



headlam

# Sustainability Report

March 2024

# SUSTAINABILITY REPORT



**Chris Payne**, Chief Executive

“ I am proud of the emphasis placed upon driving our sustainability agenda at Headlam in 2023 ”



I am proud of the emphasis placed upon continuing to drive our sustainability agenda at Headlam during 2023. From our work on safety culture to carbon reduction initiatives, engagement with our supply chain, sustainable products, investments in the skills and capabilities of our colleagues, and our work in our local communities, we continue to drive positive change.

This year, we have invested in Health and Safety industry capability, appointing a Health and Safety Director who reports directly to me. We have also further strengthened our ESG inhouse expertise having employed specialists in diversity and inclusion, ethical sourcing, human rights, and waste management. This, as well as the work completed by our teams across the business, has meant that we have achieved many of our targets for 2023 and set additional ones for 2024.

Our work with DSS+, an independent consultancy, on testing and developing our safety culture at Headlam, has seen significant improvements in near miss reporting and has raised safety awareness and focus in our business.

We look forward to submitting our Scope 1, 2 and 3 targets to SBTi for validation in 2024 and adding Scope 3 actions and deliverables to our existing Net Zero Scope 1 and 2 strategy. We have implemented some key actions to reduce our Scope 1 and 2 emissions this year, predominantly focussed on improving transport efficiencies and the installation of solar panels. We look forward to seeing a full-year benefit from these initiatives in 2024.

Our strategies for learning and development, inclusion, wellbeing and our community engagement provide us with focused actions and clear targets. We have made further improvements to our overall reward offering for our colleagues, which has seen better support for colleagues nearing retirement and more of our colleagues becoming shareholders in Headlam. Our new engagement survey has allowed us to measure the impact we are having with these initiatives and our ability to inspire and motivate colleagues.

Governance continues to be enhanced with investments in systems and technology making the oversight of compliance activity more robust. We are pleased to have been awarded ISO 14001 certification in six of our key sites as well as achieving two additional successful SMETA audit outcomes against the SEDEX ethical audit standard and FORS Bronze certification across our UK transport network. Refreshed policies and guidance underpin these standards and many of these are publicly disclosed, providing full transparency and clarity.

Our ESG Committee is focused on delivering clear, measurable, specific, industry-relevant and scalable actions, which are proportionate to our size, areas of operation, and which are beneficial to Headlam and its stakeholders.

## ESG STRATEGY

In 2023 we commissioned an independent review of our ESG practices, particularly to focus on our progress against our peer group. Using this output, and engaging with advisors, industry bodies and stakeholders, we have set our targets for 2024.



### Environmental

- Set strategy and targets for Scope 3, send Scope 1, 2 and 3 to SBTi for validation and meet or exceed 2024 Scope 1 & 2 emissions reduction pathway target vs 2019 baseline
- Identify process for operational waste monitoring and reporting in UK distribution sites



### Social

- Roll out leadership/management development - every eligible manager to attend See it, Say it Safety training and at least one other module
- 3% improvement in engagement score YOY (baseline October 2023)
- Community needs analysis conducted and partnerships developed in one site as pilot



### Governance

- At least 80% of major factories producing own brand products to have a confirmed ethical audit by the end of 2024
- Ability to track and monitor origin of timber in own brand products by the end of 2024
- Deliver an improvement on existing customer feedback scores related to quality and service



**What aspect of Sustainability and the ESG strategy is most important to you?**



A well-developed ESG Strategy means that, critically, not only are you doing the right thing, but it also gives a business a clear competitive advantage through being a business that people want to join, and that customers and suppliers want to do business with. We make sure that we work with a range of third parties for advice, and monitor our ESG rating agency scores, to validate that we are taking a holistic, concerted and successful approach to all the areas that ESG encompasses, which is broad. We engage with all our stakeholders on ESG, including employee and customer surveys, and held our second supplier conference in September 2023, which featured sustainability as a key part of the agenda.

Our ESG Team



**John Grant**, Head of ESG

Passionate about doing business responsibly with over 30 years of experience, working to improve the supply chain for both people and the planet.

With a diverse skillset developed across the distribution and retail sectors, having worked at the highest levels in quality, ethical trading and sustainability for Philips, Travis Perkins plc and Wickes.

Focusing on developing and delivering the Headlam ESG Strategy and reducing our impact on the environment, ensuring suppliers continue to meet our values, delivering safe, compliant and sustainable products.



**Danielle Cairns**, Responsible sourcing

Extensive experience as Human Rights Manager with Asda focusing on Modern Slavery prevention and working across industry to combat risks associated with forced and bonded labour, child exploitation, unsafe working conditions, violence, harassment and discriminatory behaviour.

Danielle continuously develops our supplier due diligence programme and ensures our products are produced ethically and responsibly.



**Chloe Barnicoat**, Environment & Sustainability

Associate member of the Institute of Environmental Management and Assessment with previous experience in the waste management industry, regulatory environmental compliance, ISO 14001 system management, carbon and sustainability reporting.

Chloe reduces our impact on the environment through waste reduction, ensures we operate best practice, and helps us to develop actions to achieve our ambition to have a circular supply chain.





### **Neil Whitehead**, Quality & Product Compliance

An accomplished Quality manager with a rich history across a number of technically challenging industries, including food, cosmetics and home improvement. Experienced in quality management, product development, safety and performance testing in order to ensure customers' expectations are delivered against.

Neil supports our own brand development ensuring we remain compliant; quality standards are maintained; suppliers deliver against our standards; and customers are satisfied.



### **Rebekah Smallwood**, Inclusion and Wellbeing

With many years of experience in the Diversity, Inclusion, Wellbeing and community field from her roles at The Midcounties Cooperative as Head of Diversity and Inclusion, Rebekah leads the development and delivery of the Diversity, Inclusion and Wellbeing strategy.

Rebekah has worked closely with Business in the Community for a number of years to develop strategic objectives and as part of their West Midlands Leadership board. She has now joined their East Midlands Leadership board representing Headlam.



## Key achievements in 2023:

- Completion of dynamic route planning and roll out of telematics in the commercial fleet
- Solar panel roll out
- 4 sustainable product ranges launched across 3 own product brands
- Over 85% of the non-commercial fleet now hybrid or electric

## Targets and KPIs for 2024:

- Set strategy and targets for Scope 3 emissions reduction
- Submit Scope 1, 2 and 3 targets to SBTi for validation
- Achieve Scope 1 and 2 emissions reduction pathway target vs 2019 baseline
- Improve waste monitoring and reporting processes across UK sites
- Launch EV salary sacrifice scheme

We have made progress against our long-term carbon reduction target, as well as our broader environmental actions in 2023. Certification in ISO 14001 in six of our key sites (collectively responsible for 73% of UK purchases), FORS accreditation across our UK transport network and satisfying two of our multiple retail customers that we are meeting the SEDEX ethical audit standard in Coleshill (incorporating our Head Office) and Tamworth in 2023, all provide us with confidence that we are making sustainable improvements.

## Reducing our Carbon Emissions

In 2023, we continued to deliver against our carbon reduction target timeline. 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%. This is in line with our previously published commitment to achieve an interim, location based, target aligned with the Science Based Targets Initiative ('SBTi') of a 46% reduction by 2030 against a baseline year of 2019 for Scope 1 and 2 emissions. This is being achieved through transport efficiencies, solar panel installation, ongoing progress with the non-commercial fleet and educating colleagues on good energy behaviours. We have progressed in line with our Net Zero Emissions Timeline, have exceeded our 2023 target and remain on track for our 2030 interim target.

## Transport Efficiencies

The optimised route planning for our UK customer delivery fleet, known as Dynamic Planning, was rolled out in 2023. As a combination of this new way of working, and the transport network consolidation that was delivered in the preceding years, mileage is estimated to have reduced by circa 20% per annum equating to an estimated saving of c.irca1300 tonnes of carbon emissions each year. A further investment of over £1m has been made to equip our HGV fleet with industry-leading vehicle telematics and cameras. This enables our Transport Managers to track vehicle speed, idling, driving events and fuel consumption and provide ongoing feedback to our drivers to improve driving behaviours. This will positively impact safety on the road, the performance and longevity of our HGV fleet and the impact of our fleet on the environment.

We continue to explore options for a commercially viable sustainable commercial fleet and, in 2024, we will continue to trial low emission and/or electric HGVs. We have progressed our transition to hybrid or fully electric vehicles; these now comprise over 85% of our non-commercial fleet. Having recently changed company car provider we have developed a joint strategy to encourage more drivers into EV and the remainder of our fleet drivers into PHEV as a minimum as current leases expire.

We have also been awarded The Fleet Operator Recognition Scheme (FORS) Bronze accreditation for our full UK transport fleet as well as maintaining FORS Silver in our Rochester site. The FORS is a voluntary accreditation scheme for fleet operators, which aims to raise the level of quality within fleet operations, and to demonstrate which operators are achieving exemplary levels of best practice in safety, efficiency, and environmental protection.

### Solar panel installation

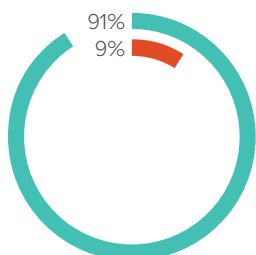
In 2023 we commissioned the installation of owned solar panels at a number of our sites resulting in 11 of our 13 distribution sites now having solar panels installed at a cost of £2.5 million.

We have one further large site installation taking place in the first half of 2024, which will conclude the programme. By the end of 2023, we had seen a reduction in electricity consumption of over 25%.

### Sustainable Products, Waste and Water

This year, as well as continuing to survey our customers about their sustainability requirements, we also conducted qualitative and quantitative consumer analysis to understand their needs and requirements. Some interesting demographic data, for example, highlighted that Gen Z have an expectation that our customers will sell sustainable products from businesses with responsible practices. This requires a collaborative effort across the floorcovering industry as flooring products are made up of several-layered materials, with plastic used in most of the manufacturing processes. By working with industry bodies, such as Carpets Recycling UK, we are working alongside suppliers and waste contractors to create sustainable products, which make it easy for consumers to access take back schemes.

### UK and Continental Europe Scope 1 and 2 emissions



- Scope 1: 91% (14.0ktCO<sub>2e</sub>)
- Scope 2: 9% (1.6ktCO<sub>2e</sub>)

### 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 trialling 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
- Scope 1, 2 and 3 targets to be submitted to SBTi for validation
- Continued trial of low emission commercial fleet vehicles
- Phase 2 of Good Energy and Recycling Workshops to take place and impact measured

#### 2025

- Target of 100% of UK non-commercial fleet electric/low emission
- Scope 3 targets introduced

#### 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

#### 2035

- Net Zero emissions target (Scope 1 and 2)

#### ≤ 2050

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

Ongoing trialling and introduction of electric / low carbon commercial vehicles

**Sustainable product development**

This year we have launched four sustainable product ranges across three of our own brands. It is early days for these ranges and we look forward to seeing how they are performing over the coming year:



**Kingsmead – Thinking Beyond**  
**Launched April 2023**

**Econyl Yarn**

- Regeneration Solution Dyed Nylon Yarn – this is nylon taken back from fishing nets, carpet tiles and nylon fabrics that can be regenerated to a new yarn
- Regeneration – meaning the material can be reused time and time again. The carpet can be sheared after use to be regenerated into another product
- 90% reduction in emissions compared to virgin material
- 70,000 barrels of crude oil saved per 10,000 tons of Econyl
- Provides a continued second life of the material
- Avoids going direct to landfill



**Tomkinson – Breathing Space**  
**Launched June 2023**

**ResilonX Yarn**

- Recycled plastic bottles – rPET
- Taking virgin polyester plastic bottles and turning them into yarn
- This sits between regeneration and recycled. There is potential to regenerate the yarn as per Econyl, just no one is at that stage yet. Recycled means we are turning the product back into the same form. Therefore, this range is creating a secondary use for a material rather than sending it to landfill
- Plastic bottle collection is verified by Global Recycled Standard, to follow the supply chain and ensure there is no child labour in the collection of the material



**Fells – Georgetown**  
**Elite and Georgetown**  
**Supreme**

A plain product with a recycled fleece backing along with recycled yarn made from plastic bottles



**Runswick Bay**

The first Recycled Wilton, again using plastic bottles (approximately 120 large plastic bottles per metre square). This product won the **best man-made carpet** category at the Harrogate Flooring show 2023





### Take back schemes

We continue to take part in the Recofloor vinyl flooring take-back scheme, which has resulted in over 50 tonnes of waste returned in 2023. We have also partnered with suppliers in two of our major sites to create a laminate flooring take-back scheme. In 2024, we will build upon the discussions we have been having with several stakeholders along the supply chain for a complete flooring take-back scheme in one of our regions, which will be trialled in the first half of 2024.

### Waste

In 2023, we diverted 81% of our operational waste from landfill of which we have recycled 21% from our UK Distribution Centres. We continue to work with our waste management provider to review our current arrangements and will work with them to implement best practice and set targets in 2024. We are also working within the Group to repurpose and reuse offcuts and make them into rugs through our Melrose Interiors business.

The Group continues to review the use of its customer packaging and, where possible, eliminate its use. However, packaging is, typically, key to protecting product during transit. Where packaging cannot be removed, we look to use the most sustainable materials available whilst maintaining the products' integrity. We are also working with our suppliers to reduce transit packaging and promoting the use of sustainable and recycled materials. We continue to 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.

### Water

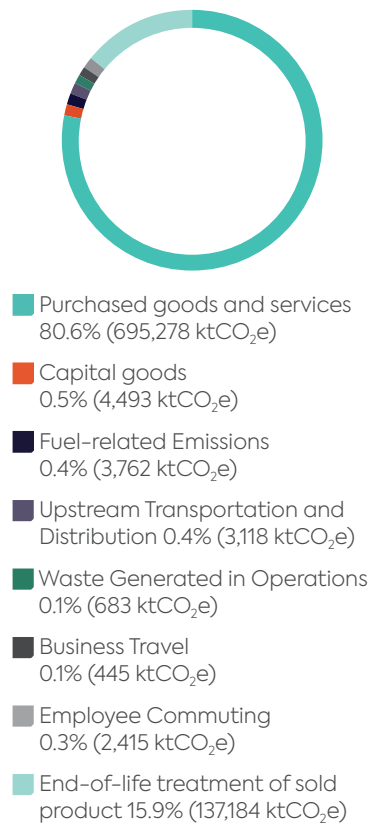
The Company is not a large consumer of water, which is primarily used for cleaning its commercial vehicles, and continues to engage in limiting usage whenever possible. Water consumption in 2023 was circa 17,500 cubic metres (2022: circa 18,722 cubic metres).

### Scope 3 Emissions

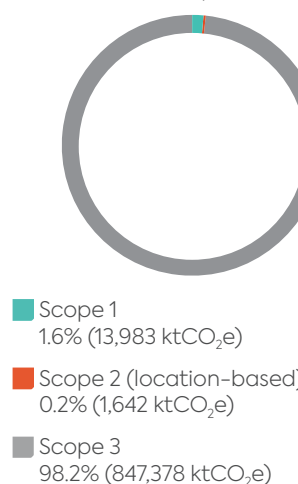
In 2023, we have focused on engaging more closely with suppliers on Scope 3 emissions, obtaining enhanced baseline data on which to set Scope 3 targets aligned with the SBTi criteria. We have highlighted the importance of our Net Zero plans through ongoing conversations, our Supplier Sustainability Charter and at our Supplier Conference.

In 2024, we will set our targets and carbon reduction roadmap for Scope 3. We will also submit our Scope 1, 2 and 3 targets to SBTi for validation with a view to publishing our mid and long-term targets and reaching Net Zero (Scope 1, 2 and 3) by 2050 at the latest.

### Scope 3 Emissions



### Total Scope 1, 2 and 3 Emissions: 863, 003 tCO<sub>2</sub>e





**How do you attract, retain and support your colleagues?**



One of our Key Strategic Pillars is 'Making Headlam a great place to work for everyone' and this is underpinned by a number of items, including the 'Headlam Way', which comprises key shared values that we immerse and embed across the business. We have improved many areas of financial and non-financial support and development for our people over the last couple of years, including communication, learning and training programmes, so people can progress, and Inclusion and Wellbeing strategies. We actively engage and listen to our colleagues through a variety of channels.

**Clare Moore**, Chief People and Sustainability Officer

**Key achievements in 2023:**

- Significant improvement in Near Miss reporting
- Roll out of Headlam Way strategy and values
- Created Inclusion and Wellbeing strategy and values
- Developed induction, leadership and sales training
- Improved Employee Forum and conducted engagement survey
- Created consistent expected standards of performance across UK sites

**Targets and KPIs for 2024:**

- Further embedding safety culture resulting in a reduction in RIDDOR and Lost Time Accidents against 2023
- Improving colleague engagement score by at least 3ppts
- Roll out leadership/management development, with every eligible manager to attend See it, Say it Safety training, and at least one other leadership module
- Community needs analysis conducted and partnerships developed in one site as a pilot

**Our Colleagues**

**Keeping each other safe and well, every day**

Safety is our number one value at Headlam and, this year, we focused on improving the safety culture across our business. Working in partnership with DSS+ we commenced the roll out of mandatory safety culture training for all of our leaders to equip them to make safety the priority in the day-to-day operation of our business. Our meetings now start with a 'safety moment'; our managers have been trained to have constructive, in the moment, conversations when they see something that should be done better or differently. Our Health and Safety Director now reports directly into the CEO so that he has direct visibility of the progress of the safety plan.

Whilst we have, disappointingly, seen an increase in RIDDORs this year, we have been encouraged by a vast improvement in near miss reporting. Over the full year, we recorded near misses at a rate of 1.17 per person per annum, which is more than double the rate reported by colleagues in 2022.

**RIDDOR Table**

Type of Incident	2023	2022
Handling	2	7
Struck by Moving Vehicle	6	3
Slip, Trip, Fall	9	4
Fall From Height	3	1
Other	5	4
<b>Total</b>	<b>25</b>	<b>19</b>

It was with great sadness that during the prior year we reported that there was an accident at the one of the Group's sites during which a much-valued and long serving colleague died. Headlam's priority has been support for the family and colleagues, as well as to continue to strive to provide the safest working environment possible. As at the date of this Annual Report, the local authority's investigation is ongoing.

To provide a safer environment for colleagues, we have invested in our buildings, manual handling equipment and CCTV this year. Additionally, Telematics and WEBFLEET™ has provided transport safety measures with each of our drivers given an OPTIDRIVE™ score based on a set of parameters, including; speeding, idling, fuel consumption and driving events. This, coupled with the installation of MANTIS™ cameras on all of our vehicles will continue to improve the safety of our drivers and other road users.

As the Webfleet software and the Mantis cameras are linked, when a driving event is triggered, it sends an alert to the driver and to the Transport office who can upload the video footage of the event. With this data to hand, Transport Managers can now engage with drivers at point of de-brief to work on improving their overall OPTIDRIVE score. This will have a positive impact on their safety on the road, the safety of other road users, the performance and longevity of our HGV fleet, and also improve our impact on our environment.

We continue to support colleagues to access mental health support and have partnered with Everymind at Work who are providing ongoing development, support and resources to our Mental Health First Aiders and webinars for our colleagues. This is further supported by the provision of an Employee Assistance Programme.

In 2023, the company maintained their ISO45001 HS Management status following the assessment of four key locations.

### **Making Headlam a great place to work for everyone**

Listening to our colleagues has been a key focus for us this year. We have refreshed our Employee Forum to ensure that colleague representatives drive the agenda, can provide feedback and challenge directly to senior leaders, and have

direct communication with the CEO and a Non-Executive Director four times a year. This year, we have covered a range of topics, including; systems, processes, pricing, reward and pay principles [headlam.com/media/myzld0jz/headlam-reward-pay-principles-jan-24-v2.pdf](https://www.headlam.com/media/myzld0jz/headlam-reward-pay-principles-jan-24-v2.pdf), executive remuneration, colleague engagement, and our strategy and values cascade.

We worked with an external provider to conduct an employee engagement survey, which has provided us with a wealth of information and great ideas about ways in which we can make Headlam an even better place to work. 60% of our UK Distribution colleagues completed the survey and, encouragingly, our engagement score was only 6ppts below our industry benchmark. Considering the degree of change that our colleagues have experienced this year, particularly driven by the introduction of more efficient ways of working, we are satisfied that this result is an honest reflection of the engagement of the workforce. Insight from the survey suggests that our key strengths are that colleagues understand our purpose and values (82% agreed or strongly agreed) and colleagues know the wellbeing support available to them and how to access it (73% positive). Key areas for us to improve include improving local communications, colleagues feeling their opinions count, and personal development.



### Learning and development

This year, we have defined our learning philosophy as accessible, engaging, personalised and scalable, with a clear focus on enabling our colleagues at Headlam to perform at their best.

Personal and career development is a priority with investments at all levels from the induction of new colleagues through to our 'Insights into Action' development for our Executive team.

We have invested in an online 'Welcome to Headlam' induction for all new colleagues this year, along with role-specific training for new managers and our salesforce, the focus being on accelerating both their knowledge of our business and their performance as they settle into their new roles.

Working with an external provider, we will launch our bespoke 'Lead the Way' training in 2024, with modules created for all levels of leadership that support our commitment to equip them with strong people management skills and develop the skills necessary to lead a workforce that embraces change and transformation.

To further support our line managers, we have introduced Manager Toolkits using a blended approach of animated videos and 'what good looks like' video examples, along with easy-to-follow summaries and guides, all providing advice and support to help Managers with all those moments that matter, from hiring to retiring and everything in between.

Following our successful driver apprenticeship programme in Leeds and Bristol, we intend to build upon this further to utilise the levy and focus on the attraction of new talent and the development of existing talent across a range of apprenticeship options from entry level through to leadership.

Over the next year, we will look to extend our learning opportunities with the introduction of a new learning platform, which will improve accessibility of learning across the Headlam Group and offer a broader range of blended learning opportunities across our key roles.

### Reward (financial and non-financial)

This year we have refreshed and published our reward and pay principles [headlam.com/media/myzld0jz/headlam-reward-pay-principles-jan-24-v2.pdf](https://headlam.com/media/myzld0jz/headlam-reward-pay-principles-jan-24-v2.pdf), with input from our Employee Forum, the Board, and the Executive. Using these as a guide, we took the decision to tier our cost-of-living increases again in January 2024 to ensure that our lowest-paid colleagues get the greatest increase, we maintain the differentials between colleagues and first line managers wherever possible, and we can award exceptional increases on an individual basis where it is justified based on market data and competition. We have also reviewed our bonus schemes across the business to ensure that the measures are appropriate and will drive group performance, teams who outperform are rewarded appropriately, and our senior colleagues have a sufficient focus on overall Group profitability as well as local performance.

Following on from a transformational year in 2022 with most colleagues seeing increases in holiday pay, sickness pay, an aligned pension and financial wellbeing support, we have continued to add to the many reward and recognition options available at Headlam. In 2023, we have focused on reward that provides a greater number of colleagues with the opportunity to become shareholders or grow their existing shareholding. We have a well-established Save As You Earn Scheme and, this year, we have added share-based long-service awards and a market value management long-term incentive plan, which has increased the proportion of colleagues who are shareholders or in a share scheme by 10ppts to 33%.



Colleagues remain engaged with our existing benefits, such as retail discounts and a vast array of wellbeing tools and support. This year, we have also improved retirement planning support for our colleagues by providing 'aspire to retire' workshops and improving the information available on our colleague communications hub (myHub). Our revamped Headlam Heroes Recognition programme has been well utilised this year with over 600 colleagues receiving at least one instance of recognition via the myHub portal. At our first ever leadership conference in October 2023, a selection of colleagues who demonstrated our values were awarded public recognition for their great work.

### Diversity, inclusion and wellbeing

In 2023 we developed our first Inclusion and Wellbeing Strategy, which includes actions to improve the diversity, equity and inclusion of our workforce. This strategy was developed with support from Business in the Community (BITC), the Executive, and input from colleagues across the business. A number of actions have already been delivered, including a comparison of our demographic make up with the communities we work in, a full review of our recruitment practices and the agencies we work with, Executive training from BITC, the appointment of an Inclusion and Wellbeing Executive Sponsor, the publishing of colleague stories, and inclusion training being included across our newly launched Leadership and Management Programmes (Lead the Way).

The results from our engagement survey demonstrate that colleagues feel able to be themselves at work (81% positive response) and perceive that Headlam creates an environment of which people feel included (71% positive result). However, we have an ambition for our workforce to better reflect the communities we serve. In some parts of the business we have work to do to get there, and, with a relatively low labour turnover, this will take time.

Our gender pay gap report shows that our pay gap has reduced year on year and full details of the action we have taken to achieve this can be found in our published report.

<https://www.headlam.com/environmental-social-and-governance-esg/gender-pay-gap-report/>

To ensure that we remain focused on inclusion and wellbeing, we have set ourselves both long- and short-term targets and will be ensuring that colleagues know how they can get involved and contribute to improving diversity and inclusion. We will also support our colleagues to set up two active colleague inclusion groups to recommend practical improvements to drive inclusion across Headlam in the next five years.

Of the colleagues who have chosen to disclose their ethnicity, 7% have declared themselves ethnically diverse. We have set ourselves the target of 10% by 2028.

Female colleagues represent 22.4% of our global workforce.



### Case Study 1

#### **Our Team in Stoke-on-Trent have been fundraising for several years for the following charities:**

Macmillan – Macmillan Cancer Support is one of the largest British charities and provides specialist health care, information and financial support to people affected by cancer.

The Albion Foundation – A not-for-profit organisation that uses the power of football to deliver excellence in Wellbeing, Behaviour Change and Active Lifestyles.

Golden Wishes – Golden Wishes is a West Midlands-based charity. Their main priority is to support disadvantaged people within the local community.

Over the years, the team has raised in excess of £190,000, which has been done through auctions, raffles, Golf tournaments, parachute jumps, walking the Great Wall of China and even the three peaks of Morocco!

As a recognition for the team's fundraising efforts, they were awarded with Headlam's 'Act sustainably, use less, waste less and give back' values award at the annual conference.



## Our Communities

### Local communities

In 2022, we launched our Headlam Communities programme, which gives colleagues the opportunity to both volunteer and donate to projects and charities in their local community.

In addition to this programme, and in order to take a more strategic approach to improving the sustainability of our local communities, we have worked with Business In the Community (BITC) to trial a community needs analysis for our Cheshires site in Nottingham. BITC's approach to community needs analysis involves utilising open-source data to identify key characteristics of the relevant communities and assess and identify a range of prevalent social issues, challenges and unmet needs across key focus areas. Carrying out this analysis allowed us to identify which groups in the local community most need support. This provided us with insight into Bulwell, which is local to our site.

Following this review, we have built relationships with a local school, Bulwell Academy, and a local volunteering group, Bulwell Forest Gardens.

Our colleagues from our Cheshires' site have delivered a session with a cohort of Year 10 Business Students from Bulwell Academy in Nottingham. The session helped build the business knowledge of the students as part of their curriculum. The session was well received by the students who were engaged throughout. We will continue to run workshops and employability support throughout 2024.

Based in Bulwell, the vision for the Bulwell Forest Gardens community project is to develop a garden to include food growing, general wildlife areas, and community space to create a stronger sense of community responsibility and ownership. The local community can take the produce



grown in the gardens as well as volunteer to develop and tend the garden. Members of our Cheshires' and Head Office teams visited the site in November to support with clearing out storage facilities and preparing the site for the winter.

Measuring our impact will be critical to ensuring that our efforts are adding value in Bulwell and we will work with our partners in 2024 to align our targets with their ambitions. Following overwhelmingly positive feedback from the Cheshires' team, we are now conducting a community needs analysis at our Mercado site in Leeds to test the model in a new location with a view to a continued roll out across several of our distribution centres.



## Case Study 2

**Our team in Leeds have been supporting a charity called Acts 435 with the supply of flooring. Acts 435 is a giving website that allows people to give directly to others, and 100% of what is donated via Acts 435 goes directly to those in need.**

When so many people need so much help, giving to charities and good causes can sometimes feel overwhelming and hard. Acts 435 puts people who want to help in touch with people who are in need, through a network of churches and local charities.

Below is some feedback from clients that were asked the question 'How did you feel when you first saw your new carpets?'

'Really happy and full of joy. I couldn't afford carpets for my new flat and the vinyl floors and carpets that were fitted have made it look so homely and really nice. It's now the best place I've ever lived so thank you!'

'A massive relief, I've had flooring but it's not been suitable and it's been like this for the past 10 months; it's a massive relief coming home to a safe environment.'

'I would like to thank you all for making a massive difference in mine and my family's life; if it wasn't for this project, me and my children would have been without flooring for maybe years due to cost of living and not being able to afford it. We really do appreciate everything.'

## Connecting our communities with the flooring industry

As leaders in flooring distribution, we want to assure the long term sustainability of the flooring industry. Headlam, through its customers, is reliant on access to qualified flooring fitters to achieve this. So we are actively working with our suppliers and the Contracts Flooring Association to help increase the number of flooring fitters available to our customers, by helping to address the growing shortage of floor fitting skills in the UK.

With our multi-site, national reach, growing relationships with local schools, and our broad supplier base, we are perfectly placed to encourage more people to train as fitters and help them to find employment with our customers. We have commenced work to facilitate this training with the support of our suppliers. We will then work with our customers to find employment for trainees, which will benefit our customers, and the UK industry as a whole.

# GOVERNANCE

## ESG Committee

We have an established ESG Committee at Headlam to assist the Board of Directors of the Company in providing oversight with respect to the ongoing development and delivery of the Company 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 a number of senior leaders, including Head of ESG (Operations). A copy of the ESG Committee Terms of Reference can be found on the corporate website, [headlam.com/environmental-social-and-governance-esg/executive-esg-committee/](https://headlam.com/environmental-social-and-governance-esg/executive-esg-committee/).

In 2023, the Committee met on four occasions and discussed every aspect of the ESG strategy including Health & Safety, transport integration, solar panel installation, non-commercial fleet transition to PHEV, Scope 3 engagement with suppliers, progress of own brand sustainable product launches, waste management, take back schemes, Good Energy Behaviour workshops, colleague engagement, training, diversity and inclusion, community engagement, reward and wellbeing support, consumer insight, IT security, supplier audits, the Sustainability Charter, SMETA audits, ISO 14001 progress, ESG policy changes, improved reporting, risk modelling, industry ESG developments and the external assessment of progress via a third party.

## Sourcing

We have further strengthened the supplier review and onboarding process by taking a risk-based approach based on supplier assessment. Existing suppliers have all been assessed and all new suppliers are required to go through onboarding due diligence, which includes an agreement to comply with our Sustainability Charter, [headlam.com/environmental-social-and-governance-esg/supplier-sustainability-charter/](https://headlam.com/environmental-social-and-governance-esg/supplier-sustainability-charter/).

Our investment in ESG expertise has included the recruitment of an Ethical Sourcing specialist, who has a depth of expertise in human rights and modern slavery. As a result, we are confident that, in 2024, we will ethically audit 80% of the major factories producing own brand products using the SMETA formula and, more importantly, will develop action plans with our suppliers to drive continuous improvement where required.

We continue to ensure our timber supply chain meets the UK Timber requirements through our partnership with Track Record Global. In 2024, we will use similar methodology to track other key commodities in the supply chain, such as recycled plastics and wool.

## 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 2023 and the Performance Share Plan targets for all in-flight schemes can be found in the Remuneration Report of the 2023 Annual Report and Accounts.

## Stakeholder engagement

In 2023, 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 invited Carpets Recycling UK, Inspired Energy (carbon reduction consultants), our Head of Learning and Development and our new Head of ESG for Operations to present to our suppliers, share the work we are doing across our ESG strategy, and explain how they can help us.



We also put an emphasis on engaging our colleagues through our Employee Forums, where we discussed sharing best practice on Health & Safety, energy efficiencies, and discussed our proposed reward and pay principles.

We have completed Good Energy Behaviour workshops at 11 of our sites, during which colleagues are helped to become more energy aware by learning about how and why we measure consumption, group and local consumption, the cost of energy usage, case studies from businesses who have optimised their energy usage, and details of usage trends in their operation. They are then invited to complete a site assessment before generating practical ideas about how to optimise energy usage in their roles and actions the business can take to support. These workshops will be followed up in 2024 to monitor the implementation of agreed actions.



## Policies and Process

A full review and refresh of policies, principles and processes have taken place in 2023, including our reward and pay principles, [headlam.com/media/myzld0jz/headlam-reward-pay-principles-jan-24-v2.pdf](https://headlam.com/media/myzld0jz/headlam-reward-pay-principles-jan-24-v2.pdf), the Inclusion and Respect at Work Policy, [headlam.com/media/yerfcvkl/inclusion-and-respect-at-work-policy-oct23.pdf](https://headlam.com/media/yerfcvkl/inclusion-and-respect-at-work-policy-oct23.pdf), our Environmental Policy, [headlam.com/media/gb0n4ma4/environmental-policy-dec-23.pdf](https://headlam.com/media/gb0n4ma4/environmental-policy-dec-23.pdf) and our Grievance policy, [headlam.com/media/5zoku1qe/grievance-policy.pdf](https://headlam.com/media/5zoku1qe/grievance-policy.pdf), all of which are publicly available through our Headlam Group Corporate website alongside other workplace policies.

To ensure that we always keep ESG front of mind, we have added a section to our business case request documentation to enable leaders to think through the impacts their project or initiative have on our sustainability strategy.

## IT System

Further work has taken place in 2023 to enhance our IT systems security processes and training to maintain resilient and scalable IT systems. In line with National Cyber Security Centre (NCSC) Guidelines, we strengthened our password setting processes, VPN user access and email access. We have also delivered, approximately, 150 hours of Security Training to our colleagues on 12 separate topics.

## Business Integrity and Robust Controls

In 2023, we have continued to test our processes and practices against external standards. This has included the aforementioned assessment against ISO14001, ISO45001, SEDEX audit framework, and FORS certification. Our CDP scores for climate change improved from a D to a C (disclosure awareness) in 2023. We use a network of external advisors and consultants to test our thinking and help us to develop clear, measurable, specific and scalable targets for improvement, and, this year, have benchmarked our progress to date with a third party. This, as well as our ESG agency ratings, have suggested that we are continuing to improve our ESG strategy and delivery, remain low risk and are outperforming our sector benchmark.

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

The table below, and continuing on pages 17 to 21 details the Group's responses consistent with the TCFD recommendations and pillars, with the exception of a Scope 3 emissions target, which will be introduced. The Group has progressed its disclosures which, for 2023, include quantitative scenario analysis.

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 the exception of a Scope 3 emissions target.

This TCFD disclosure forms part of the Group's overall Sustainability Report, and 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, 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. The Group's most material ESG issues are included in the Group's Risk Register. During 2023, 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 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 also operates an ESG Working Group, which meets monthly and is comprised of members of the Executive Team, senior managers and department heads, with representatives reporting to the Chief Executive on outputs. 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 5 of the Sustainability Report.</p>



Strategy and Risk Management	Disclosure																		
<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 the 2023 Annual Report and Accounts. Its preparation includes a qualitative 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). In 2023, a quantitative scenario analysis of climate-related risks was also performed, as described on pages 19 to 20. This process has allowed the Group to both identify climate-related risks and opportunities and determine their relative significance to the business.</p>																		
<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, 2024–2026), medium term (2027–2035) 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"> <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																	
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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
<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 waste (carpets and underlay)	The EPR (bulky waste) consultation is assumed to happen over the next three years resulting in the legislation coming into effect in 2027, which essentially introduces an extra tax on the sale of carpets and underlay 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 industry best estimates, which are uncertain due to the timing of the consultation. The scenario modelling assumes that none of these costs are passed on to customers; this is considered very prudent given the pass-through to customers of product cost inflation observed during 2022. It is also assumed that all products would be captured by the regulations, i.e. there is no sustainability threshold.
<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	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 over 300 HGVs. It currently appears that hydrogen may be the solution for HGVs rather than electric, but this will continue to be monitored closely. There are also challenges installing the required infrastructure once the best alternative is developed. There is a high degree of uncertainty in the cost estimates for a zero emission HGV fleet. 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.
<b>Market:</b> Transitioning to more sustainable business and operating practices	<b>Opportunity:</b> Greater efficiency leading to lower operating costs as a direct result of solar panel installation	Cost savings are assumed to continue in line with the business case, offset by the annual depreciation charge. The solar panels are assumed to have a useful economic life of 25 years in line with manufacturer guidance.
<b>Market:</b> Changing consumer preferences	<b>Risk:</b> 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.
<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	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 and so it is assumed that one main distribution centre is affected. The scenario modelling assumes that the event will cause disruption for 20 days whereby no gross margin is generated, but overheads continue, before continuity plans allow trade to return to normal levels. The event is assumed to destroy 20% of inventory in the distribution centre. Modelling assumes that property damage and business interruption insurance cover in place offsets the loss above the excess level, but that this triggers a 10% increase in the future insurance premiums.
<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	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 before mitigating actions £M

Short Term (2024–2026)    Medium Term (2027–2035)    Long Term (2036–2050)    Strategic response and resilience

—	(6.4)	(6.4)	<p>Collaborate with suppliers on new sustainable product launches. Market preferences and the Group's product offering likely to become more weighted towards sustainable products as they become available, which could help limit the EPR cost to the Group, subject to a sustainability threshold in any potential legislation.</p> <p>Design and deliver take-back schemes to maximise recycling opportunities and increasingly avoid materials entering into the waste stream with a view to making them exempt from EPR.</p> <p>It is likely that all, or significantly all, of any residual additional costs could be indirectly passed on to customers, reducing the potential financial impact to an immaterial amount.</p>
—	—	—	<p>Implementation of dynamic planning and telematics will increase transport efficiency.</p> <p>Ongoing trials of electric commercial vehicles.</p>
0.7	0.7	0.7	<p>The planned solar panel installation is almost complete and is already generating cost savings.</p>
(0.5)	(2.6)	(2.6)	<p>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.</p>
—	—	(0.4)	<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, typically, maintained at any one time providing strong availability.</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 EPR and reduced demand for current product offering could have the most significant impact on the Group's profits in the transition scenario, albeit skewed towards the medium and long term. EPR would only have a significant impact if such costs were not passed on to customers, which is considered unlikely. However, 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 asset damage from an extreme weather event could have the most significant impact on the Group's profits, likely to be in the longer term.</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
<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 and 2 emissions (year on year)</li> <li>• Achieving reduction pathway required for Scope 1 and 2 emissions to achieve interim target</li> <li>• Number of sustainable own brand product launches</li> <li>• ESG-related capital investment</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>• 100% of non-commercial fleet electric/low emission by 2025</li> <li>• Interim emissions target (Scope 1 and 2)</li> <li>• Net Zero emissions target (Scope 1 and 2)</li> </ul> <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 from 2023.</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 page 8 of the Sustainability Report, giving comparative years where available.</p>
<p><b>Targets used by the organisation to manage climate-related risks and opportunities and performance against targets</b></p>	<p>The targets introduced by the Group to date are detailed above, with further targets to be introduced in subsequent Sustainability Reports. In 2022, the Group introduced a Net Zero emissions target (Scope 1 and 2). The Group also has an interim target of a 46% reduction against 2019 (Scope 1 and 2) by 2030. The interim target will be submitted for SBTi validation in H1 2024. The Group anticipates introducing Scope 3 targets in 2025, subject to SBTi validation timescales, with an aim to reach Net Zero (Scope 1, 2 and 3) by 2050 at the very latest.</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 2023 and 2022. 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.

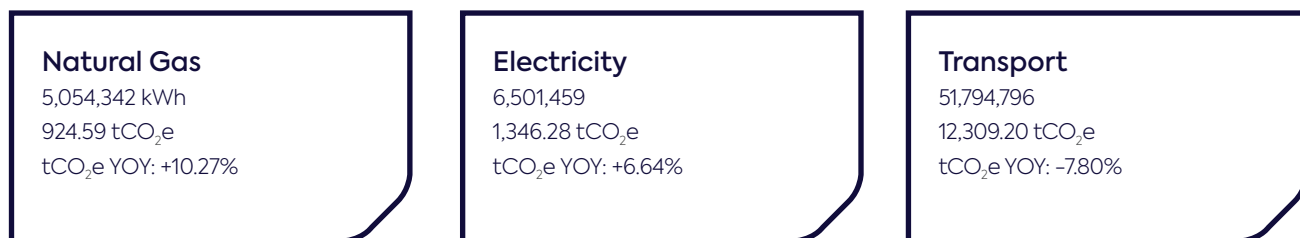
Definitions of the Scopes used in this disclosure:

- 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.

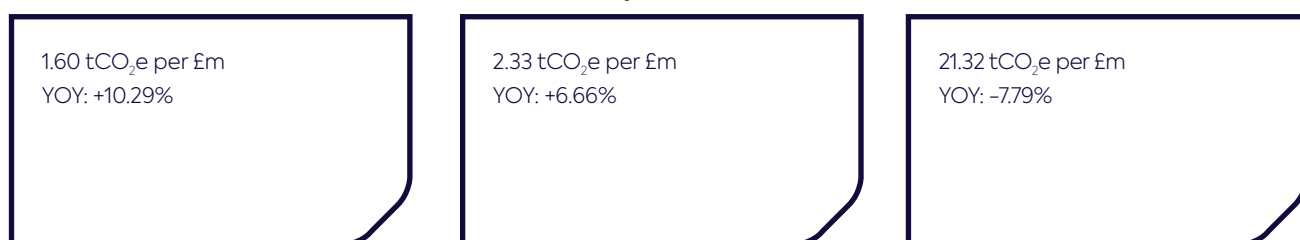
## UK Overview



### 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 (tCO<sub>2</sub>e) Totals

The following figures show the consumption and associated emissions for this reporting year for our operations, with figures from the previous reporting period included for comparison.

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 Totals

The total consumption (kWh) figures for reportable UK-based energy supplies are as follows:

Utility and Scope	2023 Consumption kWh	2022 Consumption kWh
Grid-Supplied Electricity (Scope 2)	6,501,459	6,528,411
Gaseous and other fuels (Scope 1)	5,054,342	4,593,411
Transportation (Scope 1)	50,755,600	54,729,552
Transportation (Scope 2) <sup>1</sup>	886,117	679,880
Transportation (Scope 3)	153,078	255,328
<b>Total</b>	<b>63,350,597</b>	<b>66,786,582</b>

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

Utility and Scope	2023 Consumption tCO <sub>2</sub> e	2022 Consumption tCO <sub>2</sub> e
Grid-Supplied Electricity (Scope 2)	1,346.28	1,262.46
Gaseous and other fuels (Scope 1)	924.59	838.48
Transportation (Scope 1)	12,066.80	13,160.80
Transportation (Scope 2) <sup>1</sup>	207.98	131.48
Transportation (Scope 3)	34.43	58.89
<b>Total</b>	<b>14,580.07</b>	<b>15,452.12</b>

### 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	2023 Intensity Metric	2022 Intensity Metric
tCO <sub>2</sub> e/£m UK Revenue	25.25	26.76

<sup>1</sup> Transportation methodological improvements have been backdated to 2022 and the 2022 transport figures have been restated for better YoY comparisons.



## 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	2023 Consumption kWh	2023 Consumption tCO <sub>2</sub> e
Grid-Supplied Electricity (Scope 2)	418,532	18.86
Gaseous and other fuels (Scope 1)	615,584	112.61
Transportation (Scope 1)	1,311,283	294.91
<b>Total</b>	<b>2,345,399</b>	<b>426.39</b>

### Netherlands Totals

Utility and Scope	2023 Consumption kWh	2023 Consumption tCO <sub>2</sub> e
Grid-Supplied Electricity (Scope 2)	272,745	68.67
Gaseous and other fuels (Scope 1)	257,297	47.38
Transportation (Scope 1)	2,298,046	537.18
<b>Total</b>	<b>2,828,088</b>	<b>653.23</b>

### UK and European Totals

Utility and Scope	2023 Consumption kWh	2023 Consumption tCO <sub>2</sub> e
Grid-Supplied Electricity (Scope 2)	7,192,736	1,433.82
Gaseous and other fuels (Scope 1)	5,927,223	1,084.57
Transportation (Scope 1)	54,364,929	12,898.89
Transportation (Scope 2) <sup>1</sup>	886,117	207.98
Transportation (Scope 3)	153,078	34.43
<b>Total</b>	<b>68,524,083</b>	<b>15,659.69</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	2022 Intensity Metric
tCO <sub>2</sub> e / £m Group Revenue	23.85

<sup>1</sup> Transportation methodological improvements have been backdated to 2022 and the 2022 transport figures have been restated for better year on year comparisons.

# STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

CONTINUED

## Energy efficiency actions

The main energy efficiency and decarbonisation actions that the Company is currently pursuing are detailed on page 5.

## Reporting methodology

Scope 1, 2 and 3 consumption and CO<sub>2</sub>e emissions data have been calculated in line with the 2019 UK Government environmental reporting guidance. Emissions Factor Database 2023 has been used, utilising the published kWh gross calorific value (CV) and kgCO<sub>2</sub>e emissions factors relevant for reporting period 01/01/2023 – 31/12/2023.

Estimations were undertaken to cover missing billing periods for properties directly invoiced to Headlam Group PLC.

These were calculated on a kWh/day pro-rata basis at the meter level.

- For properties where Headlam Group PLC is indirectly responsible for utilities (i.e. via a landlord or service charge) or no data is available for the meter, the median consumption for properties, with similar operations was calculated at meter level and applied to the properties with no available data.

These full-year estimations were applied to 8 electricity supplies and 5 gas supplies. All estimations equated to 4.54% of reported consumption.

Market-based carbon emissions were calculated using supplier-specific emissions factors where possible and residual grid factors where this was not possible, such as in the European divisions.

Scope 2 transport figures for 2022 were restated to align with the updated methodology used in 2023. This improved the accounting of the kWh consumption and associated emissions of PHEVs. This changed the UK scope 2 transport emissions figures from 3.01 tCO<sub>2</sub>e to 131.48 tCO<sub>2</sub>e.

Intensity metrics have been calculated using total tCO<sub>2</sub>e figures and the selected performance indicator agreed with Headlam Group PLC for the relevant reporting period:

Total Group Revenue (£m)	£656.5m
Total UK Revenue (£m)	£577.3m
Total Continental Europe Revenue (£m)	£79.2m

## CONTACT DETAILS

For any questions or feedback in relation to this Sustainability Report, please email: [headlamgroup@headlam.com](mailto:headlamgroup@headlam.com)



Visit us online at [www.headlam.com](http://www.headlam.com)

## HEADLAM: ABOUT US

### The UK's leading floor covering distributor

#### Our Purpose

Creating great places for our communities to live, work and play

#### Our Vision

The leading, most trusted experts in flooring

#### Our Values

Every business in the Headlam group brings its own skills and expertise, built on a proud history of serving its customers. The 'Headlam Way' is an expression of the shared values that bring us together. It's why people choose to work with us.



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**

#### Our Culture

Colleagues are at the heart of our business, and are our greatest asset. There are over 2,300 colleagues at Headlam within a variety of departments, including warehousing, transport, sales, and administration. We continue to focus on making Headlam a great place to work, and ensure colleagues share in the Group's long-term success.





headlam

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