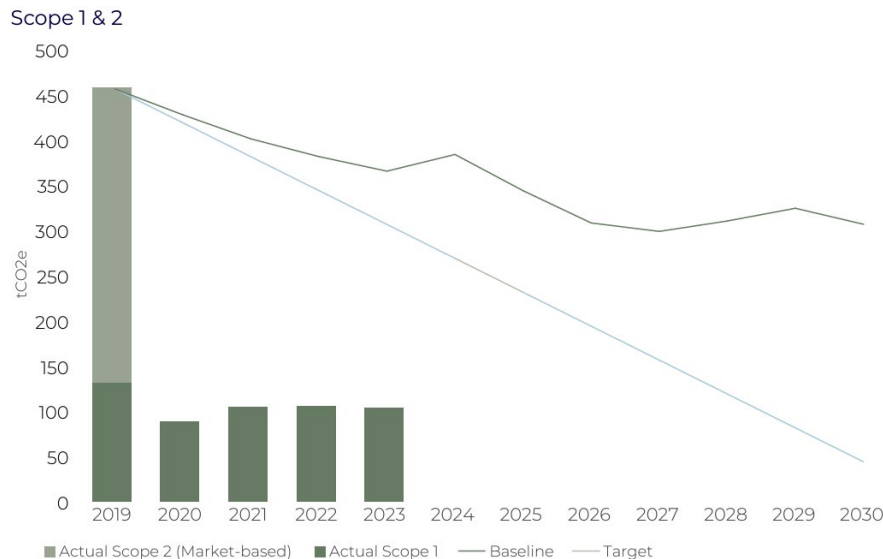
To reach our 2030 net-zero target for Scope 1 and 2, we need to reduce our emissions by 8.2% against the 2019 baseline each year. This equates to 32.88 tCO₂e per year. This year, our Scope 1 and 2 emissions were 173 tCO₂e, a reduction of 44.2% compared to our baseline, putting us ahead of our target, as shown in Figure 2 below.

Our Scope 3 net-zero target is 2050. If we were to reduce our emissions evenly year-on-year, this would mean a 2.9% reduction each year against the 2021 baseline, equating to 467.2 tCO₂e per year. Due to the nature of our business, recent

growth has meant that our Scope 3 emissions have increased since 2021. For further explanation, see Sold products and our Scope 3 targets on the next page. This year we have started to look at the carbon footprint of individual products to help us plan our path forward. In 2024, we will be continuing this process and also starting engagement with our suppliers.

Figure 2: Showing our carbon emissions since 2019, split into Scope 1 & 2 and Scope 3, as well as our baseline emissions and our target reduction.

Figure 2: Showing our carbon emissions since 2019, split into Scope 1 & 2 and Scope 3, as well as our baseline emissions and our target reduction.



Our carbon balance sheet *continued*

Sold Products and Our Scope 3 Targets

We help our clients reduce their environmental impact by providing energy-saving solutions, such as LED lighting, that help them reduce their Scope 1 and 2 emissions. We are proud of this work and hope it will continue to expand. However, these products consume energy, and the GHG Protocol indicates that we need to account for the emissions associated with the energy this equipment consumes within our GHG inventory. Therefore, most of our carbon footprint comes from the energy used by products we sell to our clients. This adds a layer of complication to setting carbon reduction targets.

Growth in the number of products we sell leads to an increase in our Scope 3 emissions, which does not accurately reflect our services' impact on the environment. Therefore, we have included information on emissions from energy-consuming products sold to clients and the carbon savings made by these products in our Carbon Balance Sheet (Table 10). The analysis of carbon benefits to customers shows that we are saving our customers more emissions than those associated with the products themselves, i.e. embedded in the raw materials of the products or from their end-of-life treatment. This results in a positive net carbon impact for our customers. In 2023, we invested 2,879 tCO₂e in Categories 1 and 12-related emissions to help our customers save 48,388 tCO₂e, a net increase of 196% over 2022.

Within our Carbon Balance Sheet, we have provided information on the carbon costs of products, which we have sold to customers and the associated carbon savings of these devices. This allows us to calculate the new impact of these products. We believe it important to include these figures, as it shows the net benefit we are having as a company.

We have included intensity metrics, which allow us to measure whether we are reducing our relative carbon emissions despite growth. However, we know that net-zero aims to deliver absolute reductions in emissions, and intensity metrics only show a direction of travel.



Table 9: Our offsets and Renewable Energy Certificates purchased for 2021, 2022 and 2023

		2023		2022		2021	
		tCO ₂ e	MWh	tCO ₂ e	MWh	tCO ₂ e	MWh
Carbon offsets	Sequestration	650	N/A	650	N/A	500	N/A
	Avoidance	2,485	N/A	4,731	N/A	5,053	N/A
	Total	3,135	N/A	5,381	N/A	5,553	N/A
REGOs		54	328	50	275	65	343
RGGOs		69	297	55	273	74	358
Total		3,258	625	5,485	548	5,693	701

Our carbon balance sheet *continued*

Table 10: Our full carbon balance sheet

Emissions Scope & Category	GHG inventory						Operational analysis		
	Location-based tCO ₂ e			Market-based tCO ₂ e			Carbon cost of operations tCO ₂ e		
	2023	Re-stated 2022	% change	2023	Re-stated 2022	% change	2023	Re-stated 2022	% change
Scope 1	104	106	(1%)	50	56	(10%)	50	56	(10%)
Natural Gas	54	50	9%	0.07	0.06	9%	0	0.06	9%
Transportation (excluding grey fleet)	50	56	(10%)	50	56	(10%)	50	56	(10%)
Scope 2	69	55	26%	0	0	-	0	0	-
Scope 3	18,071	15,875	14%	18,071	15,875	14%	3,084	3,763	(18%)
1. Purchased Goods & Services	4,844	3,806	27%	4,844	3,806	27%			-
Energy consuming products for resale	2,873	1,267	127%	2,873	1,267	127%			-
Other goods and services	1,971	2,539	(22%)	1,971	2,539	(22%)	1,971	2,539	(22%)
2. Capital Goods	453	345	31%	453	345	31%	453	345	31%
3. Fuel-related Emissions	45	40	11%	45	40	11%	45	40	11%
4. Upstream Transportation and Distribution	23	61	(63%)	23	61	(63%)	23	61	(63%)
5. Waste Generated in Operations	0.3	1	(76%)	0.3	1	(76%)	0.3	1	(76%)
6. Business Travel	392	479	(18%)	392	479	(18%)	392	479	(18%)
7. Employee Commuting	201	297	(33%)	201	297	(33%)	201	297	(33%)
11. Use of Sold Products	12,105	10,843	12%	12,105	10,843	12%			-
12. End-of-life Treatment of Sold Products	6	2	155%	6	2	155%			-
15. Investments	3.1	0.1	2,205%	3.1	0.1	2,205%			-
Total emissions (location-based)	18,245	16,035	14%	18,122	15,931	14%	3,135	3,819	(18%)
All scopes kgCO₂e per £(revenue)	0.19	0.18	3%	0.18	0.18	3%	0.03	0.04	(26%)

2022 emissions have been re-stated, please see the Appendix for further information.

Analysis of carbon benefits from customer use of energy consuming products

Carbon cost of energy consuming products sold to customers tCO ₂ e			Carbon saving from use of energy consuming products sold to customers tCO ₂ e			Customers net carbon impact from use of energy consuming products tCO ₂ e		
2023	Re-stated 2022	% change	2023	Re-stated 2022	% change	2023	Re-stated 2022	% change
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,879	1,269	127%	48,388	16,364	196%	45,510	12,095	201%
2,873	1,267	127%				(2,873)	(1,267)	127%
			48,388	16,364	196%	48,388	16,364	196%
6	2	155%				(6)	(2)	155%
2,879	1,269	127%	48,388	16,364	196%	45,510	12,095	201%
0.03	0.01	105%	0.49	0.18	167%	0.46	0.17	172%

All data has been processed internally by our ESG team, but no formal assurance has been provided

Energy

Our overall energy use is low, coming primarily from the lights and IT infrastructure in our offices. We are currently rationalising and improving our offices to help us continue to reduce our energy consumption each year. In 2024, we will be moving our Kirkham office to a new building, which will be net zero once refurbished in 2024.

Table 11: Total consumption (kWh) figures for Inspired PLC.

Utility and scope	2023 UK consumption (kWh)	2023 global (excluding UK) consumption (kWh)	2022 UK consumption (kWh)	2022 global (excluding UK) consumption (kWh)
Gaseous and other fuels (Scope 1)	296,661	—	272,410	—
Transportation (Scope 1)	222,865	—	231,661	—
Grid-supplied electricity (Scope 2)	314,518	13,535	276,294	15,482
Transportation (Scope 3)	962,572	—	1,008,329	—
Total	1,796,615	13,535	1,788,695	15,482

The total emissions (tCO2e) figures for energy supplies reportable by the Group are shown in FY22 Consumption (Table 12). These have been calculated using both location-based and market-based conversion factors. The market-based emissions also reflect the carbon savings achieved through the purchase of REGO-backed electricity (328 MWh) and Green Gas Certificates (297 MWh). Conversion factors utilised in these calculations are detailed in the methodology below.

Table 12: Total emissions (tCO2e) from energy supplies for Inspired PLC on a market and location basis.

Utility and Scope	FY23 Consumption tCO2e		FY22 Consumption tCO2e	
	Total location-based	Total market-based	Total location-based	Total market-based
Scope 1 Total	104.39	50.19	105.59	55.93
Gaseous and Other Fuels (Scope 1)	54.27	0.07	49.73	0.06
Transportation (Scope 1)	50.12	50.12	55.87	55.87
Scope 2 Total	68.72	0.00	58.01	0.00
Grid-Supplied Electricity(Scope 2)	68.72	0.00	58.01	0.00
Scope 3 Total	216.49	216.49	232.58	232.58
Transportation(Scope 3)	216.49	216.49	232.58	232.58
Total	389.60	266.68	396.18	288.50

Energy continued

The total emissions from energy supplies (Table 12) for Inspired have decreased from 2022 levels by 1.66% in 2023. The business has continued, since COVID-19, to see an increase in the day-to-day occupancy of existing office operations through 2023. Premises opened in Central London and Cardiff in 2022 have continued to ensure that occupied offices are not consuming energy unnecessarily through the nature of being high efficiency serviced office spaces.

Intensity Metric

An intensity metric of tCO₂e per FTE has been applied for the annual total consumption of the Group. This methodology is compliant with SI 2008/410 7 Sch 15(3), and the results of this analysis are as follows.

Table 13: Emissions intensity metrics for Inspired's UK operations.

Intensity Metric	2023 Intensity Metric	2022 Intensity Metric
Total FTE	702	641
tCO ₂ e/FTE (location-based)	0.55	0.61
tCO ₂ e/FTE (market-based)	0.38	0.45

Measures Ongoing and Undertaken through FY23

Climate Awareness

In July 2023, a climate risk and net-zero workshop was held with the Board. The session provided valuable insight into decarbonising operations and wider Scope 3 categories. In October 2023, a TCFD session was held with the Board to provide them with all necessary and relevant information for them to sign off on Inspired's GHG reduction targets and strategy.

Building Efficiency

Time controls have been continually reviewed on heating and cooling plants within the Kirkham office space to improve operational efficiency. This has included using heat recovery systems and the programming of bank holidays to ensure the plant is not operational during periods of non-occupancy.

EV Scheme

An electric vehicle scheme has been introduced to provide employees access to electric cars and thereby lower Scope 3 Category 6 (Business Travel) and Category 7 emissions (Employee Commuting).

Measures Prioritised for Implementation in FY24

Heat Decarbonisation

In FY24, Inspired will investigate methods to replace gas heating with new energy-efficient electrical heating at its new headquarters. The results of this investigation may help Inspired move away from natural gas as an energy source and, therefore, lower the Group's carbon emissions.

Refrigerant Adoption*

Inspired will implement a new refrigerant gas in its heat pumps with a lower global warming potential (GWP).

*Refrigerant data unavailable for FY23 reporting period.

Water Efficiency

We will be improving water efficiency by using low water-consuming urinals at our new head office. Hand dryers in these bathrooms will also be made more efficient to aid with energy reduction goals.

APPENDIX

A rich intact ecosystem like an ancient woodland can support a wide variety of plant, insect, animal and bird species.



Appendix 1 – Our climate risks

Proactive (<2°C) Scenario

Table 14: Risks in the proactive (<2°C) scenario which do not reach the level of materiality but have been considered.

Category	TCFD Area	Climate-related Risk	Business Category	Timeline	Description
Transition risks	Policy & Legal	Increased emissions reporting obligations	Capital Markets	Short term (2023-2027)	As a first step to helping businesses understand and then reduce their carbon footprint, the government is likely to introduce increasing emissions reporting obligations such as ESOS and SECR. Investors are likely to require improved reporting, before giving access to capital. This increased reporting is expected to cost approximately £88k/annum.
			Bank Finance	Short term (2023-2027)	As the quickest and strictest government action is envisaged in the proactive scenario, this is where this risk is highest. To make a sub 2°C world possible, these will need to be introduced as soon as possible, so this risk is considered over the short term in this scenario.
	Technology	Impact of investment in new low emissions technology	Capital Equipment	Short/ Medium term (2023-2037)	Preparing for a low-carbon future will require investment in technology to allow us to reduce our carbon footprint. The costs of this will likely grow as Inspired expands and invests in more capital equipment. Again, this is high in the short term of the proactive scenario as the government introduces regulations to reduce emissions and businesses step up to lead the transition.
		Impact of transition to low emissions technology	Offices	Short/ Medium term (2023-2037)	We need to reduce the emissions associated with our offices and are doing this by improving our office estate. Our London office is in a Building Research Establishment Environmental Assessment Methodology (BREEAM) certified building, and our new head office in Kirkham will be Net Zero once refurbishment is complete in 2024. As mentioned above, meeting the Paris Agreement targets in this scenario will require quick action in the short term, continuing into the medium term due to the size of the challenge and nature of our office contracts.

Appendix 1 – Our climate risks continued

Reactive (2-3°C) Scenario

Table 15: Risks in the reactive (2-3°C) scenario which do not reach the level of materiality but have been considered

Category	TCFD Area	Climate-related Risk	Business Category	Timeline	Description
Transition risks	Policy & Legal	Increase in pricing of green-house gas (GHG) emissions	Technology Providers	Medium/Long term (2028-2052)	In a reactive scenario, carbon pricing could be introduced in the medium to long term, to control carbon emissions. As we offset our operational carbon emissions each year, we are aware of the current and potential costs of carbon pricing, even though it is currently voluntary.
			Transport	Medium/Long term (2028-2052)	In terms of technology, our emissions come from our data centres, which are energy-intensive. We will consider this when changing our data centres in future. We are working on reducing our emissions from transport. For example, by introducing an employee electric car scheme and encouraging the use of trains. We are improving our offices to reduce the energy and utility costs and associated carbon emissions.
			Energy and Utility Costs	Medium/Long term (2028-2052)	
		Exposure to litigation due to climate change	Asset Values	Medium/Long term (2028-2052)	Due to the more sudden and less organised approach to introducing regulations in the reactive scenario, companies must stay abreast of changing regulations, to avoid exposure to litigation due to non-compliance. We aim to voluntarily comply with regulations as soon as is practicable to ensure we are prepared.
	Technology	Substitution to lower emission technology	Engineering Contractors	Short term (2023-2027)	As a business, we install lower-emission technology for our customers. We may experience an increase in costs for the business as demand increases. However, we have experienced the value of this impact area double recently.
Market	Increase in costs		Energy and Utility Costs	Medium term (2028-2037)	We expect to an increase in energy and utility costs, as these are modelled to rise sharply and unpredictably in the 2-3°C scenario. There are likely to be cost increases in IT development, Robotic Process Automation and Capital costs, as technology and processes need to adapt to become low carbon.
			IT Development	Medium term (2028-2037)	
			Robotic Process Automation	Medium term (2028-2037)	
			Capital Equipment	Medium term (2028-2037)	

Appendix 1 – Our climate risks *continued*

Inactive (>3°C) Scenario

Table 16: Risks in the inactive (>3°C) scenario which do not reach the level of materiality but have been considered

Category	TCFD Area	Climate-related Risk	Business Category	Timeline	Description
Transition Risks	Market	Changes in customer behaviour	Technology Providers	Medium/Long term (2028-2052)	In this scenario, there is less incentive to shift to low-carbon alternatives or report on planned actions, so there is reduced demand for our services.
		Changes in market signals	Technology Providers	Medium/Long term (2028-2052)	As there is a limited market for low-carbon services, then market signals will be unfavourable for our business in this scenario.
		New markets developing	Capital Markets	Medium/Long term (2028-2052)	We anticipate an increasing demand for our services in the other scenarios, but in an inactive world, then these new markets will not develop.
		Impact of government funding	Bank Finance	Medium/Long term (2028-2052)	Funding is lowest in this scenario, as there is less demand for our services, leading to a potential balance sheet deficit.
Physical Risks	Acute	Increased severity of extreme weather	Offices	Medium/Long term (2028-2052)	We are unlikely to be severely impacted by extreme weather, as our primary operations are in the UK and Ireland. However, there is potential for physical impacts such as damage to our offices and operation disruption from flooding, storms and heatwaves.
			Transport	Medium/Long term (2028-2052)	Commutes and other business travel may be impacted by extreme weather events, which are expected to be more frequent, as these can damage or flood infrastructure such as motorways and railways.
	Chronic	Changes in precipitation patterns	Offices	Long term (2038-2052)	There is an increased flood risk due to more intense periods of precipitation being expected in this scenario. This could impact our offices in the long term.
			Offices	Long term (2038-2052)	We have offices relatively near the coast in Kirkham and Cork, with the associated potential impact of sea level rise. Rising seas are likely to increase the overall likelihood of flooding events at these locations, impacting physical operations.

Appendix 2 – Our calculation methodology

Energy

Our energy calculations and associated carbon emissions (including the Scope 1, 2 and 3 consumption and CO₂e emissions data) use the GHG Protocol – A Corporate Accounting and Reporting Standard (World Resources Institute and World Business Council for Sustainable Development, 2004); Greenhouse Gas Protocol – Scope 2 Guidance (World Resources Institute, 2015); ISO 14064-1 and ISO 14064-2 (ISO, 2018; ISO, 2019); Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019).

Government Emissions Factor Database 2023 Version 1.1 has been used, utilising the published kWh gross calorific value (CV) and kgCO₂e emissions factors relevant for the reporting period 01/01/2023 – 31/12/2023. Estimations were undertaken to cover missing billing periods for properties directly invoiced to Inspired. These were calculated at the meter level on a kWh/day pro-rata basis.

Property-specific calculations

Due to the nature of our estate, we used different methodologies for some offices, as detailed below:

- For our Manchester property where Inspired is indirectly responsible for utilities (i.e. via a landlord or service charge) or no data

is available for the meter, the median consumption for properties with similar operations was calculated at the meter level and applied to the property with no available data.

- For the Cardiff and London properties where Inspired is indirectly responsible for utilities (i.e. via a landlord or service charge) or no data is available for the meter, an average kWh/FTE consumption was calculated at the meter level and was applied to the properties with similar operations with no available data.
- For the Bedford property where Inspired is indirectly responsible for utilities (i.e. via a landlord or service charge) or no data is available for the meter, floorspace (m²) was utilised in conjunction with typical practice benchmark from Chartered Institution of Building Services Engineers (CIBSE) Guide F (2012) and was applied to the properties with similar operations with no available data.

All estimations equated to 50.49% of reported consumption. The increase in proportion of emissions estimated this year has been noted, and data improvement will be a key aspect of Inspired's energy analysis going forward. For the market-based emissions reporting methodology, an emissions factor of zero tCO₂e/kWh was applied to all electricity supplied to Inspired from renewable energy contracts. As

100% of Inspired's electricity consumption was supplied through renewable energy contracts, total Scope 2 market-based emissions equate to zero tCO₂e. Natural gas market-based emissions have been calculated taking into account carbon dioxide savings from the purchase of Green Gas Certificates.

Scope 3

We follow the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to calculate our Scope 3 emissions. The Standard enables us to consistently capture and report our emissions, allowing for year-on-year comparisons and setting appropriate Key Performance Indicators (KPIs) to measure our performance. Given the magnitude of assessing the carbon emissions of our entire value chain, we have set annual milestones to widen our reporting boundaries for each category. By broadening our emission data collection methods, we can improve our understanding of the high-emitting areas, which will aid the process of the pathway to Net Zero.

Net Zero targets

Our Net Zero targets have been set following the methodology laid out by the SBTi, and we will send them for verification from the SBTi in FY24.

Appendix 3 – Re-stated figures

Table 5: 2022 Re-stated Figures

Line Item	Original 2022	Re-stated 2022	Rationale
Scope 2	50.04	53.43	The calculation methodology for electricity estimates has been updated in 2021, 2022 figures were updated to reflect the change in methodology.
1. Purchased goods and services	5,371	3,806	Category 1 emissions have been re-calculated using more recent conversion factors, to align with the 2023 calculation methodology.
3. Fuel-related emissions	29	40	Category 3 emissions have been re-calculated using more recent conversion factors, which were published after the 2022 reporting deadline.
11. Use of sold products	11,069	10,843	An error in the raw data provided for part of Category 11 calculations was discovered in 2022 data and amended to enable like for like comparison between 2022 and 2023.
12. End-of-life treatment of sold products	1	2	An error in the raw data provided for part of Category 12 calculations was discovered in 2022 data and amended to enable like for like comparison between 2022 and 2023.





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