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OPERATIONAL IMPROVEMENT PROGRAMME AND NETWORK CONSOLIDATION

Capital Markets Day

1 July 2021

EUROPE'S LEADING
FLOORCOVERINGS
DISTRIBUTOR

STAYING COVID-19 SECURE

Please follow these guidelines

Face coverings must be worn

STAY SAFE

- KEEP 2M APART
- FOLLOW THE DIRECTIONAL SIGNAGE
- USE THE SANITIZER GEL PROVIDED

CAPITAL MARKETS DAY - AGENDA

01 Headlam and Operational Improvement Programme

02 Network Consolidation

03 Sales Force Effectiveness

04 Customer Opportunity – Multiple Retailers

05 Trade Counters

Lunch

06 Tour of Ipswich Distribution Centre

07 Ecommerce and Digitalisation

08 Transport Integration

09 ESG Strategy

10 Closing Remarks and Q&A Session

INTRODUCTION

Adrian Harris - Managing Director (UK)

Experience

- Joined Headlam April 2019
- 30 years supply chain experience
- 10 years in military as a Supply Chain Officer
- MBA Strathclyde Business School
- 19 years commercial experience
- 14 years in senior leadership roles

Expertise

- Change and Transformation
- Operational Leadership
- Ecommerce
- Supply Chain

ARMY Argos TESCO amazon M&S EST. 1884

HEADLAM – THE UK OPPORTUNITY

Key competitive advantages:

- Market leader (+6x nearest peer)
- Scale and national coverage
- Broadest product range
- Financial strength
- Next-day nationwide delivery, and collection service
- Great people, with huge loyalty and industry experts

But with huge opportunity:

Only c 20% market share of overall £3bn* UK market
Traditionally targeted independent retailers and smaller flooring contractors

Complex structure, with operating inefficiencies
Scope to make significant cost savings

Not leveraging group scale, decentralised processes
New customer targeting, buying etc

Old fashioned processes and systems
Can offer an improved service to all customer groups

*Source: LEK Consulting, 2020, includes sales direct from manufacturers

Years operating **29**	Distribution hubs and centres **17**
Businesses **63**	Trade counters **54**
Customer accounts **24,830**	Commercial fleet (HGV) **363**
Supplier accounts **184**	

2020 Revenue

Residential sector	68.2%
Commercial sector	31.8%

UK	82.8%
Continental Europe	17.2%

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CUSTOMER INSIGHT IDENTIFIED 7 CUSTOMER TYPES…

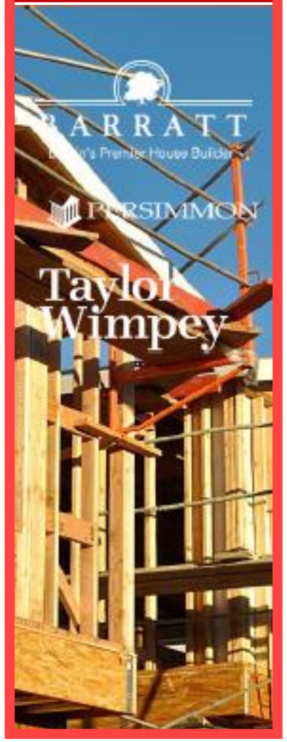
Traditional Retailers

Progressive Retailers

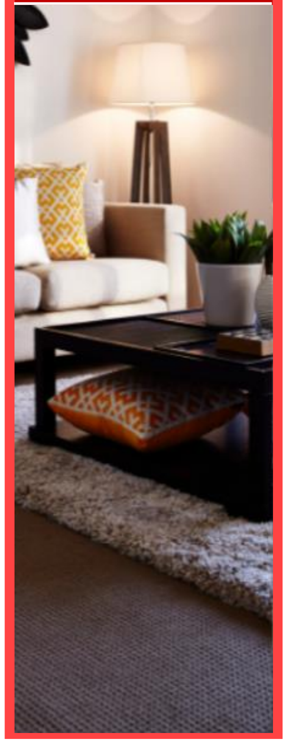
Tradespeople & Fitters who supply

Contractors

Large Housebuilders



Major Multiple Retailers



Online

…Not actively pursuing a large proportion of the £3bn UK market

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OPERATIONAL IMPROVEMENT PROGRAMME
OVERVIEW

COMPREHENSIVE PROGRAMME OF SUBSTANTIAL CHANGE ACROSS THE BUSINESS

01 Benefits analysis to identify at least £8m cost savings

02 Expertise brought in, or identified within the business, to deliver key projects

03 Considerable programme planning to ensure successful delivery

04 Employee engagement to ensure effective implementation

Multiple projects now being delivered…

- Transport Integration
- Network Consolidation
- Trade Counters
- Ecommerce/ Digitalisation
- Sales Force Effectiveness
- Customer Propositions / Multiple Retailers
- Other - incl. Product development, Stockholding, and Supplier engagement

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OPERATIONAL IMPROVEMENT PROGRAMME
OUTCOMES

- Supports the sustainable, long-term success of the business
- Creates significant revenue opportunities across a broader cross-section of customers
- Already seen significant improvements flow through:
  - Cost savings
  - Modernisation
  - Operational efficiencies and removal of complexities
  - Improved customer service
  - New customer wins
- Ambition of 7.5% UK operating margin run-rate during 2023

NETWORK CONSOLIDATION

IPSWICH DISTRIBUTION CENTRE

Operational July 2020 after a COVID-19 related delay to commissioning of plant and equipment

Completed on budget at a total cost of £26m (including land and internal fit-out costs)

Located near port of entry, redeployment of local constrained business, and close to London

Key features

190,000 square feet	Eaves height of almost **56** feet	**10.6** million cubic feet of capacity and substantial new warehousing
30,000 rolls warehousing capacity	**9,000** pallet locations	**2** cutting tables able to do a combined 100 cuts per hour
Sortation unit with capacity to hold **2,500** cut length pieces at any one time	Large trade counter in new ‘blueprint’, with **c 150** SKUs available in the self-pick area	**Focus on reducing environmental impact** with construction on brownfield site, and use of solar panels and other energy efficient technologies

NETWORK CONSOLIDATION

Enabler of significant network consolidation - 6 businesses consolidated

Consolidation completed in H1 2021

Trade counters and sales reps retained in areas to ensure customer continuity

c £7m proceeds from sale of two freehold sites

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NETWORK CONSOLIDATION - BENEFITS

Financial

+£1m net benefit (cost saving) per annum from 2022

Non-Financial

Improved service to customers throughout the South East of England through:

- Unified business approach
- Increased warehousing and order processing capacity
- Greater depth and breadth of product
- Integrated delivery operations
- De-duplication of management

Standardised and streamlined processes

Training School of Excellence established

Growth capacity to support revenue growth

OPERATIONAL IMPROVEMENT PROGRAMME
SUMMARY & ONGOING

Effective implementation of all projects underway

Significant revenue and market share opportunities

Further opportunities under development in areas such as:

Product development

Stock

Supplier engagement

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SALES FORCE EFFECTIVENESS

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EUROPE'S LEADING FLOORCOVERINGS DISTRIBUTOR

INTRODUCTION

Iain Lennard – Sales Development Director (UK)

Experience

- Joined Headlam June 2020
- 25 years sales leadership experience
- 7 years distribution experience
- 5 years GM experience

Expertise

- Large sales team leadership
- Strategy creation, proposition development and transformation
- Restructure and cost reduction
- Culture change

SALES TEAMS IN JUNE 2020

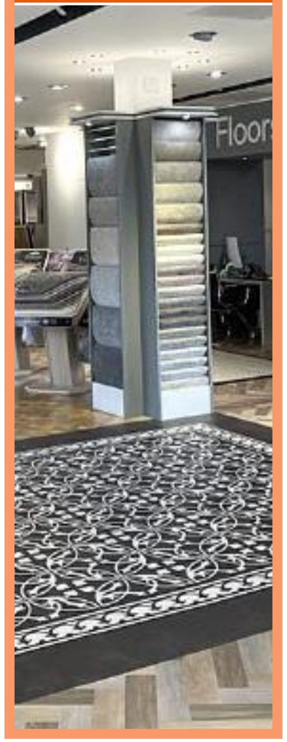
- Sales resource biased towards ‘independent customers’
- Relationship/price key selling propositions (incl. 13 product brands)
- Reps required to make 8 calls a day and visit all customers every 6 weeks
- Little time focused on new business
- Duplicate calling on the same customers
- Limited coaching culture

Segment	Number of sales heads
Traditional Retailers	212
Progressive Retailer	38
Contractor	85
Fitter	50
On Line	4
Multi retailer	8
House Builder	2
Total	**399**

THERE IS OPPORTUNITY FOR HEADLAM IN ALL SECTORS

Traditional Retailers

Progressive Retailers

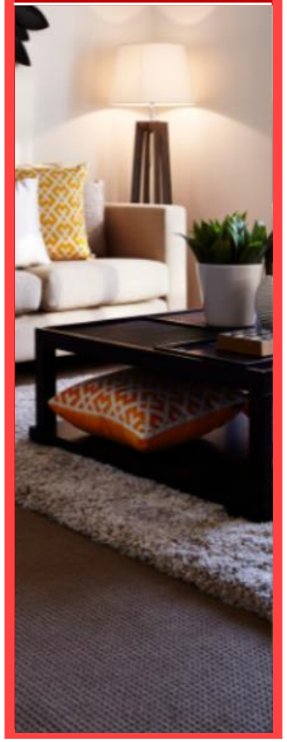


Tradespeople & Fitters who supply

Contractors

Large Housebuilders

Major Multiple Retailers

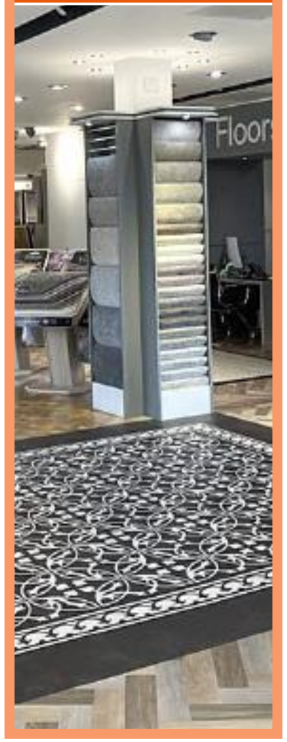


Online

SIGNIFICANT OPPORTUNITY IN MULTIPLE RETAILERS
HEADLAM HAVE 10% SHARE AND A UNIQUE PROPOSITION

Traditional Retailers

Progressive Retailers



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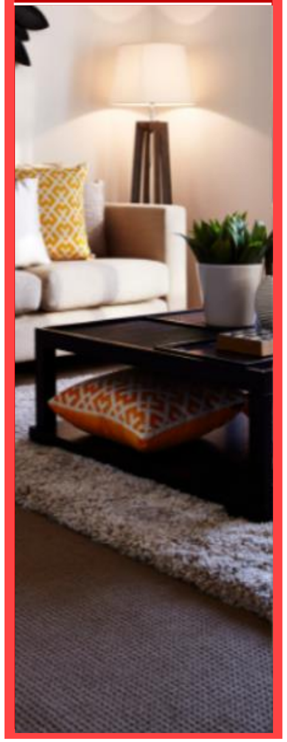

Online

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MULTIPLE RETAILERS

Farren Murphy
Commercial Director, National Carpets

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EUROPE'S LEADING
FLOORCOVERINGS
DISTRIBUTOR

INTRODUCTION

Farren Murphy

Commercial Director, National Carpets

- National Carpets - Headlam company which supports large Multiple retailers
- Retails sales/operations/buying roles through to Director of Category
- 17 months in role – customer prior to becoming employee

Exciting opportunity

- Use my understanding of large flooring retailers distribution/buying requirements to improve the service Headlam offers these customers
- A customer 'on the inside approach'

GROUP MULTIPLE ACCOUNTS

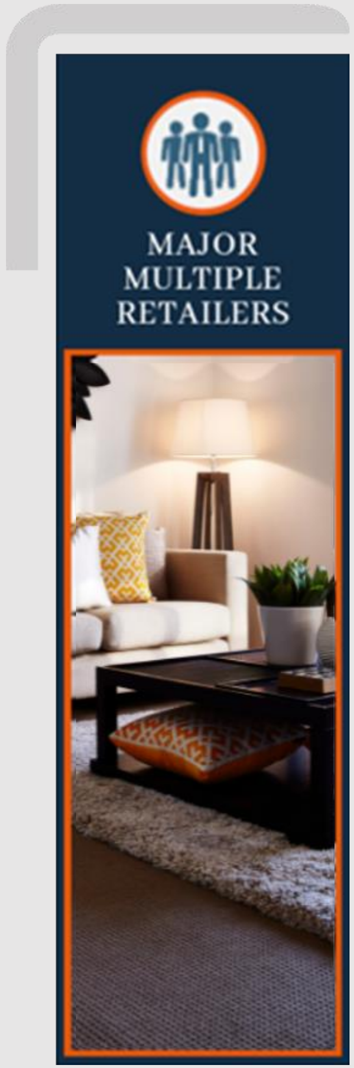
c £1 billion total UK market opportunity
(including sales direct
from manufacturers)
(Source: LEK Consulting, 2020)

Currently only **c 10% of Headlam's revenue**

Currently **21** multiple retailer accounts

Low penetration in accounts
and market segment

Have identified **33** immediate targets



PREVIOUS APPROACH

Previously - No set strategic approach to managing Multiple Retailers…

- Identical sales approach as traditional customer base
- Internal competition
- No group approach, and no internal communications
- Limited product presentation
- Sales representatives trading with directors – mis-aligned
- No Relationship, Buy and Sell, Show Me You Know Me

THE OPPORTUNITY

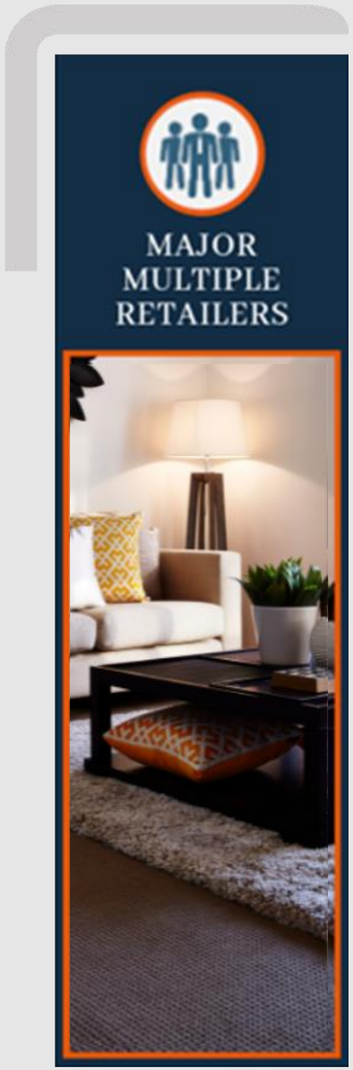
Significant opportunity

01 Actively target Multiples with tailored propositions

02 Group approach and better service

03 Capture more distribution share

04 Target customers who buy direct from manufacturers with a new proposition



GROUP MULTIPLE ACCOUNTS

Following extensive research and customer insight work, now fully understand the sector's needs…

What Headlam Can Offer

- Insight – Broadest Product Range/Trends
- Competitive Purchase Rates
- Supply Chain Management
- Storage Solutions – heavy, bulky hard to handle items
- Processing Expertise – Breaking bulk
- Store Distribution – Remove Need For Local Warehousing
- National Distribution to any number of locations / any frequency
- High Stock Holding – Accommodate Retail Calendars
- Tailored MOQ's for individual customers

Additional Benefit

- Financial Strength
- PLC/Governance – ESG

NEW APPROACH

Recruited a dedicated team

Centrally managing all Key Accounts

Approach as Headlam, not individual sites / businesses

Tailored propositions

Group network to provide service excellence

Actively seeking and pursuing new opportunities
with all current customers, with a focus on

- Improving relationships
- Improving operating margin
- Improving revenue
- Improving service

And targeting new customers...

APPROACH IS ALREADY RESULTING IN SUCCESS

Recently approached

Not aware of Headlam, despite being Europe’s largest distributor

Key Account team visited key decision-makers,
and took time to understand

- Improving relationships
- Improving operating margin
- Improving revenue
- Improving service

Recently secured in +£500k 2021 product sales with just 1 SKU

- Live range confirmed for 2021 duration
- Headlam had 3 suitable suppliers of same product, they were previously limited to 1

- A partnership approach
- Opportunity for further growth

One of the UK’s leading home improvement retailers with +230 stores

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GROUP MULTIPLE ACCOUNTS

THE OPPORTUNITY IS HUGE…

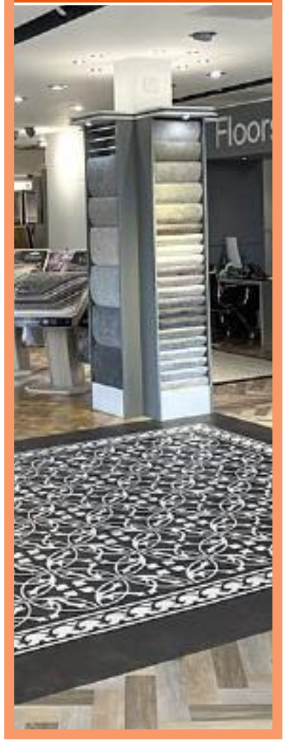
c £1 billion

- Flooring Retailers
- DIY
- Builders Merchants
- Homeware Retailers
- Supermarkets
- Garden Centres
- Online Retailers

HEADLAM NEED TO PROTECT AND GROW IN THE SECTORS WHERE THEY HAVE HIGH SHARE

Traditional Retailers

Progressive Retailers

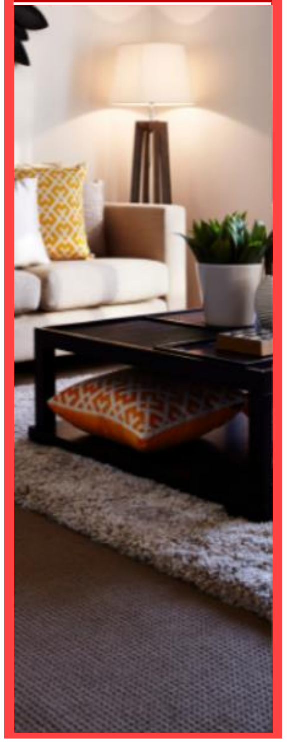


Tradespeople & Fitters who supply

Contractors

Large Housebuilders

Major Multiple Retailers



Online

WHAT HEADLAM ARE CURRENTLY CHANGING IN THE MORE ESTABLISHED SECTORS

Tighten the range and service propositions

Create greater consistency of pricing and pricing banding across the businesses

Create clear market positions for the Product brands

Improve B2B websites
Launch customer app

HEADLAM HAVE GIVEN THE SALES TEAM FLEXIBILITY TO SPEND APPROPRIATE TIME WITH THEIR CUSTOMERS

Recently completed reorganisation of our sales team

Allows for more effective sales generation, as well as reduced costs

- Sales reps given increased flexibility in how they service customers and utilise their time to target sales
- Spend a greater proportion of their time winning new business
- By changing the way of working, able to reduce headcount by 68 sales heads (70% achieved through vacancies)

THERE ARE FURTHER OPPORTUNITIES FOR THE SALES TEAMS

Continue to improve the customer propositions all segments

Realign sales resource into opportunity segments

Reduce duplicate calls on the same customer

Create sales development culture

TRADE COUNTERS

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EUROPE'S LEADING FLOORCOVERINGS DISTRIBUTOR

INTRODUCTION

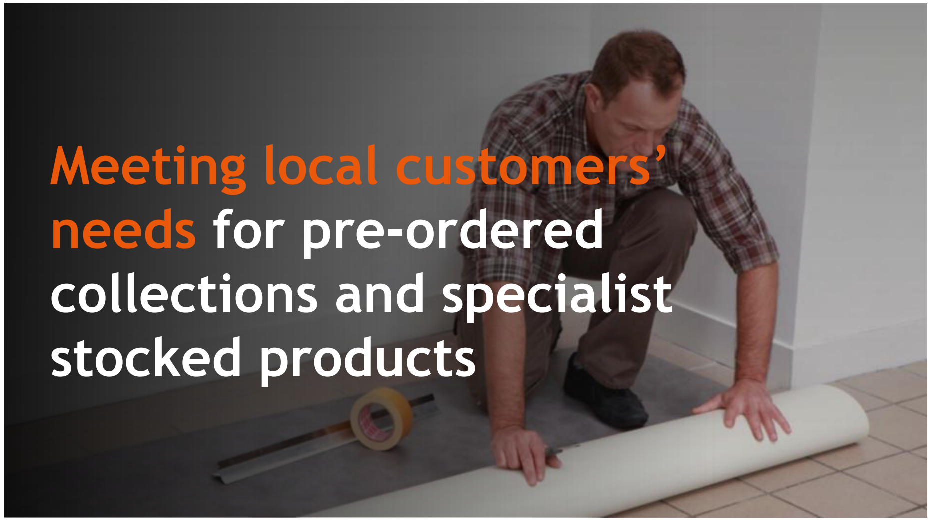
Ian Crick – Trade Counter Programme

- Joined Headlam December 2019
- 40 years experience - food retail
- Tesco Express - new format, first 600 stores, 5 years
- Tesco China - Tesco operating model deployment & Space range & display

Expertise

- Retail operations
- Business transformation
- Programme delivery

THE TRADE COUNTER OPPORTUNITY



OUR ASPIRATION

- Grow a £200m trade counter business (currently c £80m)
- Establish a national network of 90 new and improved trade counters (currently 54)
- Engage a broader range of trade customers
- Improve ranges, margin mix and commercial terms

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OUR ASPIRATION

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Achieving £1.6m+ incremental sales upon maturity (by year 5)

Growing sales through an improved offer in existing locations

Better premises and locations delivering significant sales increases

OUR ASPIRATION

- Grow a £200m trade counter business (currently c £80m)
- **Establish a national network of 90 new and improved trade counters (currently 54)**
- Engage a broader range of trade customers
- Improve ranges, margin mix and commercial terms

National coverage across all major towns and cities

Target locations:

- Large towns & cities
- Conurbations
- London

Enable national click & collect

Reduce cost to serve

OUR ASPIRATION

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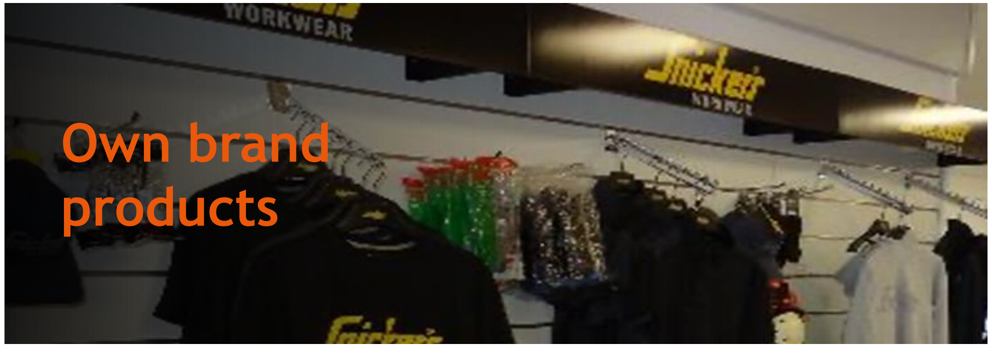

DISCOVERY STAGE

Decentralised business model has resulted in huge variability across our existing trade counter estate

Different approaches to format, size, range, location, resourcing & performance

A culture and mindset focused on flooring professionals has constrained market size for trade counters

Traditional relationships prioritised over new growth opportunities

Need for new capabilities to be developed within the business to deliver a consistent customer offer nationally

Commercial trading, space & range management, IT & data enhancements

DISCOVERY STAGE

- Meeting the needs of a broader range of trade customers
- New trade counter blueprint principles
- Trade counter business model

Quick service

One-stop shop

Fitter ranges

Expert advice

Re-rolling area

Delivering convenience...

DISCOVERY STAGE

- Meeting the needs of a broader range of trade customers
- New trade counter blueprint principles
- Trade counter business model

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DISCOVERY STAGE

- Meeting the needs of a broader range of trade customers
- **New trade counter blueprint principles**
- Trade counter business model

01 Dedicated trade counter Manager, accountable for growing business locally

02 People investment for service and growth

03 Self-serve for quicker service & more products for impulse sales

04 Good parking and covered space for re-rolling carpets

05 Located alongside complementary trade businesses

DISCOVERY STAGE

- Meeting the needs of a broader range of trade customers
- New trade counter blueprint principles
- Trade counter **business model** new sites

Typical new site:

£300k	Capital investment	
£1.6m+	Sales at year 5	
2 years	Profit enhancing	

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ROADMAP

2021	2022	2023	2024

2021:
- New sites: 2
- Refits & relocations: 10
- **£2m** capital investment

2022: Review & evaluate
- Site performance evaluation and financial appraisal
- Range and operations consolidation
- Establish recruitment and training plans

2023–2024:
- New sites: 34
- Refits & relocations: 44
- **c £18m** capital investment*

**£10m new sites. £8m refits & relocations - TBC based on refit/relocation split*

Sales maturity at year 5

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SUMMARY

- Initial focus to establish a national flooring trade counter network
  - 90 new and improved trade counters
  - £200m trade counter business
  - National click & collect
  - Reduced cost to serve
- Enabler for growing share of national contractors market
- Future opportunity to extend trade counter footprint for further sales growth

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ECOMMERCE AND DIGITAL

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EUROPE'S LEADING
FLOORCOVERINGS
DISTRIBUTOR

INTRODUCTION
ROB MARSH

Operations Project Manager

- 25+ years experience in Supply Chain and Logistics
- Senior Change Management roles in major retailers
- Joined the Headlam team in 2019
- Specialist skillset
  - Major Programme Delivery
  - Digital and eCommerce

DIGITAL STRATEGY

Our digital agenda has four key elements

01

Building digital and social media awareness of Headlam's own product brands

02

Headlam's ability to support their online customers in fulfilling their own orders in a seamless manner

03

Headlam's digital interaction with their own core distribution customers

04

Internal digitalisation

DIGITAL DRIVES GROWTH

Competitive advantage through a curated suite of digital products

Overview

Online activity rising due to consumer demand and technological trends
Floorcoverings industry lags behind

Improve offer for ‘underweight’ higher growth segments
larger retailers, emerging online focused, and larger commercial

Digital platforms have a lower cost to serve

Outcomes

Customers can interact and trade with us how they choose, when they choose (omnichannel)

Easy to use, and personalised customer experience

Build capability, training and support to complement the technology

1. HEADLAM PRODUCT BRANDS

We are underweight in this area. There is a significant opportunity to increase awareness and penetration of our own brands

01

Building digital and social media awareness of Headlam's own product brands

Customer segments:
Progressives, Contractors, Multiples, Online

02

Headlam's ability to support their online customers in fulfilling their own orders in a seamless manner

03

Headlam's digital interaction with their own core distribution customers

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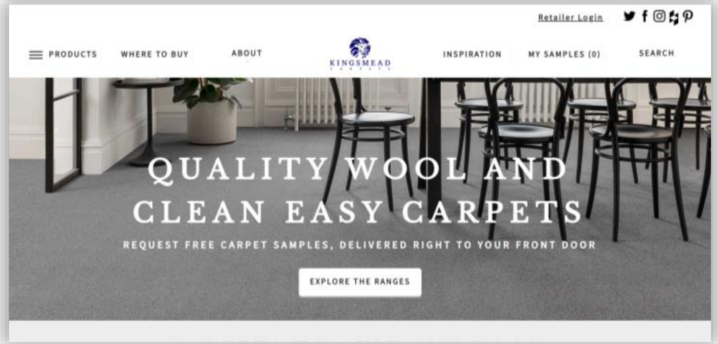
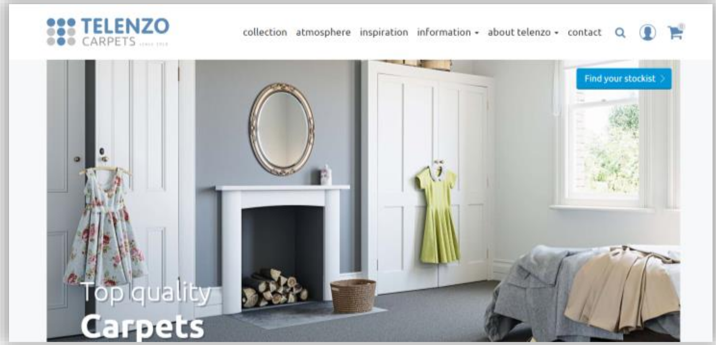
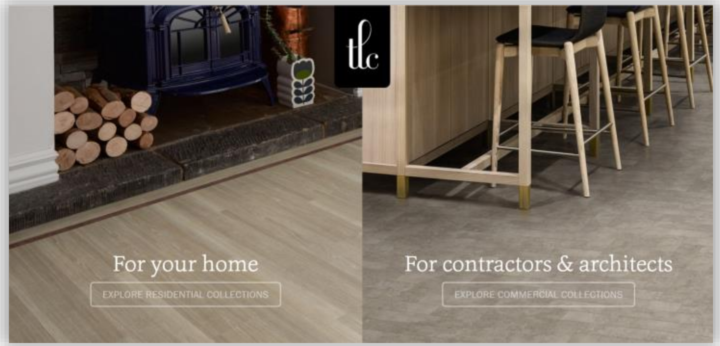
Internal digitalisation

1. HEADLAM PRODUCT BRANDS

We will engage consumers through improved awareness and stimulating content, so that our Headlam brands gain greater market penetration







Summary

End-consumer facing (non transactional)

- Sampling and local retailer referrals

Social media is increasingly important

- Current social media management is ineffective
- Increase quality and content of output across our social media channels

Website content creation is sub optimal

- Websites are not optimised for search engines (SEO)
- Increase quality content

Move to an in-house capability (from an agency partner model) due to the sustained focus required

2. ONLINE AND MULTIPLE CUSTOMERS

We are accelerating in this area and have a strong proposition to go further with our existing online and multiple customers, who require deeper integration

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02

Headlam's ability to support their online customers in fulfilling their own orders in a seamless manner

Customer segments:
Multiples, Online

03

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Internal digitalisation

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2. ONLINE AND MULTIPLE CUSTOMERS

Development of a powerful suite of applications to better support larger retailers, who typically require more systems integration

Summary

Currently data set-ups are on an individual customer basis using EDI*

- EDI automates key processes, removes manual tasks, reduces errors and reduces costs for Headlam and our partners
- EDI set-up can be relatively slow and resource intensive

We are going further by introducing best-in-class technical solutions

**Electronic Data Interchange*

01 Product Information Management

Q4 2021
Centralised repository and management of all business product data

02 Order Management System

Q1 2022
A single view of demand, inventory and supply

03 Customer Relationship Management

H1 2022
Drive sales by tracking, monitoring and automating every customer interaction

04 Transport Management System

Automated tool to select the optimum Transport carrier based on products and orders

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Electronic Data Interchange

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**Electronic Data Interchange*

3. DISTRIBUTION CORE CUSTOMERS

Our traditional core segments have significant stretch potential, through expansion and improvement of our digital assets

01

Building digital and social media awareness of Headlam's own product brands

02

Headlam's ability to support their online customers in fulfilling their own orders in a seamless manner

03

Headlam's digital interaction with their own core distribution customers

Customer segments:
Progressives, Contractors, Fitters

04

Internal digitalisation

3. DISTRIBUTION CORE CUSTOMERS

Targeting an average B2B web sales participation of >30% in 2022

Overview

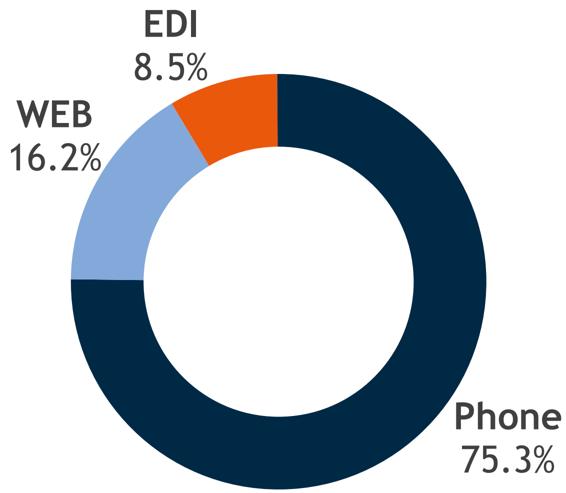
B2B web sales are increasing as a percentage of total sales

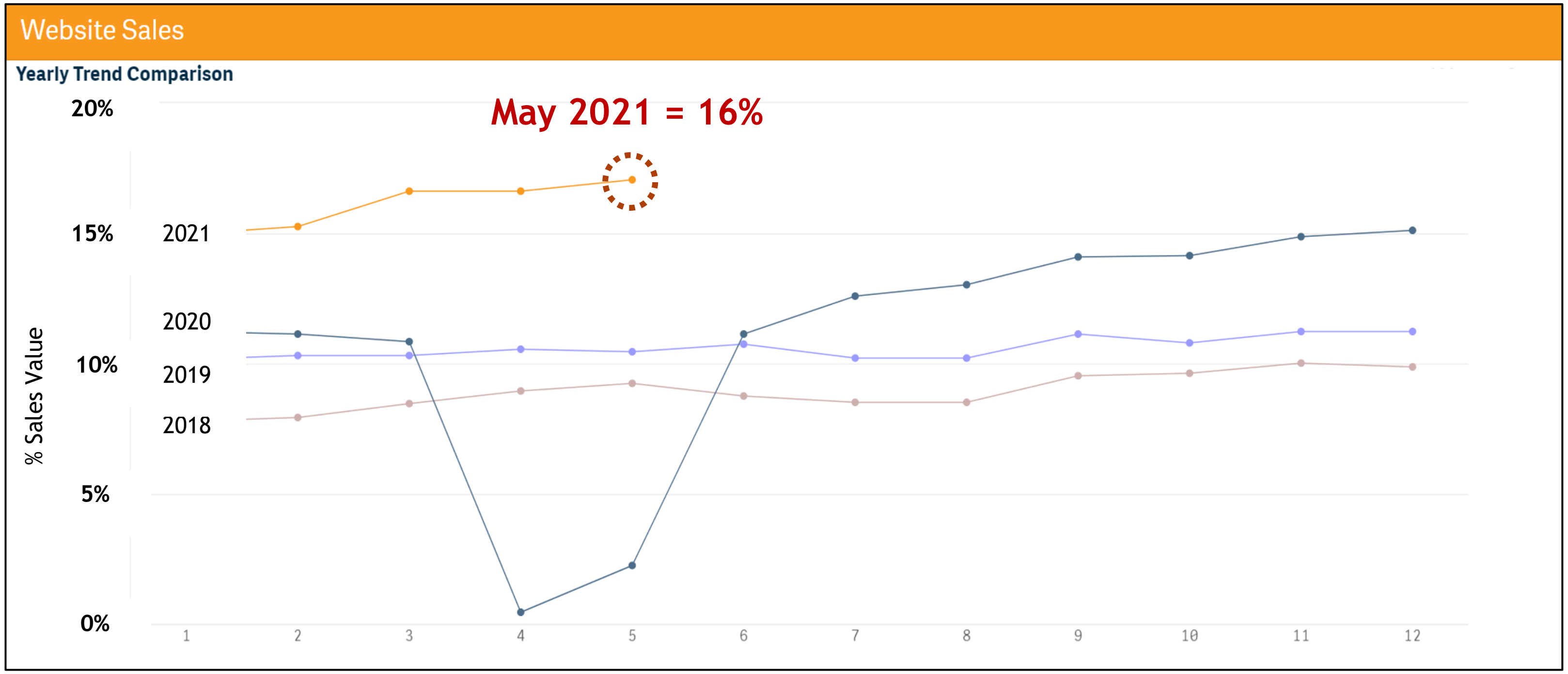
- 11% in 2019, increasing to 16% YTD 2021 (some sites > 35%)

Websites were refreshed and relaunched in Q4 2020

- Batch of new features and powerful analytics rolling out in Q3 2021

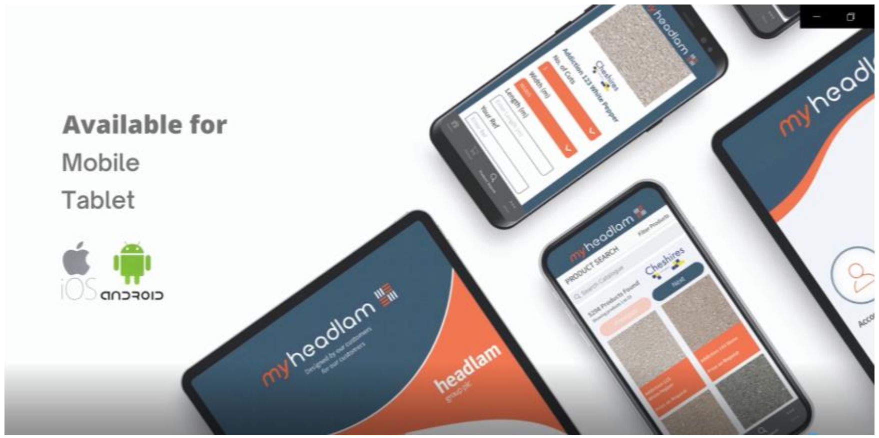
- Survey shows c 30% of customers are unaware we have websites, presents opportunity





3. DISTRIBUTION CORE CUSTOMERS

Introducing the *my*headlam App



3. DISTRIBUTION CORE CUSTOMERS

First to market with a feature rich, fully transactional App

Summary

Based on customer feedback and designed with inputs from focus groups

- ‘Designed by our customers for our customers’

Personalised settings / powerful search engine / real-time availability and pricing / In-App ordering / room measurement and visualisation / order and delivery history

Developed in-house, giving us control and flexibility (and reduced costs)

Timeline

Launching in Q3 2021

- Customer pilot group / soft launch in August 2021 before full release to all customers

Roadmap of exciting new functionality delivering through 2021 and beyond

4. INTERNAL DIGITAL ENABLERS

We can improve communication and engagement with our colleagues, and do things 'better, simpler and cheaper' by automating manual tasks

01

Building digital and social media awareness of Headlam's own product brands

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Internal digitalisation

Comms Portal, eLearning, Auto Invoicing

SUMMARY

Competitive advantage through a curated suite of digital products

Industry-leading capability

Step change in our revenue generating digital capability by Q1 2022

Relentless focus on customer experience and feedback

Building internal skillsets and colleague engagement

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TRANSPORT INTEGRATION

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TRANSPORT INTEGRATION - SUMMARY

Overview

- Objective – consolidate all daily customer deliveries into one vehicle, supplied from nearest hub
- Maintain next day delivery offer
- Region by region rollout

Rationale / Problem Statement

Inefficient transport operations:

- Duplicated delivery routes by different businesses
- Excessive fuel usage and costs - environmental impacts
- High ratio of time driving vs delivering
- Underutilised capacities
- Disruption for customers

Outcomes

- North, South West, Wales and South East regions implemented (c 70% national coverage)
- Full rollout to be completed in Q1 2022
- £3m savings (net benefit) per annum from 2022

NEW TRANSPORT OPERATING MODEL

PRE Operating Model

Daily delivery patterns

- Overlapping
- Long distances

Overnight stock moves

- ‘Trunking’ network
- Inter company moves

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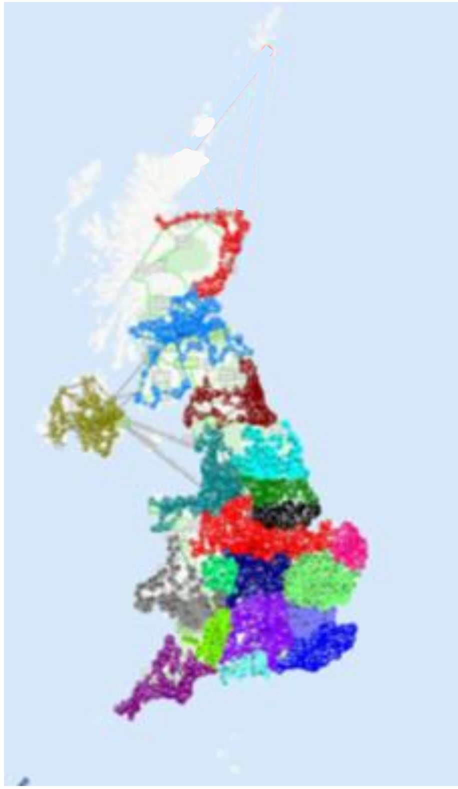
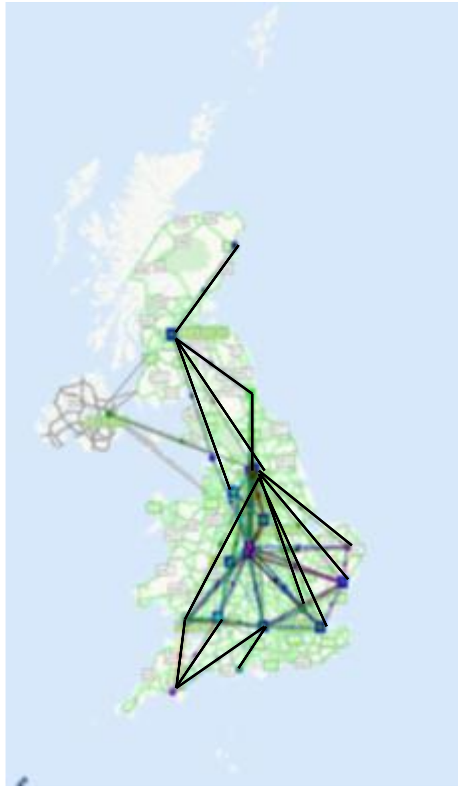
NEW Operating Model



Daily delivery patterns

- Clear boundaries
- Reduced travel



Overnight stock moves

- Increased moves
- Initiatives to offset

NORTHERN REGION IMPLEMENTATION

Background - Accelerated Delivery

- Multi-site implementation following successful Proof of Concept in Wales
  - 7 businesses, c 6k customers, c 25% of network deliveries
- Significant step-change - people, processes, systems, physical infrastructure
- Huge data modelling exercise
  - c 20k individual deliveries analysed and scenarios modelled, using specialist software
  - Output – every customer assigned a new optimised delivery slot, on a new delivery run

Implementation

- 2 Phased implementation in September 2020

Outcome

- 30 vehicles removed
- Increase in drivers pay to reflect increased workload
- Tracking towards 1.25m kms reduction in full year delivery mileage
- New model significantly outperforming the old model on key indicators

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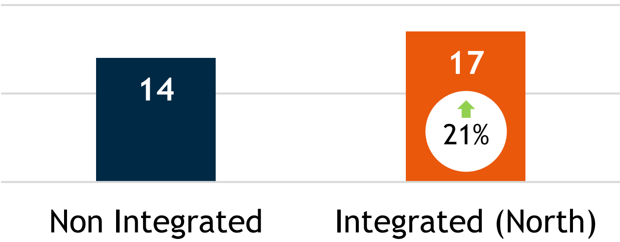
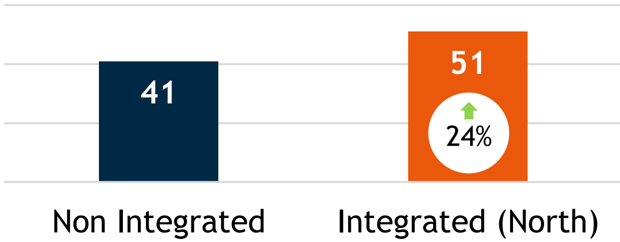
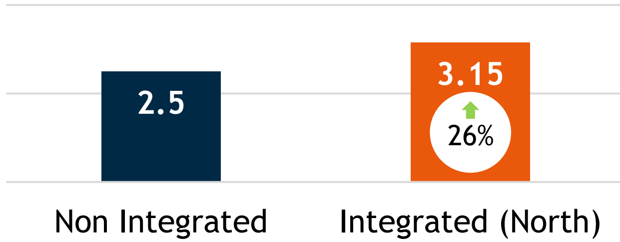
Deliveries per vehicle
(Q2 2021)



Orders per vehicle
(Q2 2021)



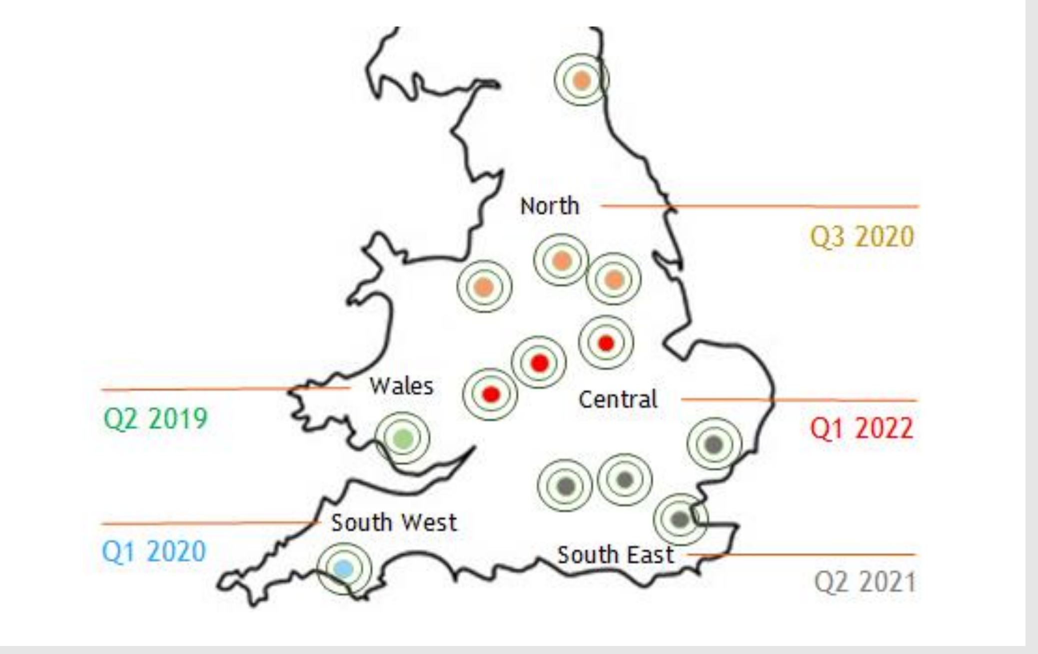
Weight (tonnage) per vehicle
(Q2 2021)



ROLLOUT

Completion

- South East Region implemented June 2021
- 2 Transport modelling / planning experts now onboard
- Completion in Q1 2022 with Central Region



CONTINUOUS IMPROVEMENT

Evolve and enhance the solution

Stock and process a core range of products (*Local Stocking* project) at each site, to reduce overnight trunking movements

‘Sweep Up’ Phase - complete remaining partially integrated / optimised sites

Review fleet mix – a range of vehicles to allow more flexible delivery solutions

Training and development – driver benchmarking, best practice and driving style data analysis, Transport Managers upskilling

System tools to capture driving data and behaviours (telematics), to improve performance and efficiencies

SUMMARY

The new transport model is a positive step change for Headlam and our customers

- Consistent customer experience
- Reduced costs
- Improved environmental credentials
- Increased employee engagement
- Roadmap of future improvements

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ESG STRATEGY

Capital Markets Day
1 July 2021

EUROPE'S LEADING FLOORCOVERINGS DISTRIBUTOR

HEADLAM'S APPROACH

Building an ESG Strategy to reduce risk and capture opportunity

Published first Materiality Assessment in March 2021

- Identifying Headlam's key areas of ESG risk and opportunity

Formed the basis of ESG Strategy Report published in May 2021

- Set-out initial focuses / actions and broader ambitions

Overarching strategy

- To support sustainability in the floorcoverings industry by engagement and example
- Ensure well-positioned to take advantage of future market dynamics

Headlam's material issues, and current level of operational control:

01 **Headlam -** Working with our people

Internal Emissions
Health and Safety
Governance
IT Resilience and Cyber Security

02 **Partners -** Working with our partners

Supply Chain Risk

03 **Industry -** Engaging the wider industry

End-of-Life Disposal

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HEADLAM'S APPROACH

FY2021 actions to include:

Governance and engagement

- ESG as a standalone project within the Operational Improvement Plan
- Development of an ESG senior working group
- Engagement with Employee Forum, and wider employee base
- Enlarged Board, oversight and expertise

Impact mitigation

- Near completion of Transport Integration Project
- Lifecycle cost calculation of non-commercial fleet
- Taking steps towards ISO environmental accreditation

Collaborative action

- Development of Supplier Procurement Charter
- Initial Scope 3 assessment, findings and analysis

FY2021 actions will mitigate ESG impacts under Headlam's operational control, and scope issues that require collaborative solutions

HEADLAM AND THE INDUSTRY

What are the ESG challenges that require collaborative solutions?

The flooring industry's key ESG issues are widely acknowledged: the impacts associated with production of floorcoverings, and low rates of recycling and reuse at end-of-life

A number of challenges have slowed implementation of solutions at scale:

- Technical complexity of the challenges
- Relatively low engagement of sustainability issues from customers and end-consumers
- Long product lifetime
- Highly-fragmented value chain

Suppliers:
c 180 accounts

- **Multiple materials** involved in production of floorcoverings
- **Discrepancy in ESG maturities** across suppliers and geographies

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Retail & commercial customers:
c 25,000 accounts

- **No price premium** for sustainable product offering
- **Fragmented market** with diversity of customer in size and sector

HEADLAM AND THE INDUSTRY *CONTINUED*

Expect an increasing shift to sustainable practices, initially driven by regulation….

EPR Scheme:
Extended Producer Responsibility (EPR) in the next 3-5 years for carpet and adhesive

Potential impact
Cost implications for industry participants, with impacts on certain products' profitability

End-of-life Regulation:
Regulatory Position Statement (RPS) on use of shredded waste carpet for equestrian centre surfaces

Potential impact
Reduced proportion of carpet diverted away from landfill, further scrutiny of floorcovering production processes

Technology:
Progress of technical solutions

Potential impact
Increase in recycling facilities and solutions available for floorcovering disposal

Building Certifications:
Accreditation ESG reporting requirements

Potential impact
Increasing ESG interest from commercial customers, including those driven by developers aligning to green building certifications e.g., BREEAM

End-Consumer ESG:
Rising civil society interest in sustainability

Potential impact
Expected uptick in retail customer scrutiny of ESG matters - however, likely lagging commercial

HEADLAM AND THE VALUE CHAIN: SCOPE 3 CASE STUDY

Key tool for assessing ESG risk within the value chain

Objectives

- Scoping exercise to identify high impact areas in the value chain
- Assessment of data availability within the Company and its top 15 suppliers
- Initial supplier engagement on ESG matters

Findings

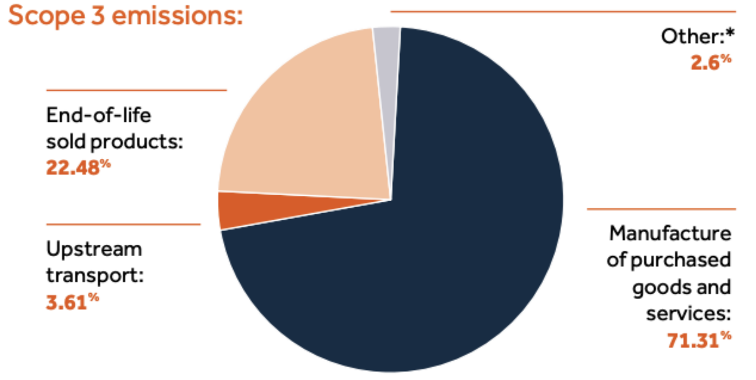
- Headlam's Scope 3 emissions were found to be significant, calculated at 97% (552 thousand tonnes CO_2-e) of total emissions (including Scope 1 and 2)
- Within Scope 3, the main sources of GHG emissions were floorcovering production and end-of-life disposal

Next steps

- Internal workshop with data managers to develop data solutions and set supply chain engagement ambition
- Collect additional data to facilitate improved methodological robustness
- Carry out baseline Scope 3 assessment
- Set targets and measure progress

Outputs will inform collaborative actions to reduce risk in the value chain

The result of the assessment shows the most material value chain impacts:



*Waste generated in operations, employee commuting, capital goods, and fuel-related activities not included in Scope 1 and 2

CAPITAL MARKETS DAY - CONCLUSION

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CAPITAL MARKETS DAY - CONCLUSION

COMPREHENSIVE PROGRAMME OF SUBSTANTIAL CHANGE ACROSS THE BUSINESS

Significant revenue growth opportunities

Substantial cost savings

Modernisation and removal of complexities

Improvements to customer service

Multiple projects now being delivered...

- Transport Integration
- Network Consolidation
- Trade Counters
- Ecommerce/ Digitalisation
- Sales Force Effectiveness
- Customer Propositions / Multiple Retailers
- ESG Strategy

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THANK YOU

Q&A SESSION

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