



headlam

Headlam Group Plc

Company number: 00460129

Sustainability Report

March 2025



Sustainable by design

As we accelerate the delivery of our strategy, we are ensuring that ESG is a key consideration in the design of our business.

Our first example of this has been the take-back trial we have successfully completed at our Northampton site. The trial has taught us about the types of materials we are likely to receive, how best to work with our waste management provider and how valuable this service is to our customers. We'll be extending this trial in 2025 and I am confident that if this extended trial is a success we will be able to scale up a take-back scheme with national geographic reach through our Trade Counter network, thus enabling our customers to recycle with ease.

We have also collaborated with several of our suppliers to create our Trainee Flooring Fitter programme in which we have funded four trainee fitters through a six-month training programme provided by our suppliers. We have created this programme to help increase this valuable skill set in the market for the long term sustainability of the industry and we envisage this programme growing over time. At the end of the programme we will work with our customers to place trainees in roles in their businesses.

As you will see from this report there have been many other achievements this year including setting our Scope 3 near term and long term targets, improving our waste management processes, improving our colleague engagement result by 5ppts, supporting our colleagues' development and improving our governance and controls. I truly believe that this has been achieved because our ESG plans are integral to our business strategy.

Chris Payne,

CEO

“As a distributor, to be truly sustainable takes a coordinated effort across the flooring industry and I am proud to say we have had successes in demonstrating our ability to do this to improve the sustainability of our environment and communities this year.”



Environmental

Priorities

- Product design
- Service design
- Building design

Why we have chosen them

- To meet the long-term ambition of creating a circular product cycle we must act now to engineer products to use more recycled material and be recyclable at end of life
- Creating a scalable take-back scheme enhances our customer offer and supports sustainability
- As we open new sites (Rayleigh and Trade Counters) we should continuously improve their energy efficiency and minimise carbon emissions

Progress made

- Engaged with several key suppliers to create joint product development plans. Working as part of Carpets Recycling UK to develop Sustainability Pledge across the industry
- Take-back scheme successfully trialled in Northampton Trade Counter
- Facilities planners fully engaged in environmental planning as part of site development which incorporates waste, energy efficiency, biodiversity etc

Outlook

- Educate the central buying team, under the leadership of the new Chief Buying Officer, to develop more sustainable products
- Extend the take-back trial to a further four sites
- Work with operations and property teams to create building blueprint for optimum sustainability



Social

Priorities

- Engagement plans to create the right environment to attract and retain the best colleagues
- Community plans to support the sustainability of local communities and the industry

Why we have chosen them

- We need to attract and retain colleagues with the right skills, knowledge and expertise. We truly believe that engaged and motivated colleagues provide the best service and apply their knowledge and expertise to their fullest
- A lack of trained flooring fitters is an industry wide challenge, and by working across our supply chain we can help to grow this valuable resource whilst also providing employment and training for our local communities who need it

Progress made

- Colleague engagement increased by 5% year on year, especially in areas of investment e.g. leadership training
- Trial of fitter training programme successfully conducted

Outlook

- Maintain progress on engagement throughout the implementation of further business changes focusing on improving processes, colleagues feeling heard and improved local communication
- Extend fitter training programme to two cohorts



Governance

Priorities

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

Why we have chosen them

- Fully centralised UK Distribution buying and supply chain teams enable consistent group processes. Scope 3 targets now set enabling focused planning
- The new ERP implementation programme means we will be reviewing several systems across the business and have the opportunity to influence the data that will be collected

Progress made

- ESG standards and assurances form part of the new product introduction process for own brand products. Scope 3 targets have been set and agreed
- ESG Director has contributed to the appropriate ERP requirements workshops

Outlook

- Scope 3 actions plans defined in 2025, continue to inform and educate buying and supply teams on responsible sourcing best practices
- Review and develop ESG data and reporting capability to create harmonised ESG dashboard and confirm requirements for new ERP Programme



Key achievements in 2024:

- Scope 1,2 & 3 targets aligned and set to be net zero by 2040
- 46% reduction of Scope 1 and 2 against a 2019 baseline
- Waste monitoring and reporting now implemented in all major distribution centres
- Introduced our first recycling centre service for our trade counter customers
- Partnership with waste management & recyclers to ensure end of life material is regenerated
- EV Salary sacrifice scheme available to all colleagues
- ISO 14001 certification achieved in our national distribution centres

We continue to be committed to protecting the planet and aim for our emissions to be net zero by 2040.

Our focus is on developing products that can be renewed, repurposed and easily recycled for reuse in the products we supply. We are creating a supply chain that is circular and includes taking responsibility for recovering as much material as we place onto the market.

Reducing our Carbon Emissions

We continued throughout 2024 to deliver against our carbon reduction target timeline and have now set our target and timescale for Scope 3. The Company will follow a 'true' Net Zero strategy whereby it will focus on actual decarbonisation in achieving these targets and only consider offsetting actions for the residual 10%. We will continue to use a science-based approach and have aligned our Scope 1 & 2 target to our Scope 3 timescales. We will continue to measure Scope 1 & 2 against a 2019 baseline and Scope 3 against a 2023 baseline.

We have now set an interim target for Scope 3 whilst Scope 1 & 2 will remain in line with our previously published commitment to achieve a 46% reduction by 2030.

Our focus for 2025 will be on product development following our sustainable by design principles see ESG Priorities for 2025, non-commercial fleet, promoting and educating colleagues on good energy behaviours.

Transport Efficiencies

In 2023 we invested in Webfleet, a vehicle telematics system which enables us to focus on several key metrics around driver behaviours, safety and efficiencies. We have since seen a 23% reduction in driving events, (for example heavy braking). We have also seen significant fuel savings gained through reduced idling.

Our fuel efficiency in miles per gallon (mpg) has increased by 5% since introducing Webfleet and we have reduced the number of routes we operate through smarter planning by 5% and increased the utilisation of our fleet.

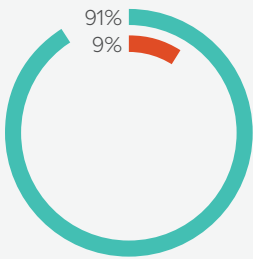
Energy Intensity

In the last 2 years we have invested in solar panels across 12 of our distribution centres with the final installation taking place in Coleshill in 2024. They are now generating an average of 49%¹ of their consumption requirements. In addition, the facilities which operate under solar have seen on average 32.5% reduction in energy costs against the comparative periods in 2023.

Gas usage has also dropped by 15% across the Headlam Group operation as we change our behaviours and reduce our reliance on fossil fuels. We will continue to review ways to further reduce our consumption and invest in renewable energy solutions whenever possible.

¹ Data used May 24 to Dec 24 compared to same period in 2023, as Solar operational from May 2024.

UK and Continental Europe
Scope 1 and 2 emissions
2024 Full Year Data



■ Scope 1: 91% (14.0ktCO₂e)
■ Scope 2: 9% (1.6ktCO₂e)

Net Zero Emissions Timeline

Key Achievements and Targets

2023

Solar panels installed across 11 of our 13 largest sites
 Achieved 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 of our largest sites
 Continued trailing of electric/low emission commercial vehicles
 Transport integration completed

2024

Use telematics to improve driver behaviours resulting in emissions reductions
 Review waste management across UK distribution sites in order to implement best practice, reduce waste and set targets
 Scope 3 strategy and targets to be 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

Scope 3 targets introduced
 Carbon workshops commenced with buying team. Further planned through 2025

2030

Interim target of 46% reduction against 2019 (Scope 1 and 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

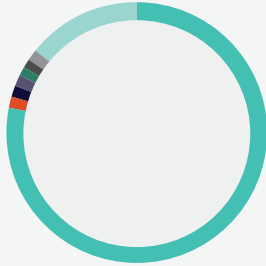
Net Zero emissions target (Scope 1, 2 and 3)

Ongoing trialling and introduction of electric/low carbon commercial vehicles



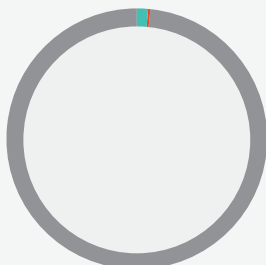
Environmental

Scope 3 Emissions 2024 Full Year Data



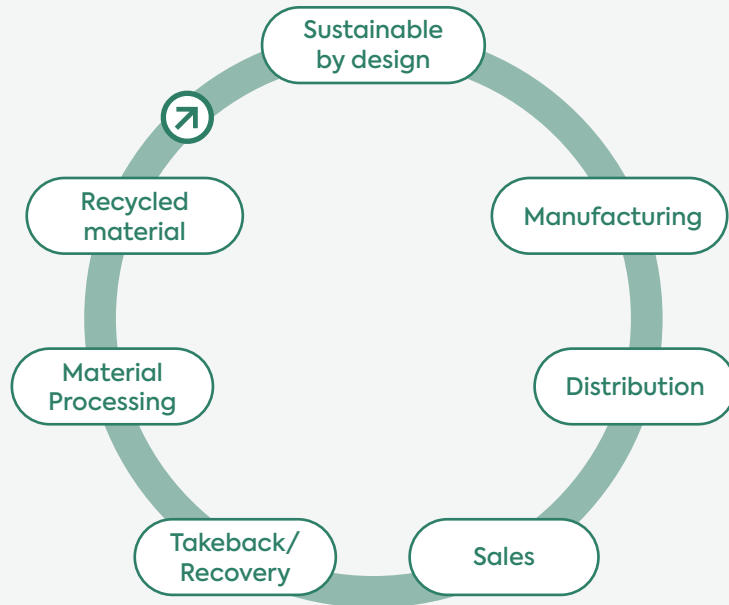
- Purchased goods and services
80.2% (653,926 ktCO₂e)
- Capital goods
0.5% (3,848 ktCO₂e)
- Fuel-related Emissions
0.5% (4,133 ktCO₂e)
- Upstream Transportation and Distribution
0.4% (3,215 ktCO₂e)
- Waste Generated in Operations
0.1% (949 ktCO₂e)
- Business Travel
0.4% (351 ktCO₂e)
- Employee Commuting
0.3% (2,204 ktCO₂e)
- End-of-life treatment of sold product
15.9% (129,949 ktCO₂e)

Total Scope 1, 2 and 3 Emissions: 815,119 tCO₂e 2024 Full Year Data



- Scope 1
1.9% (15,339 ktCO₂e)
- Scope 2 (location-based)
0.1% (1,205 ktCO₂e)
- Scope 3
98.0% (798,876 ktCO₂e)

Sustainable Product Development



In 2024 we focused our attention on understanding how sustainable the full product lifecycle is and how this contributes to our Sustainable by Design programme.

We have invested in trials to manage products at the end of their life, providing a facility that takes them back. Through partnerships with recyclers and manufacturers, we ensure that as much material as we recover through our recycling centres is processed back into raw materials that can be used again and again in as many of our products as possible.

Our Florprotec brand offers a collection service at end of life, and we are working with a recycler and the manufacturer to ensure this material is re-used in new Florprotec product.

We are also working with major carpet and vinyl flooring manufacturers in the UK and Europe designing new broadloom and vinyl ranges that can be easily recycled, removing the reliance on specialist recyclers and improving the quality of recycled material.

Take-back Scheme

We stated in our 2023 report that we would introduce a full take-back and recycling scheme and in May 2024 we launched this facility to our Mercado Northampton trade counter customers.

During the trial this service has been provided free to our customers to encourage them to bring back uplifted flooring (post-consumer waste), off cuts (post industrial waste), underlay, vinyl, LVT, laminate, packaging (plastics & cardboard) and general waste.

Customers using the facility have welcomed the recycling centre and are regularly using it. Having the ability to drop any off cuts or uplifted material from the previous job, without having to use additional waste disposal facilities or services, saves them both time and money and knowing that the waste material is being recycled.

Partnerships

Biffa provide the bulkers and skips and routinely collect and sort the materials into raw material component types; for example, on broadloom carpet, by using chemical analysers they sort into polypropylene, polyester, nylon, wool and mixed materials.

Once sorted, the polypropylene broadloom carpet will be sent to a specialist recycler, who process and recycle back to polypropylene pellets and make it available to the industry to produce new products.

We also promote and work with Recofloor who facilitate the collection of Vinyl and LVT on behalf of Polyfloor and Altro.

This is the first flooring recycling centre in the UK and in the first six months we collected, processed and recycled over 135 tonnes of material.

Water

The Company is not a large consumer of water, which is primarily used for cleaning its commercial vehicles, and continues to engage in limiting usage whenever possible.

Waste

In 2024, we diverted 86.5% of our operational waste from landfill of which we have recycled 15% from our UK Distribution Centres.

We have introduced recycling bins into our largest distribution centres and encourage all colleagues to reduce waste and recycle wherever possible. We continue to look for alternative solutions for repurposing stock that is discontinued or end of roll, many of which are sent to our Melrose Interiors business who transform them into rugs. Where product cannot be repurposed it will be recycled either through our manufacturers or through recycling facilities specialising in textile or resilient flooring.

The Group continues to use the most sustainable sources for packaging ensuring the products' integrity remains during transit to avoid damage and unnecessary waste.

We continue encourage all our businesses to recover and reuse poles and pallets wherever possible. All packaging that cannot be reused is recycled through our waste management partners.

Through our Mercado recycling centre in Northampton, we encourage customers to recycle all packaging through our facility and c.8% of material disposed of is derived from packaging.

Raw Materials

The Headlam Group recognises we rely on natural raw materials to produce our products and always look to use the most sustainable solutions available in a responsible way. Through our Sustainable by Design programme, we look at renewable materials first and incorporate these wherever possible, many of which can be found in our flagship brand, Crucial Trading.

We ensure all timber used is from verified and legal sources and have due diligence systems in place and by working with recognised specialist third party organisations such as Track Record Global who ensure all our imported timber supply chains are traced to source.

Where non-renewable raw materials are used, we encourage the inclusion of recycled materials and are developing our products to be easier and more recyclable at end of life.





Key achievements in 2024:

- Colleague Engagement score in September 2024 was 72%, an improvement of 5ppts year on year and 1ppt behind the industry benchmark
- Reduction in RIDDORs by 30% year on year
- Safety culture training has been attended by all leaders
- 1,300 colleagues have accessed online learning through our new learning portal and over 780 colleagues have attended face-to-face training on leadership, safety or sales
- Sales through Service Apprenticeship launched in Trade Counters
- New HR and payroll system implemented improving colleague visibility of their employee file and rewards
- Gender pay gap reduced year on year
- Strategic approach to community support taken in Leeds through Trainee Fitter programme delivered to help 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 employs c.2,330 people, with 2,075 of those based in the UK. Colleagues are 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 our colleagues work in our warehouses, are part of the transport team, represent us in sales and trade counters, support our customers in our sales offices or help the business behind the scenes in our support functions, we have a range of working arrangements available to attract and retain colleagues who live our values:



Keep each other safe and well, always



Lead by example, we are all leaders



Work together, with everyone



Act sustainably, use less, waste less, give back



Keep improving, everywhere



Get it done, brilliantly

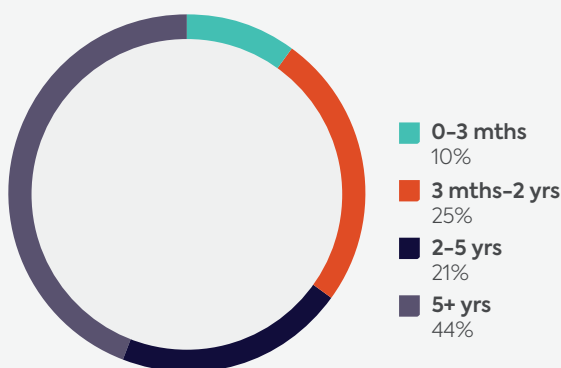
And always, do the right thing

The ways of working which underpin these values and demonstrate our commitment to fostering a culture of integrity can be found in our Colleague Code of Ethics Policy and other workplace policies, many of which are published on our corporate website. Our Colleague Code of Ethics, which we refer to as The Headlam Way covers a range of topics including safety, behaviours towards each other, conflicts of interest, sustainability, bribery and corruption, fair competition, confidentiality and other topics all intended to ensure that we work together, serve our customers, do business with our suppliers, support our local communities and maintain a sustainable business for our shareholders. It also refers to and complements our Speak Up policy which ensures that our colleagues know how to confidentially raise whistleblowing concerns which are seen directly by our Audit Committee Chair. All new colleagues at Headlam have the opportunity to familiarise themselves with these policies as part of their online induction and important changes and updates are communicated through our monthly leadership call and our manager briefings.

In the UK Headlam employs salaried colleagues exclusively and we do not employ anyone on a zero-hour contract. Our colleagues are entitled to several employment benefits and rights from day one of employment including company sick pay and the right to request flexible working, with just over 5% of colleagues having flexible working patterns in place. In 2024 most of our colleagues were permanent workers with temporary workers making up approx. 0.64% of the workforce on average across the year. Temporary workers are primarily engaged to manage peaks in work, cover long term absences or support through period of transition during business change projects.

We have a number of careers available to our colleagues and we have brought these to life in 2024 with a series of articles about our colleagues who have progressed through the business. We strongly believe that this, coupled with our colleagues' commitment to support our customers and each other is why we have tenured service at Headlam.

Length of service



Our long serving colleagues, with their in-depth knowledge of our customers, services, products, processes and systems are a foundation of our success and so we continually focus on ways to retain them and you can read more about this in the Reward, Learning and Development, Colleague Engagement and Community sections of this report. Uncontrolled labour turnover is one of our 3 key People KPIs, along with attendance and engagement, and throughout 2024 we have implemented actions to improve all three.

We also believe that to achieve our strategic ambitions we also need to diversify the skills and experience of our workforce through the targeted recruitment of talent. We have brought in expertise from other industries to strengthen our knowledge base, have improved our ability to talent bank core skills, which are in high demand across our industry, and have worked with recruitment sites and agencies to ensure that candidates have a much better overview of our business and the exciting opportunities available to them. Improving our attraction and selection methods will be a key priority for us in 2025 as we invest in a new careers website and applicant tracking system to give us greater insight into who we are attracting and improve our processes to provide an excellent candidate experience whether the candidate is internal or external.

Keeping each other safe and well, every day

2024 has seen a change in the National Safety Team structure to ensure we deliver an effective support to the group. We have seen a reduction of over 30% from 2023 in RIDDOR's reported as set out in the table on the right hand side.

There has been a real focus this year on training throughout the group including 'accident Investigation' 'IOSH Leading Safely' 'Say it See it' and 'Felt' Training.

We maintained our ISO 45001 standards throughout 2024 with successful audits of four of our key sites.

We have seen a 3% increase in engagement survey results in relation to colleague's thoughts on how safe they feel in the workplace.

The RIDDOR incident frequency rate for every 1,000,000 was 4.12 in 2024 against the recommendation from HSE of 3.77.

Type of RIDDOR Incident	2024	2023
Slip, trips and fall	2	9
Struck by moving vehicle	3	6
Contact with machinery	2	0
Hit by moving/falling, flying object	1	0
Handling, lifting, Carrying	4	2
Fall from height	3	3
Other	2	5
Total	17	25

2025 will see us introduce a Safety Culture platform throughout the group that standardise how we manage our safety processes. This will act as a fantastic engagement tool for all colleagues to contribute to a safer working environment for all.

Supporting our colleagues through change

There were several changes across the business in 2024 as part of the acceleration of our plans to transform Headlam.

Whilst there have been many positive opportunities arising from these changes, including a move to industry leading reward for our sales teams, new roles in many of our departments, simplified processes and improved ways of working, there have sadly been colleagues who have been at risk of redundancy.



In 2024 we consulted with c.230 colleagues across six business change projects. As a result of these changes c.180 colleagues left the business through redundancy, c.20 colleagues resigned before the consultation process concluded and we are pleased to say that just over 30 colleagues were redeployed within the business. Through the year we improved the support we give to colleagues who are at risk of redundancy and now ensure all at-risk colleagues have access to outplacement support through a third party, can access pensions advice and are made fully aware of the comprehensive support we have in place for all forms of wellbeing including mental and financial. You can find more information about the support we provide in the Wellbeing section of this report.

Details of the training and support that we provided to leaders to help execute these changes can be found in the Learning and Development section of this report.

Colleague Engagement

We are immensely proud of the improvement in our colleague engagement score in 2024 which improved by 5ppts to 72% against a challenging backdrop of business change and tough market conditions. This improvement is testament to the focus and importance that our leaders put on making sure that Headlam is a great place to work for everyone. We saw a year-on-year improvement against every question asked in the survey.

CEO Open Forums have continued across our sites through 2024, offering colleagues from different departments and at all levels to hear directly from Chris and ask him anything that is on their minds. Chris communicates themes arising from these forums to the appropriate senior leadership team colleagues and takes responsibility for resolving issues.

We held four face-to-face Employee Forums in 2024 and four virtual forums. More information about the discussions at these forums can be found in the Stakeholder Engagement section of this report. Our in-person Employee Forums are attended by our CEO and Karen Hubbard (Non Executive Director) who reports back to the Board on ideas, suggestions and obstacles raised by our colleagues.

As part of our ongoing commitment to listening to our colleagues and learning from their experience, several Area Sales Manager (ASM) forums took place across the year providing us with the opportunity to hear our sales colleagues' ideas regarding supporting our customers, products, sampling and point of sale materials, training, and marketing. A cross functional approach was taken to improve our product and service quality with regular colleague forums taking place to discuss quality issues and suggested improvements including colleagues from our warehouses, our drivers, sales office colleagues and ASMs.

Learning and Development

In 2024 we launched our new learning management system, Eloomi, which 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, online content has had over 15,000 views and nearly 9,000 online courses have been completed. Over 780 people have attended the 118 training sessions delivered in 2024.

We also started to deliver our new leadership programme, Lead the Way consisting of 2 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 5ppts year on year. More importantly we saw a 7ppt improvement on questions relating to how colleagues viewed their line manager which put us 7ppts above the industry benchmark for leadership.

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

We have continued to invest in colleague reward following the great work we had already completed on improving sick pay, increasing holidays and introducing a range of new benefits over the preceding years. This year we have focused on improving colleague benefits and incentives and visibility of their own records. We started the year by benchmarking our car allowances, and retendered for our company car fleet provider which resulted in a new partnership providing a broader range of better-quality cars for our colleagues. The provider also delivered online driver training and a voluntary Electric Vehicle scheme for non-company car drivers.

We have kept a focus on encouraging colleague recognition this year and have seen an increase of 32% in colleague recognition cards or awards through our central My Headlam Heroes scheme. As a result, our colleague engagement survey score for the question 'In the last 12 months, I have received recognition for doing a great job or to celebrate an achievement at work' increased by 6ppts.

To support our ambition to be a market leading flooring sales employer we conducted a full review of our Area Sales Managers (ASMs) pay and benefits in advance of the sales transformation announcement. This resulted in uplifting ASM pay and incentives to create market-leading packages. All sales colleagues were also awarded market value share options to better align their performance with the interests of our shareholders.

Improved visibility of pay and benefits was achieved in 2024 by launching a new people and payroll system. The new system provides colleague and manager self-service providing efficiencies to our finance team and better reporting capability for the HR team. The new system, which is integrated with our new payroll system, has allowed us to introduce holiday purchase for the first time as a direct result of feedback from our Employee Forum. This went live in January 2025.

To read more about our Reward and pay principles please refer to our corporate website.



Case study

Our colleagues continue to give both their time and Headlam donations to our local communities through myHeadlam Community.

This year we have supported charities such as Breast Cancer Now and MacMillan with coffee mornings, raised money by abseiling for Acorns Children's Hospice and the Aston Villa Foundation, run hot noodle drives for the Newbury Soup Kitchen and spinathons for the local cycling club, donated to excellent causes such as Smiling Families, Dementia Connect and even sponsoring an elephant sculpture for St Giles Hospice March of the Elephant event. Our colleagues have also supported several local sports teams to enable them to keep their local communities connected, fit and healthy including Stopsley United FC, Victoria Bowls Club, and Boldemere FC.



Wellbeing

Headlam offers a range of wellbeing resources for colleagues to access on our colleague communication and benefits platform. These include an Employee Assistance Programme service which offers a broad range of advice and support and unlimited counselling for colleagues.

Finance wellbeing support has been provided by Salary Finance which supports our colleagues with personal finance products including savings and loans, resources and information; and our support of the Furniture Makers' Company provides our colleagues with access to crisis support through their helpline 'Shout'.

Finally, we continue to train a team of colleagues across the UK to provide mental health first aid, which includes a partnership with Everymind.

Our engagement survey results demonstrated that our efforts to improve wellbeing support to our colleagues has continued to be valued with an increase of 3ppts in our wellbeing score year on year, taking us to a score of 76% and 6ppts over the benchmark score for our industry comparators (as confirmed by our outsourced colleague engagement consultants who administer our survey, Workbuzz).

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. In 2024 we focused on attracting and retaining two of the many groups we represent in our workforce; females and colleagues from ethnic minorities, however, through all our decision making we ensure that we strive to be inclusive to all colleagues.

Diversity in gender

Females make up 24% of the overall workforce at Headlam with changes at the most senior levels of the business starting to have a positive impact on the proportion of women in leadership roles. During 2024, 50% of the Executive Committee were female, we had our first all-female trade counter team, and we saw an increase of 10 ppts of female at middle management levels in an industry which is overwhelmingly male dominated. By working closely with our recruitment agencies to insist on balanced long lists, providing females with the confidence to apply for internal opportunities and supporting them by ensuring they can access development and by showcasing the successful careers that females can have in our business we hope to see the number of females in Headlam grow. For more information about work we have completed and continue to do to encourage gender diversity please see our gender pay gap report in which we report a Headlam UK mean pay gap of -4.1% and a median pay gap of 1.6% on our corporate website.

Diversity in ethnicity

We have a target to get to 10% of colleagues who have disclosed themselves to be from an ethnic minority group across the business by 2028. We will focus on our UK businesses where we know that our local communities have an ethnic minority population of approximately 18% (based on ONS data).

We started the year by focusing on five key sites: Leeds, Ipswich, Coleshill, Scotland and Gildersome where they had the headcount, turnover and local demographic to be able to make a change over a four year period. Focusing on these sites enabled us to provide strong support to the management teams, experiment with attraction methods on a local level and build the requisite community relationships.

We have met with the hiring managers from Leeds, Ipswich and Coleshill who have all been briefed and are now underway with unconscious bias eLearning, recruitment and selection eLearning, utilising and reviewing our current onboarding guide, recruitment guide, interview questions & feedback guidelines. In 2025 we will focus on developing relationships with local community partners who support disadvantaged groups into employment.

We also have introduced a suite of Diversity and Inclusion resources for any colleague to access via our learning platform Eloomi.

This year the proportion of ethnic minority colleagues has moved from 7% to 7.7%.

Preventing harassment

From October 2024 the Worker Protection (Amendment of Equality Act 2010) Bill strengthened existing protection for workers against sexual harassment.

As part of our efforts to meet this obligation we have invested in training for every colleague at Headlam in the UK to ensure that they understand what constitutes harassment (against any of the protected characteristics), what they should do if they experience or witness it, and Headlam's likely response. We have selected a team of investigators from across the business who have received training to ensure that they can competently and confidently carry out harassment investigations which are inherently more complex than standard disciplinary cases. Posters are visible across our offices, distribution centres and trade counters to remind everyone that we will not tolerate the harassment of/by our colleagues and instructions on how to report an incident. Our Inclusion and Respect at Work policy has been updated to specifically include a section on sexual harassment. Finally, we have completed sexual harassment risk assessments for the different roles across the organisation to identify where we need to focus preventative action.



Public commitments

We have now signed the opening doors campaign led by Business in the Community (BITC) to make jobs more inclusive. Our commitments are as follows:

- Removing bias from interview process (training or guidance doc)
- Review where we are advertising jobs to attract a more diverse candidate pool
- Partner with organisations that support disadvantaged groups
- Ensure our imagery is diverse

We are signatories of BITC's Race at Work charter which publicly demonstrates our commitment to improving equality of opportunity across Headlam. This Charter has seven calls to action for businesses, many of which we are working towards.

Finally, Headlam are represented on two of the BITC Regional Boards, East Midlands and Yorkshire & Humber.

Community

Through making use of the BITC community needs analysis, we have identified which groups in the local community most need support. This provided us with insight into Bulwell, which is local to our Nottingham site and last year we reported on the partnerships we developed with Bulwell Academy and Bulwell Forest Gardens. These relationships have continued and in 2024 our Nottingham team, suppliers and customers donated over 100 Easter eggs to the children that visit the centre. Through donations we have made in 2024 we have also been able to fund a weekly forest school session throughout 2025.

This year we have extended the Community Needs analysis to Leeds which identified that we can have the biggest impact in Leeds through providing training and employment opportunities. As a result, we will have piloted our Trainee Fitter programme in Leeds. This programme looks to address the lack of training within the area, whilst also supporting the sustainability of the flooring industry, which has a reducing population of trained flooring fitters. We have created a 6-month training programme in partnership with 7 of our suppliers. The training programme gives the trainees a fully rounded experience of all aspects of floor laying. During the programme the fitters will support various local community projects to hone their skills and demonstrate competency to their assessors. At the end of this programme, we will help trainees to find jobs with our customers. This is a great example of the flooring industry pulling together to support local communities and improve the sustainability of the industry.



Governance

Our commitment

Leading on sustainability and environmental responsibility and Making Headlam a Great Place to Work for everyone are two of the five pillars of our strategy see the Annual Report pages 18 to 21 and as such we set targets annually to ensure continuous improvement to achieve these ambitions. The governance we have in place to track progress against these actions are hard wired into many of our ways of working, standard reporting and meetings to provide leadership and management with an opportunity to share latest performance, further actions they are taking, risks and issues which may have arisen, and any support required.

Ensuring that colleagues know what is expected of them will always be a key focus for the leadership team at Headlam, and we have a variety of ways in which we assure this. Our Colleague Code of Ethics, workplace policies and standard operating procedures are reviewed regularly and are made available to all our colleagues through our intranet and communications portal. We hold regular briefings with colleagues at all levels including monthly leadership briefings, management communications, team meetings and toolbox talks.

These communications not only provide an opportunity to remind colleagues of our policies and ways of working but also ensure that they are aware of their key priorities, how these priorities help us to achieve the business strategy and provide them with an insight into how they are progressing.

Karen Hubbard,

Non-Executive Director

“ In today’s business landscape, ESG governance is not just a responsibility – it’s an opportunity. By embedding environmental, social, and governance principles into our core strategies, we ensure long-term resilience, drive meaningful impact, and build trust with all our stakeholders.”



This is further supported by the opportunity to set objectives and review them through the check in process. Formal meetings such as Board meetings, Executive Performance Reviews, Commercial Performance Reviews, Audit and ESG Committee meetings provide high level oversight of what has been achieved, how it has been achieved and proposed actions.

ESG Committee

We have an established ESG Committee at Headlam to assist the Board of Directors in providing oversight with respect to the ongoing development and delivery of the ESG strategy. The Committee is chaired by the Chief Executive and has one of the Non-Executive Directors in attendance along with the Chief People and Sustainability Officer, the Chief Customer Officer and several senior leaders, including our ESG Director. A copy of the ESG Committee terms of reference can be found on the corporate website. In 2024, the Committee met on four occasions and discussed every aspect of the ESG strategy including Health & Safety, decarbonisation, waste management, the take-back scheme, sustainable product development, ongoing ethical sourcing audits and raw material traceability checks by recognised independent third party bodies, quality and service, fleet innovation, inclusion and wellbeing, policy changes, regulatory horizon scanning, packaging, colleague development, colleague engagement and community.

Executive Accountability

To ensure appropriate Executive focus on ESG, the Board ensures that ESG targets are included in both the Annual Bonus Scheme and the Performance Share Plan for Executive Directors and members of the Executive Team. Details of the Annual Bonus Scheme objectives for 2024 and the Performance Share Plan targets for all in-flight schemes can be found in the Remuneration Report of the 2024 Annual Report and Accounts.

Progress against all ESG targets are presented through the ESG Committee. Key environmental, community and people initiatives are reviewed at monthly Executive Performance Review meetings and service, quality and compliance updates are provided through the Commercial Review Progress meetings on a monthly basis, or when required, at the weekly Executive meetings.

Sourcing

Our responsible sourcing programme continues to strengthen with our supplier onboarding process as the foundation, before a supplier can trade with the Group they must complete our due diligence assessment, which includes completing a comprehensive questionnaire, reading and signing up to our supply chain values through our supplier code of conduct and sustainability charter.

If required any risks associated with human rights, health & safety, environment or business ethics must be addressed before we award any business or commence mass production.



Governance

We remain members of SEDEX and require all suppliers manufacturing products under a Headlam brand to undergo an independent audit, every two years, using the SMETA format, covering human rights, health & safety, environment & business ethics.

We are looking to further strengthen our processes in 2025 by working collaboratively with our suppliers to build a more circular supply chain, taking more accountability for material recovery, raw material selection and use; and looking at innovative solutions to further reduce our impact on the environment.

Timber remains an important commodity to the Group and we will continue to ensure all our supply chains are not causing any form of deforestation or degradation by working with manufacturers and verifying through independent specialist organisations. Our Domus business continue to maintain their FSC Certification and we only work with suppliers that can provide certified timber material.

Quality

Supplier Management

Quality is an essential part of our values and we demand that all our suppliers deliver to our agreed standards. All products sold under a Headlam brand must be compliant with all applicable UK and EU regulations, fit for purpose and perform as described. Our quality management team are continually reviewing customer feedback to ensure our brands are meeting their expectations. Any supplier or product that falls below our acceptable quality limits (AQL) undergoes an immediate quality review to understand the root cause of why our standards have not been achieved supported by a corrective action plan.

Operations

During 2024 we focused on our operations to ensure our customers are receiving their orders on time, in full and free from damage. Working alongside our customer support team and using our customer feedback our central operations team have implemented a number of key improvements to ensure our customers continue to receive the best and most reliable service available.

Speak Up (Whistleblowing)

In the event that colleagues are not complying with our Code of Ethics, and the formal mechanisms have failed to alert us to this, we have a Speak Up policy which is well publicised in sites and through our policies. There are two ways in which colleagues can raise a whistleblowing concern; through a Speak Up email account or through a third party confidential reporting service.

Either way, the Chief People & Sustainability Officer, Head of Business Partnering and Employee Relations, Company Secretary, Director of Group Finance, Head of Internal Audit and one of our Non-Executive Directors (our Audit Chair) are made immediately aware of any concerns raised and will follow the concern through the investigation stage to its conclusion. Concerns raised in this way, and the outcome of the investigations, are reported to the Board.

Improved support for colleagues

We have implemented a number of improvements, as reported elsewhere in this report, including:

- New learning management system (Eloomi)
- Safety Culture system
- New HR and payroll system

Policies and Process

The following ESG and People policies have been revised and updated in 2024: Environmental Policy, Inclusion and Respect in the Workplace and the Human Rights Policy. These policies are available on the Headlam corporate website.

Project and Programme Governance

In 2024 we had two major programmes running at Headlam in the UK; Project Fusion, the acceleration of our strategy and Project Nexus, the implementation of our new ERP system. To ensure ESG remained a key consideration through both projects the Chief People and Sustainability Officer sat on the steering committee for both programmes and the ESG Director was consulted and engaged through workshops or weekly updates. Both programmes provide us with an opportunity to fast track many of the plans across the ESG strategy by through new buildings, new processes, improved reporting, and new ways of working internally or with suppliers and customers.

Stakeholder engagement

In 2024, we continued to maintain engagement on ESG with the broader industry through Carpets Recycling UK, our suppliers, and industry bodies. During our supplier conference in September, we presented progress on our Take-back trial and how we could work together with our suppliers to ensure that we are sourcing recyclable and recycled products. We have also held meetings with a number of suppliers across the year to discuss product innovation and how they can support future Take-back efforts.

We also put an emphasis on engaging our colleagues through our Employee Forums, where we discussed sharing best practice on Health & Safety, colleague engagement, quality improvements, and discussed changes to our reward offer resulting in the implementation of a holiday purchase scheme. Our Quality improvement group, facilitated by our operations team, has brought colleagues from right across the business and at all levels to find ways to improve the quality of the products being delivered to our customers. This has led to several process improvements and changes in packaging design.

Our greatest insight into the views of our customers regarding ESG is our colleagues. We have worked hard this year to ensure that, as well as the views of our customers being fed up through colleagues reporting lines, we create forums for colleagues to share insights directly with decision makers. Examples of these opportunities include ASM forums, Quality Improvement Forums, Open Forums and Employee Forums.



We also survey our customers at least once a year and use this insight to create actions to improve performance. Interestingly, whilst our customers' perception of how environmentally friendly we are increased in 2024, the importance they give to this attribution is still very low. 25% of customer survey respondents say that their own customers are enquiring about sustainable products with the top three enquiries regarding: Products made from recycled materials, products made from sustainable materials and products that are/could be recycled at end of life. This feedback is passed on to our central buying team to inform range selection.

Our shareholders have the benefit of reviewing our progress on sustainability across the business each year through this report which is included in our annual report and accounts available online and in hard copy (for those who have requested hard copies). The Company's position and progress across various sustainability areas is reviewed and rated by various ESG rating agencies which is available online for shareholders to review.



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

The table below, and continuing on pages 18 to 21 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. 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>The Board's oversight of climate-related risks and opportunities</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, with the Chief Executive the Chair of the Committee.</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 [63]. The Group's most material ESG issues are included in the Group's Risk Register. During 2024, 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>Management's role in assessing and managing climate-related risks and opportunities</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 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>The Group employs an ESG Team, reporting into the Chief People Officer and led by the ESG Director. Its principal activity is the day-to-day management and delivery of projects in relation to the Group's ESG strategy, with projects to both mitigate climate risk and capture opportunity. The projects related to decarbonisation and reducing contribution to climate change are given on page [40] of the Sustainability Report. Outputs are tracked through the ESG Committee and major projects are reviewed by the Chief Executive.</p>



Governance	Disclosure																		
The organisation's processes for identifying and assessing climate-related risks	The Group's risk governance and management processes are detailed within Risk Management on page 63 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.																		
How processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	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.																		
The climate-related risks and opportunities the organisation has identified over the short, medium and long term The impact of climate-related risks and opportunities on the organisation's business(es), strategy and financial planning The organisation's processes for managing climate-related risks	<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, 2025–2027), medium term (2028–2035) 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 11 to the Financial Statements.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Factors</th> <th style="text-align: center;">Middle of the road</th> <th style="text-align: center;">Fossil-fuelled growth</th> </tr> </thead> <tbody> <tr> <td>RCP</td> <td style="text-align: center;">3.4</td> <td style="text-align: center;">8.5</td> </tr> <tr> <td>SSP</td> <td style="text-align: center;">2</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Temperature rise</td> <td style="text-align: center;">2°C</td> <td style="text-align: center;">4°C</td> </tr> <tr> <td>Likelihood</td> <td style="text-align: center;">High</td> <td style="text-align: center;">Moderate</td> </tr> <tr> <td>Societal response</td> <td style="text-align: center;">Proactive, Disorderly</td> <td style="text-align: center;">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																	
Temperature rise	2°C	4°C																	
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, before the impact of mitigating actions.

Category	Risk	Key assumptions
Scenario 1 (Transition): Average global temperatures rising by 2°C above pre-industrial levels by 2100		
Policy and Legal: Financial impact of potential new legislation/regulation (including product legislation)	Risk: Increased operating costs through Extended Producer Responsibility (EPR) for bulky waste	The EPR (bulky waste) legislation is assumed to come into effect in 2027, 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 consistent with current industry best estimates, which are uncertain whilst the legislation is under consultation. The scenario modelling assumes that the take-back scheme, currently being trialled, is rolled out across the network. In the long term, all of the EPR costs are forecast to be mitigated by offsetting collected waste against the tax. The modelling does not currently assume that any residual EPR costs in the short or medium term are passed on to customers, which is considered prudent given industry practice of passing through cost inflation to customers.
Market: Transitioning to more sustainable business and operating practices	Risk: Increased costs of operating a sustainable fleet with low-carbon technologies	<p>The technology for zero-emission long-haul, heavy goods vehicles (HGVs) is less developed than for non-commercial (including company cars) and short-haul commercial vehicles. The Group operates around 300 HGVs and is monitoring the development of both electric and hydrogen powered HGVs.</p> <p>There is a high degree of uncertainty in the cost estimates for a zero emission HGV fleet. Current forecasts show that the total cost of ownership of electric HGVs are likely to be higher than diesel HGVs due to the high initial purchase price. However, the Group will monitor how the initial cost of electric HGVs changes as improvements in powertrains and energy storage are developed.</p> <p>It has been assumed, for this scenario modelling, that the cost of operating a zero emission HGV fleet is broadly comparable to that of operating a diesel fleet. This assumption is on the basis that there is a very large global market for HGVs, which provides commercial incentive for companies to develop a viable, cost-effective zero emission solution for HGVs. There could also be subsidies provided by governments to incentivise the transition to zero emission HGVs.</p>
Market: Changing consumer preferences	Risk: Reduced demand for current product offering	The scenario modelling assumes a shift away from non-sustainable to more sustainable flooring at a rate of 0.5% of mix per year, settling in the medium term, with an associated gross profit reduction.
Scenario 2 (Physical): Average global temperatures rising by 4°C above pre-industrial levels by 2100		
Acute: Asset damage	Risk: 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	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. Following the acceleration of the network optimisation strategy, including the disposal of the Ipswich and Uddingston distribution centres, there are no sites, which if affected, would give rise to a material profit impact.
Chronic and Acute: Supply chain disruption	Risk: Potential raw material shortages and knock-on impact on product availability from supply chain disruption leading to loss of revenue	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.

Average potential financial impact on annual profit £M

Short Term
(2025–2027)Medium Term
(2028–2035)Long Term
(2036–2050)

Strategic response and resilience

(2.2)

(3.2)

–

Collaborate with suppliers on new sustainable product launches.

Roll-out the take-back scheme to maximise recycling opportunities and avoid materials entering into the waste stream with a view to offsetting EPR costs.

It is likely that all, or significantly all, of any residual EPR costs (after offsetting Take-back scheme waste) could be indirectly passed on to customers, reducing the potential financial impact to an immaterial amount.

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Network optimisation will increase transport efficiency.

Ongoing trials of electric commercial vehicles.

(0.5)

(2.5)

(2.5)

Due to leading position, the Group is well placed to develop its range of flooring solutions to quickly adapt its offering to reflect consumer preferences and, therefore, mitigate all or significantly all of this risk, reducing the potential financial impact to an immaterial amount.

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The Group's assets are not expected to be exposed to high physical climate-related risk due to the geographies in which it operates.

Operations are disaggregated with business continuity plans in place if specific sites are affected by isolated events.

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Market-leading position and strategic partnerships with suppliers should enable the Group to preserve levels of availability.

Comprehensive inventory levels, typically, maintained at any one time providing strong availability.

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

CONTINUED

Strategy and Risk Management	Disclosure
Resilience of the organisation's strategy, taking into consideration different climate-related scenarios	<p>The analysis suggests that EPR and reduced demand for current product offering could have the most significant impact on the Group's profits in the transition scenario. EPR would only have a significant impact if any residual costs, not mitigated by the Take-back scheme, were not passed on to customers, which is considered unlikely. There is a high degree of uncertainty around the cost of transitioning to a zero emission HGV fleet.</p> <p>There could be further market opportunities for the Group to increase revenue with its peer-leading sustainable practices helping to attract new larger customers and by capturing market share by responding to a shift towards sustainable products more quickly than competitors. These opportunities are not included in the quantitative scenario modelling.</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, with strategic aims in place to leverage the opportunities from its ESG strategy.</p>
Metrics and Targets	Disclosure
Metrics used by the organisation to assess climate-related risks and opportunities	<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>KPI</p> <ul style="list-style-type: none"> • Energy usage (per SECR disclosure) • Scope 1, 2 and 3 emissions (year on year) • Achieving reduction pathway required for Scope 1, 2 and 3 emissions to achieve interim target • Number of sustainable own brand product launches • ESG-related capital investment • ESG rating agency scores • Physical asset damaged related insurance claims/premiums <p>Target</p> <ul style="list-style-type: none"> • 100% of non-commercial fleet electric/low emission by 2025 • Interim emissions target (Scope 1, 2 and 3) • Net Zero emissions target (Scope 1, 2 and 3) <p>An intensity metric is additionally given within the Group's SECR Disclosure on page 22.</p> <p>An ESG metric has been introduced into Executive Director and Executive Team performance-related variable remuneration.</p> <p>Link to Risks 9 Link to KPIs 10 11</p>
Scope 1, Scope 2 and Scope 3 greenhouse ('GHG') emissions, and the related risks	<p>The Group's Scope 1, 2 and 3 emissions are summarised on pages 23 to 24 of the Sustainability Report.</p>
Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	<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, 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 Net Zero Compliance (a division of 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 2024 and 2023. 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.

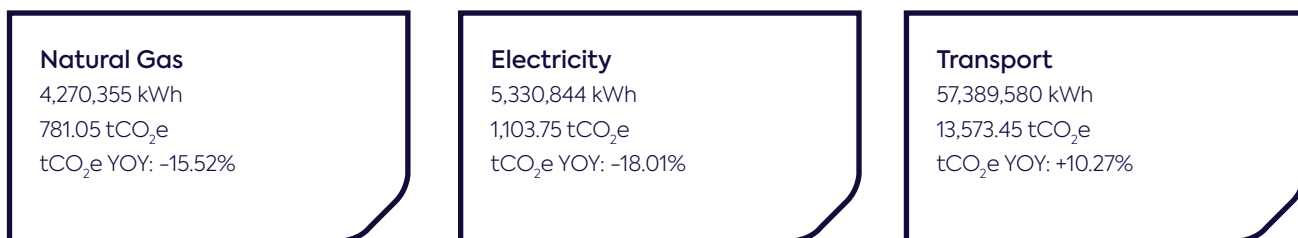
Definitions of the Scopes used in this disclosure:

- 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.

UK Overview



UK Carbon and Consumption £m = £m Revenue



UK Carbon Intensity Metric £m = £m Revenue



STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

CONTINUED

Consumption (kWh) and Greenhouse Gas emissions (tCO₂e) Totals

The following tables show the consumption and associated emissions for financial years ending December 2024 and December 2023 for all operations.

Headlam have chosen to disclose its consumption and emissions data for the group's global operations, in addition to mandatory UK consumption and emissions data.

UK Totals

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

Utility and Scope	2024 Consumption kWh	2023 Consumption kWh
Grid-Supplied Electricity (Scope 2)	5,330,844	6,501,459
Gaseous and other fuels (Scope 1)	4,270,355	5,054,342
Transportation (Scope 1)	56,919,467	50,755,600
Transportation (Scope 2)	126,675	886,117
Transportation (Scope 3)	343,438	153,078
Total	66,990,779	63,350,597

The total emission (tCO₂e) figures for reportable UK-based energy supplies are outlined below.

Utility and Scope	2024 Consumption tCO ₂ e	2023 Consumption tCO ₂ e
Grid-Supplied Electricity (Scope 2)	1,103.75	1,346.28
Gaseous and other fuels (Scope 1)	781.05	924.59
Transportation (Scope 1)	13,470.67	12,066.80
Transportation (Scope 2)	26.23	207.98
Transportation (Scope 3)	76.55	34.43
Total	15,458.25	14,580.07

UK Intensity Metric

An intensity metric of tCO₂e 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	2024 Intensity Metric	2023 Intensity Metric
tCO ₂ e/£m UK Revenue	29.41	25.25

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	2024 Consumption kWh	2024 Consumption tCO ₂ e
Grid-Supplied Electricity (Scope 2)	437,618	13.48
Gaseous and other fuels (Scope 1)	508,697	93.04
Transportation (Scope 1)	1,932,301	436.91
Total	2,878,616	543.43

Netherlands Totals

Utility and Scope	2024 Consumption kWh	2024 Consumption tCO ₂ e
Grid-Supplied Electricity (Scope 2)	255,345	61.68
Gaseous and other fuels (Scope 1)	271,218	49.61
Transportation (Scope 1)	2,185,113	507.46
Total	2,711,676	618.75

UK and European Totals

Utility and Scope	2024 Consumption kWh	2024 Consumption tCO ₂ e
Grid-Supplied Electricity (Scope 2)	6,023,807	1,178.92
Gaseous and other fuels (Scope 1)	5,050,270	923.69
Transportation (Scope 1)	61,036,882	14,415.04
Transportation (Scope 2)	126,675	26.23
Transportation (Scope 3)	343,438	76.55
Total	72,581,072	16,620.43

UK and European Intensity Metric

An intensity metric of tCO₂e 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	2024 Intensity Metric
tCO ₂ e / £m Group Revenue	28.02

STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

CONTINUED

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.

Energy efficiency actions

All leased sites for new trade counters have been retrofitted with best-rated energy efficiency measures. This has been done in an attempt to remove outdated inefficient hardware at these sites to reduce consumption.

Solar panel installation

Introduced solar panels and power management efficiency in Coleshill Distribution centre. This site is a significant distribution centre for the company and has a very high surface area for solar panels, reducing the site's reliance upon the national grid for electricity. Efforts will be made in 2025 to record generation data from these solar panels.

Company car fleet electrification

All new company car purchases are now either plug-in hybrid or battery-electric vehicles. Fossil fuel-consuming vehicles will gradually be phased out and retired during the transition process towards a fully electric fleet.

Measures to be addressed in 2025

Closure and rationalisation of distribution network

Headlam plans to consolidate its operations into single sites from multiple sites. This will streamline the overall operational footprint and result in a reduction in unnecessary energy wastage from a wider network of sites.

Energy behaviours workshops

Company-wide training on best practices to reduce energy consumption and use of energy efficiency measures are set to take place during 2025. These workshops aim to guide employees in their day-to-day activities to be more conscious of energy being consumed and mitigate some of this excess consumption.

Year-on-year changes

Gas and electricity emissions have reduced as there has been less estimation year-on-year. Since 2023, there has been a 95% reduction in estimated consumption, which has resulted in higher data accuracy and, as a result, lower consumption.

The key reason for the large increases in transport emissions has been driven by a 6% increase in litres consumed by diesel-fuelled company cars and fleet vehicles.

The total intensity metric has increased due to a 10% reduction in total revenue (£m) and increased transport emissions.

Total Group Revenue (£m)	£593.1m
Total UK Revenue (£m)	£525.7m
Total Continental Europe Revenue (£m)	£67.4m





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