



headlam

Headlam Group PLC

Company number: 00460129

Sustainability Report  
March 2026

# SUSTAINABILITY AT HEADLAM

## Sustainable by design

As we execute our refocused strategy, ESG remains a fundamental enabler of long-term value creation and resilience across our business. It is embedded in our operating model and will become a key differentiator of our proposition for customers over the medium term.

A clear demonstration of this approach is the successful take-back trial completed at our Northampton site. The trial has delivered actionable insight into expected material volumes, operating economics, and the most effective partnership model with our waste management provider. Importantly, it has also confirmed the commercial and service value this offering creates for our customers.

In 2025, we extended the trial and we are now evaluating what a full scale nationwide take-back scheme across our Trade Counter network would look like.

This initiative supports our strategic priorities by strengthening customer loyalty, enhancing sustainability credentials, and creating a scalable platform that improves recycling accessibility for our most valued independent customers.

We have also partnered with a number of key suppliers to launch our Trainee Flooring Fitter programme. This six-month training programme addresses structural skills shortages within the industry, supports long-term sector sustainability, and reinforces our differentiated value proposition to independent customers. As our refocused strategy prioritises share growth in this segment, developing industry capability will remain a strategic priority.

As outlined in this report, we have delivered further progress across our ESG agenda during the year. This includes deeper engagement with our supply base through our annual supplier conference, enhancements to waste management processes, a 10% decrease in colleague engagement, strengthened development pathways, and continued improvements to our governance and control framework. We believe these outcomes reflect disciplined execution and confirm that ESG is fully integrated into our refocused strategy that will return the business to profitability and ensure that our independent flooring retailers and contractors are at the heart of our business.



## Environmental

### Priorities

- Product design
- Service design
- Building design

### Why we have chosen them

- To deliver our long-term circularity ambition, we are acting now to engineer products with increased recycled content and improved end-of-life recyclability, reducing future regulatory risk and supporting sustainable margin delivery.
- Scaling a national take-back scheme strengthens our customer proposition, drives loyalty among independent customers, and provides a practical pathway to increased material recovery and waste reduction.
- As we reduce our footprint, we will embed energy efficiency and low-carbon design standards from the outset into any new or relocated sites, supporting cost efficiency and disciplined carbon reduction.

### Progress made

- Strengthened supplier collaboration through joint product development plans, whilst actively contributing via Carpets Recycling UK to the development of an industry-wide Sustainability Pledge - supporting innovation, resilience, and improved ESG standards across the value chain.
- Successfully extended a take-back trial across four Trade Counters, validating operational feasibility, customer demand, and the potential to scale this capability across the network.
- Embedded environmental considerations into site development, with facilities planners fully integrated into the process to address waste management, energy efficiency, biodiversity, and broader environmental performance from the design stage.

### Outlook

- Upskill the central buying team, under the leadership of the Chief Buying Officer, continue to embed sustainability into product development decisions and accelerate the delivery of more sustainable, commercially viable ranges.
- Evaluate the trial of the Take Back scheme, building on proven success to test scalability, operational consistency, and customer adoption ahead of wider roll out.
- Partner with operations and property teams to develop a standardised building blueprint, optimising sustainability performance across energy efficiency, carbon reduction, and whole-life cost as the estate expands.



## Social

### Priorities

- a. Engagement plans to create the right environment to attract and retain the best colleagues.
- b. We want to attract and retain colleagues with the right skills, behaviours and expertise. We truly believe that engaged and motivated colleagues provide the best service and apply their knowledge and expertise to their fullest.

### Progress made

- a. We have launched a new set of behaviours to support the success of our colleagues and Headlam overall to better navigate the changes in the market and those we have internally. There will be a culture programme launched through leaders in the Leadership population during 2026.
- b. We are continually reviewing our benefits to remain competitive and an attractive place to work.



## Governance

### Priorities

- a. Buying process review (supplier and product selection).
- b. Systems and reporting requirements.

### Why we have chosen them

- a. Fully centralised UK Distribution buying and supply chain teams now enable consistent, group-wide processes and improved governance. The establishment of Scope 3 emissions targets provides a clear framework for focused planning, supplier engagement, and measurable progress.
- b. The ERP implementation programme, whilst temporarily paused, creates an opportunity to rationalise systems and embed improved ESG data capture and reporting across the business, strengthening decision-making, transparency, and long-term control.

### Progress made

- a. ESG standards and assurance requirements are embedded within the new product introduction process for own-brand products, ensuring sustainability considerations are integrated at the point of design. Scope 3 emissions targets have been formally set and agreed, providing a clear framework for delivery and accountability.
- b. The ESG Director has actively contributed to ERP requirements workshops, ensuring ESG data, controls, and reporting needs are incorporated into system design, supporting future compliance, transparency, and decision making.

### Outlook

- a. Defined Scope 3 action plans in 2025, providing a structured pathway to delivery, whilst continuing to educate buying and supply teams on responsible sourcing best practice to support measurable emissions reduction across the value chain.
- b. Review and enhancement of ESG data and reporting capabilities to deliver a harmonised ESG dashboard and clearly define requirements for integration into the new ERP programme, strengthening transparency, consistency, and management oversight.



## Environmental

### Key achievements in 2025

- Aligned and formally set Scope 1, 2 and 3 emissions targets, with a clear ambition to achieve net zero by 2040, providing a consistent and accountable decarbonisation pathway.
- Delivered a 51% reduction in Scope 1 and 2 emissions against a 2019 baseline, demonstrating tangible progress and disciplined execution.
- Implemented comprehensive waste monitoring and reporting across all major distribution centres, strengthening data quality, oversight, and operational control.
- Extended our recycling centres service in our trade counter collection points, enhancing the customer proposition whilst supporting circularity ambitions.
- Gave our first ESG Initiative of the year award to one of our key strategic suppliers at our annual supplier conference.
- Established partnerships with waste management providers and recyclers to ensure end-of-life materials are recovered and regenerated, reducing landfill dependency and supporting resource efficiency.
- Maintained ISO 14001 certification across our national distribution centres, reinforcing environmental management standards and external assurance.

We remain committed to protecting the planet and have set a clear ambition to achieve net zero emissions by 2040. Our strategy is focused on designing products that can be renewed, repurposed, and readily recycled, enabling greater reuse within the products we supply.

In parallel, we are building a more circular supply chain and taking greater responsibility for the recovery of materials placed onto the market. This approach supports regulatory readiness, improves resource efficiency, and underpins sustainable long-term value creation.

### Reducing our Carbon Emissions

Throughout 2025, we will continue to deliver against our carbon reduction roadmap and advance the implementation of our Scope 3 strategy. The Company follows a 'true' Net Zero approach, prioritising real decarbonisation with offsetting applied only to residual emissions of approximately 10%. Our targets are science based, with Scope 1 and 2 aligned to Scope 3 timelines, and measured against consistent baselines – Scope 1 and 2 versus 2019, and Scope 3 versus 2023.

Key focus areas for 2025 included sustainable product development, improving efficiencies in our non-commercial fleet, and promoting energy-conscious behaviours across our workforce, ensuring measurable progress toward our long-term Net Zero ambitions.

### Transport Efficiencies

In 2023, we implemented Webfleet, a vehicle telematics system, to enhance driver safety, operational efficiency, and fuel performance. In 2025 we have achieved a further 39% reduction in heavy braking events.

### Energy Intensity

In 2024, we completed solar panel installations across 12 distribution centres, which continue to contribute towards each site's energy needs. We remain committed to investing in renewable solutions and identifying further opportunities to improve energy efficiency and cost performance.



## Net Zero Emissions Timeline

### Key Achievements and Targets

#### 2023

- Solar panels installed across 11 sites.
- ISO 14001 environmental certification at key sites.
- Over 85% of UK non-commercial fleet electric/low emission.
- Good Energy and Recycling Behaviours workshops held at 11 largest sites.
- Continued trial of low emission commercial vehicles.
- Transport integration completed.

#### 2024

- Final solar panel installation, taking the total to 12 sites.
- Telematics used to improve driver behaviour and reduce emissions.
- Reviewed waste management across UK distribution sites.
- Scope 3 strategy and targets developed.
- Continued trial of low emission commercial fleet vehicles.
- Trial of Trade Counter take-back and recycling scheme in Northampton.
- Launched EV salary sacrifice scheme.

#### 2025

- Assessment of the take-back recycling scheme trial.
- Scope 3 targets implemented.
- Carbon workshops commenced with buying team; further planned throughout 2025.

#### 2030

- Interim target: 46% reduction against 2019 baseline (Scope 1 & 2).
- Roll-out of low carbon commercial vehicles.
- Potential heating electrification to reduce gas consumption.

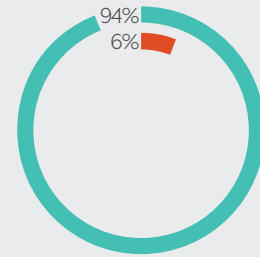
#### 2032

- Interim target of 42% reduction of Scope 3 emissions against 2023 baseline

#### 2040

- Net Zero emissions target (Scope 1, 2 and 3).

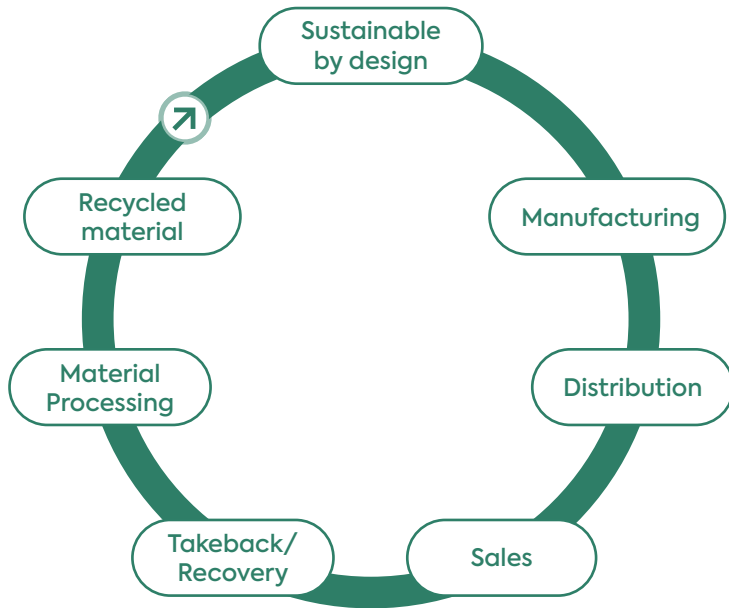
UK and Continental Europe  
Scope 1 and 2 emissions  
2025 Full Year Data



■ Scope 1: 94% (13.0ktCO<sub>2</sub>e)  
■ Scope 2: 6% (0.9ktCO<sub>2</sub>e)

## Environmental

### Sustainable product development



In 2025, we continued to evaluate sustainability across the full product lifecycle through our Sustainable by Design programme.

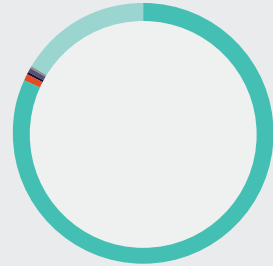
We have invested in take-back trials, providing end-of-life product management and ensuring recovered materials are returned to raw material form for reuse through partnerships with recyclers and manufacturers.

Our Florprotec brand continues to offer a collection service for end-of-life products, with materials reintegrated into new products. Additionally, we collaborate with leading UK and European manufacturers to design broadloom and vinyl ranges that are easily recyclable, reducing reliance on specialist recyclers and improving the quality of recycled materials.

### Take-back Scheme

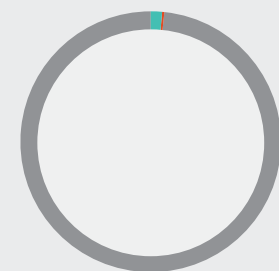
The take-back and recycling trial, launched in May 2024 at the Northampton Trade Counter, continued through 2025. Customers can return post-consumer and post-industrial flooring, underlay, vinyl, LVT, laminate, packaging, and general waste. The service remains free during the trial, encouraging adoption and providing valuable insights to support potential national roll out.

### Scope 3 Emissions 2025 Full Year Data



- Purchased goods 80.5% (628,655 tCO<sub>2</sub>e)
- Capital goods 0.6% (4,616 tCO<sub>2</sub>e)
- Fuel-related 0.4% (3,427 tCO<sub>2</sub>e)
- Upstream transportation 0.4% (3,398 tCO<sub>2</sub>e)
- Waste generated 0.1% (958 tCO<sub>2</sub>e)
- Business travel 0.1% (336 tCO<sub>2</sub>e)
- Employee commuting 0.3% (2,179 tCO<sub>2</sub>e)
- End of life treatment 15.8% (123,835 tCO<sub>2</sub>e)

### Total Scope 1, 2 and 3 Emissions: 815,119 tCO<sub>2</sub>e 2025 Full Year Data



- Scope 1 1.7% (12,967 tCO<sub>2</sub>e)
- Scope 2 (location-based) 0.1% (947 tCO<sub>2</sub>e)
- Scope 3 98.2% (767,404 tCO<sub>2</sub>e)



### Partnerships

- Biffa: collects, sorts, and recycles flooring by material type.
- Recofloor: facilitates vinyl and LVT collection on behalf of Polyfloor and Altro.

### Water

We are a low water-use business, primarily for cleaning vehicles, and continue to minimise usage wherever possible.

### Waste

In 2026, we aim to maintain or improve our operational waste diversion from landfill, with waste recycled from UK Distribution Centres. Recycling bins are provided at all major centres, and stock repurposing continues through Melrose Interiors. Packaging is recovered wherever possible and recycled when reuse is not feasible, supporting both sustainability and operational efficiency.

### Raw Materials

We prioritise renewable materials wherever possible, particularly within our flagship Crucial Trading brand. All timber is sourced from verified, legal suppliers with fully traceable supply chains via Track Record Global. Where non-renewable materials are used, recycled content is incorporated wherever feasible, and products are designed for end-of-life recyclability, supporting circularity and sustainable value creation.





## Key achievements in 2025

- Colleague Engagement dropped by 10pts, however 2025 has been a significant year of changes and only remains 11pts behind the industry benchmark.
- Reduction in RIDDORs by 29% year on year.
- Safety culture training roll out continues.
- Gender pay gap reduced year on year.
- Strategic approach to community support continued in Leeds through the Trainee Fitter programme, helping bridge the skills gap in the industry and improve employability in the area.

Making Headlam a great place to work with a positive impact on communities.

## Our Colleagues

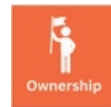
Across the UK, France, and the Netherlands, Headlam Group PLC employed approximately 2,200 people on average in 2025. Colleagues remain at the heart of our business and are our greatest asset. We continually focus on making Headlam a great place to

work and ensure colleagues share in the Group's long-term success.

Whether colleagues work in warehouses, transport, sales and trade counters, support offices, or corporate functions, a range of working arrangements are available to attract and retain colleagues who live our values:



**We avoid overcomplication by keeping things simple**



**We create a trusted environment where people are empowered to act and can learn and improve**



**We uphold high standards and confidently challenge wrong behaviours**



**We create an inclusive environment where people celebrate success together**



**We ensure that every individual feels valued, supported and safe**

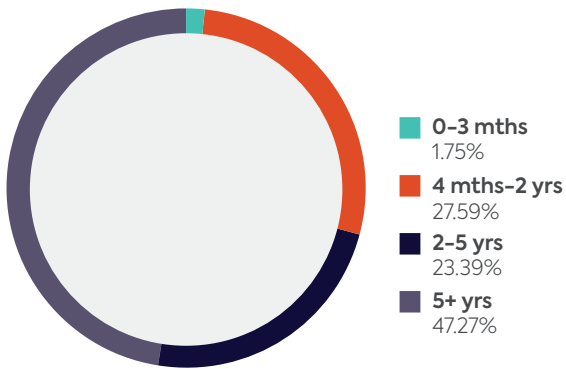
**And always, do the right thing**

The behaviours underpin and demonstrate our commitment to integrity. Our Colleague Code of Ethics, The Headlam Way, covers topics including safety, behaviours towards each other, conflicts of interest, sustainability, bribery and corruption, fair competition, confidentiality, and more. It complements our Speak Up policy, enabling colleagues to confidentially raise concerns directly to the Audit Committee Chair. All new colleagues familiarise themselves with these policies during online induction, and updates are communicated through monthly leadership calls and manager briefings.

In the UK, Headlam employs salaried colleagues exclusively, with no zero-hour contracts. Colleagues are entitled to employment benefits from day one, including company sick pay and the right to request flexible working. Just over 5% of colleagues currently have flexible working arrangements. In 2025, most colleagues remain permanent, with temporary workers averaging approximately 6% of the workforce, primarily in operation to manage peaks, cover long-term absences, or support business change.

We continue to showcase career opportunities through internal communications, highlighting colleagues who have progressed through the business. This, coupled with colleagues' commitment to supporting customers and each other, contributes to Headlam's strong tenure.

## Length of Service



Our long-serving colleagues, with their in-depth knowledge of customers, services, products, processes, and systems, remain a foundation of our success. We focus on retention through Reward, Learning and Development and Colleague Engagement. Uncontrolled labour turnover, along with attendance and engagement, are key People KPIs, with actions implemented throughout 2025 to improve all three.

We also target recruitment to diversify skills and experience, bringing in expertise from other industries, talent banking core skills, and working with recruitment partners to provide candidates with clear insights into opportunities at Headlam. Improving attraction and selection methods remains a priority in 2026.

## Keeping Each Other Safe and Well, Every Day

2025 was a very productive year for the National Safety Team. Over a period of nine months a new Safety Platform was delivered to 98 sites in the group. This was met with overwhelming success with over 35,000 inspections completed on the new system. This has seen a significant increase in engagement with all employees using the platform and allowed the National Safety Team to focus on any concerns identified through the analytical reports generated once the platform was populated.

We have now significant increase in reporting Near Misses and reduced LTIs by over 50% throughout the Network.

We have maintained our ISO 45001 accreditation after external audits of 6 sites.

The RIDDOR incident frequency rate per 1,000,000 hours worked was 3.98 in 2025, compared to the HSE recommendation of 3.77.

Type of RIDDOR Incident	2024	2025
Slip, trips, and fall	2	4
Struck by moving vehicle	3	2
Contact with machinery	2	0
Hit by moving/falling, flying object	1	0
Handling, lifting, carrying	4	3
Fall from height	3	2
Other	2	3
<b>Total</b>	<b>17</b>	<b>14</b>

## Supporting Colleagues Through Change

There continued to be several changes across the business in 2025 as part of the acceleration of our plans to turnaround Headlam.

In 2025 our cost challenges remained and from opportunities identified, we re-established a better year end position on headcount and 130 colleagues left the business through redundancy. Our continued review of footprint, efficiency and effectiveness will result in ongoing re-design to create a stable position for reset and growth.

We have adopted a way of working that includes a Top 30 cohort of Leaders to manage change and challenge what we do here at Headlam.

## Colleague Engagement

We conducted our first colleague engagement survey in 2023.

We maintained the engagement score in 2024 and in 2025 it reduced 10ppts, reflecting the intense change occurring in the business.



## Learning and Development

Our learning management system, Eloomi provides colleagues with access to over 600 elearning modules, the ability to book on to face-to-face training, the creation of playlists, reporting capability and a user-friendly way to develop bespoke elearning content. Since launching the platform over 1,300 colleagues have used it to access learning,

We also started to deliver our new leadership programme, Lead the Way, consisting of two levels of leadership development delivered face to face. Feedback from managers was positive across all modules and in our engagement survey 89% of our managers said that they know what is expected of them to manage their direct reports well, which was an improvement of 3ppts year on year. More importantly we saw a strong score of 86% on the leadership question 'My Manager and I have a good working relationship'.

Managers and leaders continued to benefit from Health & Safety training throughout the year with DSS+ delivering Felt Leadership training for our senior leaders which covers the importance of creating a Safety culture, and See it, Say it training for our management teams.

We invested in training for our sales teams by providing our Area Sales Managers ('ASMs') with Driving Sales Growth training, a programme designed to help them to hone their selling skills. Our Regional Sales Managers attended Delivering Sales Performance to help their ASMs embed their training, provide guidance on field observation and feedback and to support their coaching skills for 121s, appraisals and team meetings.

As part of the acceleration of our strategy through the implementation of our sales transformation and network rationalisation we provided impacted leaders with training to help them to lead through the change process. This not only explored their potential reactions to change but also how their teams may react and the support they can provide to help colleagues to adapt.

To complement our existing Driver, Warehouse and Supervisor and Manager apprenticeships we successfully launched our first bespoke Headlam apprenticeship for our Trade Counter teams, Sales through Service, a level 2 Customer Service Apprenticeship. This provides our Trade Counter Assistants with an opportunity to further develop their skills to support their career development ambitions. To help bring careers at Headlam to life for all our colleagues we have commenced a series of articles on our internal communication channel, myHub, highlighting career stories of a selection of colleagues as well as 'Day In The Life Of' articles.

## Reward

In 2025, we implemented the Real Living Wage increase to £12.60 for all colleagues, reinforcing our commitment to fair and competitive pay across the business. This ensure that all roles within the organisation meet or exceed the updated Real Living Wage benchmark, supporting our objective to remain an employer of choice within the industry.

Building on the benchmarking process introduced in 2024, we applied a robust pay review methodology during the January 2025 cycle to ensure equal pay across all roles. This process ensured that no colleague fell below 20% of the median pay for their specific job role, supporting pay consistency, reducing risk of pay inequity, and aligning with our principles of fairness and transparency.

Additionally, we introduced a holiday purchase scheme in 2025, providing colleagues with greater flexibility in managing their work-life balance. Engagement with the scheme was strong, with 272 colleagues participating in its first year.

Together, these initiatives demonstrate our ongoing focus on delivering a fair, transparent, and competitive reward offering that supports our retention and engagement objectives, whilst aligning with our values and people strategy.

## Diversity, Equity, and Inclusion

We know that diversity brings fresh ideas, different ways of thinking and better represents the huge array of customers we support and so we remain committed to attracting and retaining a diverse workforce by creating an inclusive place to work.

### Diversity in gender

Women represent 26.4% of Headlam's overall workforce, an increase of 2.4% from last year. During 2025, 33% of the Executive Committee were female, and women make up 27.3% of our management population, within an industry that is overwhelmingly male dominated. We continue to take proactive steps to improve gender diversity by working closely with out recruitment agencies to ensure balanced longlists, encouraging women to apply for internal opportunities, and supporting their development by providing access to learning and progression pathways. We also actively showcase the successful careers that women can and do have within Headlam.

Through these initiatives, we aim to continue growing the number of women across all levels of the business. For further information on the actions, we have taken and continue to take to support gender diversity, please refer to our Gender Pay Gap Report. This reports a Headlam UK mean gender pay gap of -7.5% and a median gender pay gap of -9.2%, available on our corporate website.





## Commitment to ESG and Workplace Excellence

Annual targets were set to drive continuous improvement, and governance was embedded across our ways of working, including reporting, standard meetings, and leadership oversight.

Colleagues were supported to understand expectations through:

- The Colleague Code of Ethics, workplace policies, and standard operating procedures
- Monthly leadership briefings, management communications, team meetings, and toolbox talks
- Objective-setting and check-ins to review progress

### Formal oversight included:

- Board meetings
- Executive Performance Reviews
- Commercial Performance Reviews
- Audit and ESG Committee meetings

## ESG Committee

The ESG Committee provides oversight of Headlam's ESG strategy and is chaired by the CEO. Members include a Non-Executive Director, the Chief People Officer, the Chief Buying Officer, and senior leaders.

In 2025, the Committee met three times, reviewing:

- Health & Safety, decarbonisation, and waste management
- Take-back scheme and sustainable product development
- Ethical sourcing audits and raw material traceability
- Fleet innovation, colleague inclusion, engagement, and wellbeing
- Policy updates, regulatory horizon scanning, and packaging

## Executive Accountability

- ESG targets are incorporated into Annual Bonus Schemes and the Performance Share Plan for Executive Directors and Executive Team members.
- Progress is reported through the ESG Committee and reviewed at monthly Executive Performance Review meetings and Commercial Review Progress meetings.

## Responsible Sourcing

Headlam maintains a robust responsible sourcing programme:

### Supplier onboarding requires:

- Completion of a due diligence assessment
- Agreement to our Supplier Code of Conduct and Sustainability Charter
- Any risks related to human rights, health & safety, environment, or business ethics must be addressed before awarding contracts.
- SEDEX membership ensures Headlam brand suppliers undergo independent audits every two years using the SMETA format.
- In 2026, we aim to strengthen circular supply chains, increase material recovery, and implement innovative environmental solutions.
- Timber sourcing remains critical:
  - Domus continues FSC certification
  - All suppliers must provide certified timber, ensuring no deforestation or degradation

## Quality and Supplier Management

- All Headlam-branded products must comply with UK and EU regulations and meet agreed quality standards.
- Customer feedback is continually reviewed, and any supplier or product that falls below the Acceptable Quality Limits ('AQL') triggers an immediate quality review with corrective action.

### Operations

- Focus in 2025 was on delivering orders on time, in full, and damage-free.
- Improvements were implemented in collaboration with the customer support team, based on customer feedback.

### Speak Up (Whistleblowing)

Headlam provides confidential mechanisms for colleagues to raise concerns if Code of Ethics policies are not being followed:

- Channels: Speak Up email or third-party confidential reporting service
- Investigations are overseen by the Chief People Officer, Company Secretary, Director of Group Finance, Head of Internal Audit, and the Audit Chair
- Outcomes are reported to the Board



### Improved Colleague Support

Key improvements implemented in 2025:

- Embed usage of our new learning management system (Eloomi)
- The launch of the Safety Culture system

### Policies and Processes

The following ESG and People policies were updated in 2025 and are available on the corporate website:

- Attendance at work

### Project and Programme Governance

In 2025 we had two major programmes running at the same time:

- Transformation plan, to return the business to profit.
- ERP system implementation.

At the end of the year the decision was taken to pause the ERP project in order to prioritise the transformation plan.

### Both programmes had ESG oversight through:

- Steering committee membership by the Chief People and Sustainability Officer
- ESG Director engagement through workshops and weekly updates
- Opportunities to advance ESG initiatives via new buildings, processes, reporting, and supplier/customer collaboration

### Stakeholder Engagement

- Continued industry engagement through Carpets Recycling UK, suppliers, and industry bodies
- Supplier conference (September 2025) showcased Take-Back trial progress and recyclable product sourcing
- Regular supplier meetings to discuss product innovation and Take-back initiatives
- Colleague engagement through:
  - Employee Forums, ASM forums, and Quality Improvement Forums
  - Sharing best practices in Health & Safety, engagement, and quality improvements
- Customer surveys indicated:
  - Increased perception of Headlam as environmentally responsible
  - Top enquiries related to recycled materials, sustainable products, and recyclability
- Shareholder reporting: Progress on sustainability is included in the Annual Report and Accounts and monitored by ESG rating agencies

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD')

The table below and continuing on pages 14 to 17 details the Group's responses consistent with the TCFD recommendations and pillars.

The Group has considered and taken into account the TCFD all-sector guidance and supplemental guidance for financial and non-financial companies and believes it to be consistent with them.

This TCFD disclosure forms part of the Group's overall Sustainability Report on pages 01 to 12. It should be read as part of the full report which includes the Group's key decarbonisation actions to reach Net Zero and reduce its contribution to climate change, together with KPIs and targets to measure progress.

Governance	Disclosure
<p><b>The Board's oversight of climate-related risks and opportunities</b></p>	<p>The Board has primary oversight and ultimate responsibility for ESG strategy and performance, which includes the approach and actions in relation to climate-related issues. ESG is considered regularly as part of the Board programme of business, with ESG policy and strategy considered in depth on an annual basis. An Executive ESG Committee assists the Board with the more detailed aspects of its ESG agenda and holds management to account on the implementation of the ESG strategy approved by the Board. The Committee's terms of reference are publicly available on the Group's website.</p> <p>Whilst ultimate responsibility for risk governance sits with the Board, the Audit Committee assists in risk oversight (as described within Risk Management on page 46 of the Annual Report and Accounts). The Group's most material ESG issues are included in the Group's Risk Register. During 2025, these material issues were reported to the Audit Committee by the Executive Risk Committee (detailed below) and discussed at each of their quarterly meetings, with management's approach to mitigating risk and capturing opportunity challenged appropriately.</p>
<p><b>Management's role in assessing and managing climate-related risks and opportunities</b></p>	<p>As above, the Group has an Executive ESG Committee, which, as part of its remit, focuses on decarbonisation actions and reducing the Group's contribution to climate change. The ESG Committee reviews and tracks the outputs from major decarbonisation projects, which may both mitigate climate risk and capture opportunities.</p> <p>The Group also has an established Executive Risk Committee, which meets quarterly and comprises the Chief Financial Officer, members of the Executive Team, senior managers and heads of department (including from operations and finance). Its role is to review identified risks, including the likelihood and potential impact of each risk, establishing and monitoring the effectiveness of mitigating and opportunistic actions, and considering emerging risk. The Group's most material ESG issues per the Materiality Assessment Map published on the Group's website are included in the Group's Risk Register, which forms the basis for Committee discussions. Materiality for climate-related risks and opportunities is assessed with reference to that used for mainstream reporting but also considers the key risks being assessed by management to inform current and future strategy along with internal feedback.</p>
<p><b>The organisation's processes for identifying and assessing climate-related risks</b></p>	<p>The Group's risk governance and management processes are detailed within Risk Management on page 46 of the Annual Report and Accounts. Its preparation includes a quantitative assessment of ESG risks, inclusive of climate-related, on the composite bases of likelihood and potential impact of 'raw' risk. Risks considered include Transition Risks, such as market, policy and legal (both existing and emerging), technology, and reputation, and Physical Risks (both acute and chronic). This process has allowed the Group to both identify climate-related risks and opportunities and determine their relative significance to the business.</p>

Governance	Disclosure																		
<p><b>How processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management</b></p>	<p>Climate-related risks are considered as part of the ESG Strategy and 'Environmental' Principal Risk and, therefore, integrated into the Group's overall risk management process. Additionally, through preparation of the Group's annually reviewed and publicly disclosed Environmental Policy and TCFD disclosure, the Group gives full consideration and commentary on climate-related factors.</p>																		
<p><b>The climate-related risks and opportunities the organisation has identified over the short, medium and long term</b></p> <p><b>The impact of climate-related risks and opportunities on the organisation's business(es), strategy and financial planning</b></p> <p><b>The organisation's processes for managing climate-related risks</b></p>	<p>The Group has identified its climate-related risks and opportunities, and assessed strategy resilience, through quantitative scenario analysis. The range of possible risks and opportunities were analysed under two future climate forecasts. Both Physical and Transition Risks were considered, modelled around the widely recognised Representative Concentration Pathways ('RCPs') and Shared Socio-economic Pathways ('SSPs'). The scenarios chosen were: global warming of 2°C (RCP 3.4), considered the most likely scenario; and global warming of 4°C (RCP 8.5), considered a resilience scenario. Time horizons have been chosen that best reflect the Group's business plan, strategy, and various financial accounting policies. The total time horizon considered is up to 2050, split into short term (three years, 2026–2028), medium term (2029–2035) and long term (2036–2050). The assumptions used in the scenario analysis, with reference to Extended Producer Responsibility impact and the transition to a more sustainable fleet, are also discussed in note 10 to the Financial Statements.</p> <table border="1" data-bbox="533 1061 1481 1285"> <thead> <tr> <th>Factors</th> <th>Middle of the road</th> <th>Fossil-fuelled growth</th> </tr> </thead> <tbody> <tr> <td>RCP</td> <td>3.4</td> <td>8.5</td> </tr> <tr> <td>SSP</td> <td>2</td> <td>5</td> </tr> <tr> <td>Temperature rise</td> <td>2°C</td> <td>4°C</td> </tr> <tr> <td>Likelihood</td> <td>High</td> <td>Moderate</td> </tr> <tr> <td>Societal response</td> <td>Proactive, Disorderly</td> <td>Reactive</td> </tr> </tbody> </table>	Factors	Middle of the road	Fossil-fuelled growth	RCP	3.4	8.5	SSP	2	5	Temperature rise	2°C	4°C	Likelihood	High	Moderate	Societal response	Proactive, Disorderly	Reactive
Factors	Middle of the road	Fossil-fuelled growth																	
RCP	3.4	8.5																	
SSP	2	5																	
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Likelihood	High	Moderate																	
Societal response	Proactive, Disorderly	Reactive																	

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD') CONTINUED

The quantitative assessment below considered the likelihood and estimated financial impact of each climate-related risk.

Category	Risk	Key assumptions
<b>Scenario 1 (Transition): Average global temperatures rising by 2°C above pre-industrial levels by 2100</b>		
<b>Policy and Legal:</b> Financial impact of potential new legislation/regulation (including product legislation)	<b>Risk:</b> Increased operating costs through Extended Producer Responsibility ('EPR') for bulky	<p>The EPR (bulky waste) legislation is assumed to come into effect in 2028–2029, which essentially introduces an extra tax on the sale of residential floorcoverings for companies considered to be manufacturer or first point of contact in the UK for imported items. The rates used in the scenario modelling are best estimates, before the legislation is enacted.</p> <p>The scenario modelling assumes that the take-back scheme, currently in an extended trial, is rolled out across the network and that the materials collected are then transferred to recycling centres.</p> <p>It is assumed that the take-back tonnages are at least the same level as the materials sold by the Group which would attract the EPR fees. The net EPR fees are therefore expected to be £nil.</p> <p>It is assumed that the transport costs incurred in transferring the materials to the recycling centres will be broadly offset by revenues generated from both the take-back centres and recycling centres.</p>
<b>Market:</b> Transitioning to more sustainable business and operating practices	<b>Risk:</b> Increased costs of operating a sustainable fleet with low-carbon technologies	<p>The technology for zero-emission heavy goods vehicles ('HGVs') continues to be developed. The total cost of ownership for a short-range zero-emission HGV fleet is becoming more comparable to that of a diesel HGV fleet.</p> <p>The Group is monitoring the developments in the powertrain and energy storage technologies, which are leading to improvements in the range of zero-emission HGVs.</p> <p>There is a degree of uncertainty in the cost estimates for a zero-emission long-range HGV fleet (as operated by the Group), including the investment required in charging infrastructure.</p> <p>It has been assumed, for this scenario modelling, that the cost of operating a zero-emission HGV fleet is in line with that of operating a diesel fleet.</p> <p>There is a large global market for HGVs, providing a commercial incentive for companies to develop a viable, cost-effective zero-emission solution for long range HGVs.</p>
<b>Scenario 2 (Physical): Average global temperatures rising by 4°C above pre-industrial levels by 2100</b>		
<b>Acute:</b> Asset damage	<b>Risk:</b> Business interruption and loss of revenue following damage to distribution network as a result of extreme weather event; consequential impairment of assets and increased insurance premiums	<p>A weather event, likely to be a flooding event, is assumed to occur in the long term. Only a small number of the geographically dispersed sites are considered to have a high risk of flooding. There are no sites, which if affected, would give rise to a material profit impact.</p>
<b>Chronic and Acute:</b> Supply chain disruption	<b>Risk:</b> Potential raw material shortages and knock-on impact on product availability from supply chain disruption leading to loss of revenue	<p>The scenario modelling assumes there is no loss of revenue from this risk due to the comprehensive inventory and homogeneous products held and sold by the Group.</p>

Average potential financial impact on annual profit £m				Strategic response and resilience
Short term (2026–2028)	Medium term (2029–2035)	Long term (2036–2050)		
–	–	–	–	<p>Collaborate with suppliers on new sustainable product launches.</p> <p>Roll-out the take-back scheme to avoid materials entering into the waste stream to offset EPR fees.</p> <p>It is likely that any residual costs arising (either from take-back tonnages not fully offsetting EPR fees or recycling revenues not offsetting transport costs) could be passed on to customers, reducing the potential financial impact to an immaterial amount.</p>
–	–	–	–	<p>Ongoing trials of zero-emission commercial vehicles.</p>
–	–	–	–	<p>The Group's assets are not expected to be exposed to high physical climate-related risk due to the geographies in which it operates.</p> <p>Operations are disaggregated with business continuity plans in place if specific sites are affected by isolated events.</p>
–	–	–	–	<p>Market-leading position and strategic partnerships with suppliers should enable the Group to preserve levels of availability.</p> <p>Comprehensive inventory levels maintained at any one time providing strong availability, also helped by the Group's strategy to increase its focus on holding and selling fast-moving lines.</p>

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD') CONTINUED

Strategy and Risk Management	Disclosure
<p><b>Resilience of the organisation's strategy, taking into consideration different climate-related scenarios</b></p>	<p>The analysis suggests that none of the risks identified above would have a material profit impact to the Group in the transition scenario. This is on the basis that the take-back scheme offsets any EPR fees and that any residual costs can be passed on to customers. As noted, there is a high degree of uncertainty around the cost of transitioning to a zero emission HGV fleet.</p> <p>In the physical scenario, the analysis suggests that there would not be a significant impact on the business.</p> <p>There are a number of strategic responses that the Group could and is already taking against these risks, as noted above. When taking into account the judged severity of the potential risks, time horizons and mitigating actions, the Group is currently considered to remain a resilient business in both scenarios modelled above. Overall, the business model is deemed fit for purpose.</p>
Metrics and Targets	Disclosure
<p><b>Metrics used by the organisation to assess climate-related risks and opportunities</b></p>	<p>The Group uses the below KPIs and targets to both assess the risks and opportunities as well as its progress in relation to its overall ESG Strategy.</p> <p><b>KPI</b></p> <ul style="list-style-type: none"> <li>• Energy usage (per SECR disclosure)</li> <li>• Scope 1, 2 and 3 emissions (year on year)</li> <li>• Achieving reduction pathway required for Scope 1, 2 and 3 emissions to achieve interim target</li> <li>• Number of sustainable own brand product launches</li> <li>• ESG rating agency scores</li> <li>• Physical asset damaged related insurance claims/premiums</li> </ul> <p><b>Target</b></p> <ul style="list-style-type: none"> <li>• Interim emissions target (Scope 1, 2 and 3)</li> <li>• Net Zero emissions target (Scope 1, 2 and 3)</li> </ul> <p>An intensity metric is additionally given within the Group's SECR Disclosure on page 19.</p> <p>An ESG metric has been introduced into Executive Director and Executive Team performance-related variable remuneration.</p> <p><b>Link to Risks</b> <span style="border: 1px solid black; padding: 2px;">9</span>      <b>Link to KPIs</b> <span style="border: 1px solid black; padding: 2px;">J</span> <span style="border: 1px solid black; padding: 2px;">K</span></p>
<p><b>Scope 1, Scope 2 and Scope 3 greenhouse ('GHG') emissions, and the related risks</b></p>	<p>The Group's Scope 1, 2 and 3 emissions are summarised on pages 18 to 20 of the Sustainability Report.</p>
<p><b>Targets used by the organisation to manage climate-related risks and opportunities and performance against targets</b></p>	<p>The Group's Scope 1, 2 and 3 targets are aligned and set to be net zero by 2040.</p> <p>The Group has an interim Scope 1 and 2 target for a 46% reduction against the 2019 baseline by 2030.</p> <p>The Group also has an interim Scope 3 target for a 42% reduction against the 2023 baseline by 2032.</p>

# STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

This SECR disclosure forms part of the Company's overall Sustainability Report on pages 01 to 12, and should be read as part of the full report.

This disclosure along with the full report summarises the Company's energy usage, associated emissions, energy efficiency actions being undertaken and energy performance under the government policy Streamlined Energy and Carbon Reporting ('SECR'), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

This disclosure also summarises the methodologies utilised for all calculations related to the elements reported under Energy and Carbon, and includes intensity metrics. With the energy efficiency actions detailed in the full report, this disclosure fully complies with the reporting regulations under the new SECR legislation.

This disclosure, and full supporting documentation, has been prepared by Inspired Energy PLC in conjunction with members of Headlam's Executive Team for Headlam Group PLC by means of interpreting the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report)

Regulations 2018 as they apply to information supplied by Headlam Group PLC and its energy suppliers.

The following figures demonstrate year-on-year changes in consumption and resulting emissions for Headlam Group PLC for 2025 and 2024. Headlam Group PLC has chosen to disclose its consumption and emissions data for its global operations, in addition to mandatory UK consumption and emissions data.

Definitions of the Scopes used in this disclosure:

- Scope 1 consumption and emissions include direct combustion of natural gas, and fuels utilised for transportation, for example, company vehicle fleets.
- Scope 2 consumption and emissions cover indirect emissions related to the consumption of purchased electricity in day-to-day business operations, and electricity consumed in vehicles such as EVs and PHEVs.
- Scope 3 consumption and emissions cover emissions resulting from sources not directly owned by Headlam Group PLC, which relates to grey fleet business travel undertaken in employee-owned vehicles only.

## Consumption (kWh) and Greenhouse Gas emissions (tCO<sub>2</sub>e) Totals

The following tables show the consumption and associated emissions for financial years ending December 2025 and December 2024 for all operations.

### UK Totals

The total Energy Consumption (kWh) figures for reportable UK-based energy supplies are outlined below:

Utility and Scope	2025 Consumption kWh	2024 Consumption kWh
Grid-Supplied Electricity (Scope 2)	4,503,458	5,330,844
Gaseous and other fuels (Scope 1)	3,565,851	4,270,355
Transportation (Scope 1)	46,737,273	56,919,467
Transportation (Scope 2)	116,234	126,675
Transportation (Scope 3)	341,486	343,438
<b>Total</b>	<b>55,264,302</b>	66,990,779

The total emission (tCO<sub>2</sub>e) figures for reportable UK-based energy supplies are outlined below.

Utility and Scope	2025 Consumption tCO <sub>2</sub> e	2024 Consumption tCO <sub>2</sub> e
Grid-Supplied Electricity (Scope 2)	797.11	1,103.75
Gaseous and other fuels (Scope 1)	652.41	781.05
Transportation (Scope 1)	11,384.07	13,470.67
Transportation (Scope 2)	20.57	26.23
Transportation (Scope 3)	76.00	76.55
<b>Total</b>	<b>12,930.16</b>	15,458.25

# STREAMLINED ENERGY AND CARBON REPORTING ('SECR') CONTINUED

## UK Intensity Metric

An intensity metric of tCO<sub>2</sub>e per £m has been applied for our annual total emissions. The methodology of the intensity metric calculations is detailed in the appendix, and the results of this analysis are as follows:

Intensity Metric	2025 Intensity Metric	2024 Intensity Metric
tCO <sub>2</sub> e/£m UK Revenue	25.93	29.41

## Continental European Totals

Headlam Group PLC have sites that they are responsible for in France and in the Netherlands. The consumption and emission figures for these are shown below:

### France totals

Utility and Scope	2025 Consumption kWh	2025 Consumption tCO <sub>2</sub> e
Grid-Supplied Electricity (Scope 2)	434,508	30.65
Gaseous and other fuels (Scope 1)	505,082	92.41
Transportation (Scope 1)	1,913,431	435.05
<b>Total</b>	<b>2,853,021</b>	<b>558.11</b>

### Netherlands totals

Utility and Scope	2025 Consumption kWh	2025 Consumption tCO <sub>2</sub> e
Grid-Supplied Electricity (Scope 2)	272,578	84.23
Gaseous and other fuels (Scope 1)	302,565	55.60
Transportation (Scope 2)	84,240	14.91
Transportation (Scope 1)	1,459,098	348.05
<b>Total</b>	<b>2,118,481</b>	<b>502.79</b>

### UK and European totals

Utility and Scope	2025 Consumption kWh	2025 Consumption tCO <sub>2</sub> e
Grid-Supplied Electricity (Scope 2)	5,210,544	912.00
Gaseous and other fuels (Scope 1)	4,373,498	800.41
Transportation (Scope 1)	50,109,802	12,167.17
Transportation (Scope 2)	200,474	35.48
Transportation (Scope 3)	341,486	76.00
<b>Total</b>	<b>60,235,804</b>	<b>13,991.06</b>

## UK and European Intensity Metric

An intensity metric of tCO<sub>2</sub>e per £m has been applied for our annual total emissions. The methodology of the intensity metric calculations is detailed in the appendix, and the results of this analysis are as follows:

Intensity Metric	2025 Intensity Metric
tCO <sub>2</sub> e/£m Group Revenue	24.74

Headlam is committed to year-on-year improvements in its operational energy efficiency. A register of energy efficiency measures has been compiled, with a view to implementing these measures in the next five years.

### Optimisation of Distribution Network

Headlam consolidated its operations into single sites from multiple sites, streamlining the overall operational footprint. This resulted in a reduction in unnecessary energy wastage from a wider network of sites.

### Good Energy Behaviour Training

In 2025, Headlam conducted company-wide training on best practices to reduce energy consumption and the use of energy efficiency measures. The training aimed to guide employees in their day-to-day activities to be more conscious of energy being consumed and mitigate some of this excess.

## Measures to be Addressed in 2026

### Company Car Fleet Electrification

Headlam continues to gradually phase out fossil-fuel vehicles as it transitions to a fully electric fleet.

### Staff Awareness and Behaviour Changes

Headlam will continue to raise staff awareness through company-wide training on best practices to reduce energy consumption, this ensures employees understand the company's sustainability objectives and follow guidance in their day-to-day activities, thereby reducing unnecessary energy use.

### Energy Efficiency Upgrades

Headlam will assess the feasibility of implementing further energy efficiency measures to optimise energy use and reduce emissions.

### Year-on-year changes

Gas and electricity emissions have reduced due to site closures and implementation of energy efficiency measures.

Transport emissions have decreased by 15.42% compared to 2024, primarily due to reduced fuel consumption in both company cars and the commercial fleet.

The total intensity metric has decreased by 11.72% compared to 2024 driven by a significant reduction in total emission across all categories.

Total Group Revenue (£m)	£565.6m
Total UK Revenue (£m)	£498.7m
Total Continental Europe Revenue (£m)	£66.9m

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