



## **Headlam Group plc Environmental Policy**

### **Introduction**

Headlam Group plc ('Headlam' or the 'Company') is a leading floorcoverings distributor, with the majority of its operations in the UK, and businesses also located in France and The Netherlands.

The Company's extensive customer base covers both the residential and commercial sectors. The principal customer groups are independent retailers and smaller flooring contractors, alongside other customer segments such as larger (multiple) retailers, housebuilders, specifiers, and larger contractors (including local government / authorities). The Company sources products to sell into its customer base from suppliers across the globe manufacturing a diverse range of floorcovering products.

### **Policy**

Sustainability is an extremely important area of focus for Headlam. The Company has an ambition to work with all participants within the industry (including customers and suppliers) to increase the sustainability of the floorcovering industry as a whole, including through engagement and example. One of the Company's key priorities within its sustainability strategy is reducing environmental impact, and Headlam is committed to reducing both direct and indirect, and to publicly updating on actions and progress.

Through collaborating and working with its colleagues and external stakeholders, the Company is focused on:

1. reducing its contribution to Greenhouse Gas ('GHG') emissions and climate change;
2. becoming a more sustainable business;
3. supporting the transition to a circular economy through promoting sustainable (recyclable) products into the industry; and
4. continual improvement across all aspects of environmental management.

This Environmental Policy (the 'Policy') describes the approach and actions Headlam is taking with its colleagues and external stakeholders and within the commercial and operational areas of its business that have been identified as having the greatest environmental impact.

### **Policy Implementation**

#### ***Direct impact***

The Company has identified the most material aspects of its own operations which have a negative effect on the environment, and is focused on transitioning them to more sustainable methods and practices. These are:

- Scope 1 and 2 GHG emissions - carbon emissions from fuel and energy sources used in transport and operations
- Product packaging and waste - protective packaging is a necessary component in securing the quality of products and maintaining that while in transit through the distribution network

### Scope 1 and 2 GHG emissions

As disclosed within the Streamlined Energy and Carbon Reporting ('SECR') disclosure within its Annual Reports, over 80% of the Company's Scope 1 and 2 GHG emissions arise from fuel sources used in its transportation activities, with the remainder mainly accounted for by natural gas usage and electricity consumption at sites.

In March 2022, the Company committed to a Net Zero emissions target (Scope 1 and 2) by 2035 and is actively engaged in transition planning. The Company will follow a 'true' Net Zero strategy aligned with best practice, whereby it will focus on actual decarbonisation in achieving the target and only consider offsetting actions for the residual 10%. To ensure progress, in November 2022 the Company introduced an interim target aligned to the Science Based Targets initiative ('SBTi'). This requires a 46% emissions reduction by 2030 against a baseline year set at 2019.

The following are the main decarbonisation actions currently being pursued by the Company:

- Moving the whole non-commercial fleet to electric or low emission vehicles with EV charging points provided across the Company's network;
- Trialling and roll-out of electric commercial vehicles where feasible (with limited feasibility currently due to technology and cost constraints);
- Ongoing transport integration (i.e. more efficient deliveries profile), further FORS accreditations\*, and focus on driving behaviours;
- Energy saving opportunity surveys being completed at key sites across the network, and the energy saving and efficiency recommendations identified being rolled out across all sites;
- Promotion of 'Good Energy and Recycling Behaviours' across the group, with associated workshops;
- Installation of solar panels across all the Company's larger sites during 2023; and
- Progressing of work towards achieving ISO 14001 environmental accreditation at site(s).

*\*Voluntary FORS Scheme demonstrating which fleet operators are achieving exemplary levels of best practice, including in efficiency and environmental protection.*

### Product packaging and waste

Plastic packaging, cardboard poles and wooden pallets make up the bulk of the waste arising from Headlam's operations. The following table outlines the approach Headlam is taking in relation to this waste.

Focus area	Action(s)
Plastic packaging	<ul style="list-style-type: none"><li>• Using only recycled plastic product packaging across operations - all locations using regranulated polythene packaging manufactured from 100% recycled polythene</li></ul>
Carboard poles and wooden pallets	<ul style="list-style-type: none"><li>• Incentive in place for colleagues to collect poles from customers for reuse</li><li>• Reuse of wooden pallets retained</li></ul>
General office waste	<ul style="list-style-type: none"><li>• Review of office waste management options across the group</li><li>• Promotion of 'Good Energy and Recycling Behaviours' across the group</li></ul>

Allied with the actions above, it is the Company's policy that all colleagues take accountability for reducing the Company's emissions and waste in the areas they are able to influence.

### ***Indirect impact***

The Company's principal actions to support increased sustainability in the floorcoverings industry as a whole, and the transition to a circular economy, are:

- Working with suppliers to improve supply chain efficiencies;
- Measuring its value chain (Scope 3) GHG emissions;
- Aiming to take a lead in launching and marketing sustainable products into the marketplace;
- Supporting industry bodies focused on the recyclability / recycling of floorcovering products, and reduction of floorcovering waste to landfill;
- Engaging with customers including through surveys to better understand their sustainability requirements and preferences, and respond accordingly; and
- Promotion of less carbon intensive ordering and delivery / collection options for customers.

The transition to a circular economy is a longer term challenge for the industry as there are both technical and market based challenges to overcome. The majority of flooring product categories are made up of several layered materials, with plastic used in the manufacturing processes of most. The difficulty of separating these layers, and the limited recycling processes and networks available, leads to limited scalable recycling solutions currently. Additionally, the marketplace is still on the whole relatively undeveloped in terms of demanding sustainable products, with sustainable products making up a low proportion of the overall offering. However, the marketplace will increasingly signal a preference for sustainable products and focus on closed-loop recycling.

The Company aims to take a lead in launching and marketing sustainable products, with a particular focus on fully recyclable ranges. Working closely with certain suppliers, the Company is currently at the trialling and proof of concept stage of new technology with a view to launching own branded sustainable ranges during 2023. Launches will initially be into the residential sector, with opportunities in the commercial sector also being investigated for future launches. In support of these launches, there will be extensive education of the Company's sales representatives to enhance the promotion of sustainable products into the marketplace.

### ***Scope 3 emissions and supplier engagement***

Scope 3 emissions are GHG emissions that Headlam is indirectly responsible for outside its own operations - from the goods the Company purchases to the disposal of floorcoverings once sold.

In 2021, Headlam conducted its first Scope 3 emissions assessment following the GHG Protocol Corporate Value Chain (Scope 3) Accounting Standard methodology in conjunction with its top 15 suppliers. The assessment is available to view at <https://www.headlam.com/environmental-social-and-governance-esg/esg-report/esg-strategy-report/>; and estimated that the sources of its Scope 3 emissions were: 1) Manufacture of purchased goods and services (70%); 2) End-of-life sold products (23%); and 3) Other plus Upstream transport (7%). This assessment, alongside the SECR disclosure, also showed that Headlam's Scope 3 emissions far exceeded its direct Scope 1 and 2 emissions:

- Scope 3: 97.3% of total emissions
- Scope 1 and 2: 2.7% of total emissions

The Company is currently undertaking its second Scope 3 emissions assessment which will be reported within its 2022 Annual Report published in March 2023. Undertaking this work is a valuable tool to understand supply chain emissions, and importantly engage with individual suppliers on their own environmental / sustainability ambitions and supply chain efficiencies. It serves as an important framework, amongst other forms of engagement, to deepen the partnership approach with suppliers most able to demonstrate responsible business conduct and supply chain efficiencies.

During 2022, the Company also engaged with suppliers on a Supplier Partnership Sustainability Charter ('Charter'). The Charter outlines the minimum standards that Headlam expects from all its suppliers including in the area of environmental impact, and areas where the Company aspires to support practice improvement across the industry. The Charter is available to view on the Company's website [www.headlam.com](http://www.headlam.com)

### **Disclosure and Regulation**

Headlam is committed to adhering to all regulation/laws and regulatory reporting requirements, with high levels of disclosure on its sustainability strategy. The Company publishes a full form ESG ('Environmental, Social and Governance') Report on an annual basis aligned with both the Task Force on Climate-related Financial Disclosures ('TCFD') and the Sustainability Accounting Standards Board ('SASB'). This report also contains KPIs and targets to provide a tool to measure the Company's progress, including on environmentally related actions.

This Policy is publicly available on the Company's website ([www.headlam.com](http://www.headlam.com)) and accessible to all colleagues via its intranet and communications portal.

Any enquiries regarding this Policy and the Company's environmental actions can be emailed to [headlamgroup@headlam.com](mailto:headlamgroup@headlam.com)

### **External Certification**

This Policy forms part of the Company's environmental management system and sustainability / ESG strategy to comply with the requirements of the International Standard ISO 14001.

### **Governance**

The Board of Headlam is committed to increasing the sustainability of the Company and the industry, and progressing the Company's ESG strategy. The Company has an established Executive ESG Committee assisting the Board on the development of the strategy, and ensuring the progression of all constituents within it.

All colleagues and external stakeholders of Headlam (including suppliers and customers) are expected to uphold and adhere to the principles, commitments and actions set out in this Policy, where they are able to discharge them.

The Company's Environmental Policy is a matter reserved for the Board's approval, and is subject to annual review and approval by the Directors of Headlam. This Policy was last approved on 5 December 2022 and signed on its behalf by

**Chris Payne**

Chief Executive and Executive Director