

# BRINGING THE BEAUTIFUL INTO PEOPLE'S HOMES AND LIVES



# LIVE BEAUTIFUL

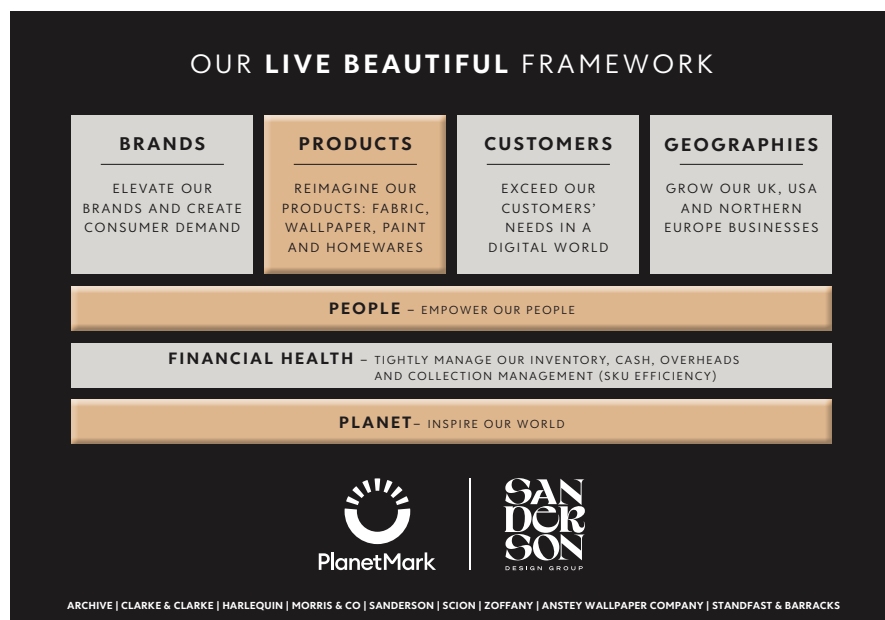
# THE JOURNEY OF SUSTAINABILITY

Our sustainability strategy, Live Beautiful, was formally launched in April 2021 with the clear vision "to lead the interiors industry in transforming the way we design, manufacture and distribute, enriching people's lives to live beautiful". To Live Beautiful means preserving our heritage and craftsmanship for future generations to enjoy. It means to live well with respect, care and compassion for our world and everyone who lives in it.

The launch of the strategy followed more than two years of working with Planet Mark, the sustainability certification organisation. We were pleased to receive our Planet Mark Year 4 certification earlier this year, for the financial year ended 31 January 2022, which marked the fourth financial year that the sustainability of our business has been measured by Planet Mark.

In launching Live Beautiful, we set out two ambitious targets: to be net carbon ZeroBy30 and to be the employer of choice in our industry. Beneath these big targets are multiple initiatives and workstreams, many of which have started during the past year.

We are very pleased by the progress to date across the three pillars of our sustainability strategy – Product, People and Planet. These 3Ps form an integral part of our overall business strategy as highlighted in the graphic below:



For the rest of the pillars – Brands, Customers, Geographies and Financial Health, they form a crucial part of our long-term strategies as envisaged in the Chief Executive Officer's Strategy and Operating Review and Chief Financial Officer's Review.

# 0/30

**ZeroBy30**

We are committed to being net carbon ZeroBy30.

# #1

**The employer of choice**

We are committed to being a great and happy place to work.

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# A SUSTAINABLE GROWTH STRATEGY

By reducing our carbon footprint, we are addressing nine of the United Nations' Sustainable Development Goals.



## Products

In this pillar of our sustainability strategy, we are re-examining and reimagining the entire life cycle of our products, from the sourcing of raw materials through how products are manufactured on to the process of sales and distribution. The overriding objective is to minimise environmental impact, which will in turn protect and preserve the heritage of our brands and the legacy of craftsmanship in our design and manufacturing.

Reimagining our products and processes to become more sustainable and meet our carbon reduction targets has resulted in a broad range of initiatives, which range from printing substrate through production processes to packaging.

Packaging has been a particular focus and we have made significant progress in our programme to replace the use of plastic by using innovative recyclable materials and paper-based products.

A sustainable, biodegradable plastic alternative based on sugar cane is now used for the packaging of fabrics. Our Clarke & Clarke brand now uses re-useable fabric tote bags instead of plastic to package all of its bedding and ready-made products. Paper tape instead of polypropylene is being used for the packing of wallpaper orders, which are shipped in cardboard, and pattern books are now packed in cardboard rather than plastic. Plastic air pockets have also been replaced by recycled alternatives.

The packaging programme is ongoing but is expected to be largely completed this year.

The majority of our 100% cotton base fabrics, along with our cotton velvet and some cotton linen blends, are sourced through Better Cotton Initiative contracts, which brings traceability to the supply chain to ensure sustainability. Our Clarke & Clarke brand launched its first Eco Sustainable Weaves range last year, which uses a fabric made entirely from recycled plastic bottles. A further two collections are planned to be launched by Clarke & Clarke this year using the same fabric, which uses approximately 90 plastic bottles per metre of fabric.

Initiatives at the factories include the development of production processes that are more environmentally friendly. Standfast & Barracks has developed the Ecofast™ pigment-based printing system, which significantly reduces water use.

Changes to the marketing of our products by using digital channels have brought benefits in terms of sustainability. We now launch all new collections digitally first, with customer feedback determining which designs and colourways to include in printed pattern books. This avoids waste as the pattern books now only include products that will sell.

Across the Group, in our offices as well as the factories, huge progress has been made on recycling and re-use. Where possible, reusable product is passed on to charities and schools in our local communities.

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# PEOPLE AND PARTNERSHIPS

## People

Our goal is to be the employer of choice in our industry, which will be achieved through creating a culture of empowerment in a commercially successful company. We will embrace diversity, inclusivity and opportunity underpinned by a strong focus on health, safety and wellbeing.

People are at the centre of our business and the health, safety and wellbeing of all our colleagues continues to be our primary concern, particularly in light of Covid-19. Throughout the year we have continued to change the way we work to provide a secure environment at all our sites. This has included regular Covid-19 testing along with face masks, social distancing and visitor controls.

Our overall focus is to maintain and build on the Health and Safety culture throughout all our operations. We have established Mental Health First Aiders at all our sites, increased our Institution of Occupational Safety and Health ('IOSH') training and, through the use of external independent audits, improved health and safety at all our sites.

We continue to look at how we can improve our performance. Our near miss, or positive observation, policy continues to be strengthened, we are establishing what we need to do to achieve ISO45001 certification and we continue to focus on manual handling across all our sites.

Whilst a high standard of health, safety and wellbeing should be a prerequisite in all businesses, our ambition is to be the employer of choice in our industry, leading our industry's employment practices.

Employee engagement surveys are a key tool in improving and progressing workplaces. In May 2021, we had very encouraging results from our latest survey with employee satisfaction increasing from 58% in 2019 to 78% in 2021. Great progress has been made compared with our 2019 results, including improved communication and a clear strategic framework. Our next survey will be in 2023 and we will be aiming for an even higher level of employee engagement.

We are creating a culture of empowerment, which embraces diversity, inclusivity and sustainability. We have improved the company benefits for all staff, such as a 24-hour online GP service and a health hub, and now offer birthday leave and awards for long service. Our focus on talent development includes the Sanderson Futures Team.

Local community groups have been introduced across the brands and at the manufacturing sites in a network that provides a forum for everyone to focus on the core pillars of our Live Beautiful strategy: Product, People and Planet. Every employee across the Group has a personal objective focused on sustainability.

The community groups have participated in various charitable fundraising events throughout the year, including events organised by The Furniture Makers' Company and QUEST, the Queen Elizabeth Sponsorship Trust, along with supporting local charities.



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# COMBATTING CLIMATE CHANGE

## Planet

We have been working closely with Planet Mark, and its ZeroBy30 programme, to enable us to become net carbon ZeroBy30, an ambitious target and one of the flagship commitments in our sustainability strategy. We now have a roadmap on how to achieve this target, which will see us move to carbon neutral manufacturing processes.

The programme requires organisations to commit to a rigorous and transparent definition of net zero carbon, which is aligned to the net zero requirements set out by the UN Race to Zero and Science Based Targets Initiative ('SBTI'):

- Direct greenhouse gas emissions from owned or controlled resources and electricity (Scope 1 & 2) emissions have a target of zero.
- Indirect emissions (Scope 3) must be reduced by at least 50% by 2030 against the baseline year and must continue to be reduced after 2030 by at least 90% against the baseline by 2050.
- Residual carbon remaining at the net zero target date must be balanced by carbon removal schemes (note that these differ from carbon offsets, which avoid or mitigate carbon).

The carbon reduction forecast/target trajectory each year to FY2031 has been modelled and provides annual targets for each element of the roadmap, together with the estimated financial impact where applicable. The financial forecast is a 'worst case scenario' based on current pricing and technology. Costs, especially capital investments, may reduce as the marketplace evolves and technology matures. Impact of business growth has been factored into the carbon forecast for Supply Chain and Distribution to customers, where a direct impact on carbon is anticipated.

We look forward to updating shareholders on progress in due course.

## SECR METHODOLOGY

We have reported our GHG emissions and energy consumption in accordance with the Companies and Limited Liability Partnership Regulations. To calculate our emissions, we have followed the GHG Protocol Corporate Accounting and Reporting Standard and the emissions factors used were from BEIS conversion factors 2021.

**Our Scope 1** emissions were calculated through monthly meter readings and invoice data for stationary emissions and mileage data for mobile emissions. Company vehicle emissions are based on the size, fuel type and annual mileage of each company car during the year.

**Our Scope 2** emissions were calculated through monthly meter readings and invoice data, showing market-based emission factors to reflect the change in electricity supply to 100% renewable sourced. We have also calculated our intensity metric both as location and market based.

**Our Scope 3** emissions data is business travel in private cars, calculated from refunded business mileage, and emissions from UK Electricity Transmission and Distribution. An average CV and CO<sub>2</sub>e factor has been applied to the refunded business mileage as individual private vehicle details have not been provided.

## GREENHOUSE GAS EMISSION AND ENERGY CONSUMPTION REPORTING

The Group has reported on greenhouse gas emissions in line with the UK Government's Environmental Reporting Guidelines, including Streamlined Energy and Carbon Reporting ('SECR') guidance.

The Group's UK energy usage is expressed as an annual quantity of emissions in tonnes of carbon dioxide equivalent ('CO<sub>2</sub>e'). The amounts disclosed under SECR relate to the total UK energy use from electricity, gas and from transport where fuel is purchased directly by the Company.

The table below shows the energy and GHG emissions from business activities involving the combustion of gas and fuels, the purchase of electricity, and business mileage.

As emissions in FY2021 were affected by the closure of our manufacturing sites due to Covid-19, we have included the comparator for FY2020.

Tonnes CO <sub>2</sub> e Greenhouse Gas Emissions		FY2022	FY2021	FY2020
Scope 1		<b>5,749.7</b>	4,854.5	5,976.2
Scope 2	Location based	<b>1,555.9</b>	1,373.1	1,802.5
	Market based	<b>18.8</b>		
Scope 3		<b>147.3</b>	131.8	198.6
Total Greenhouse Gas Emissions	Location based	<b>7,452.9</b>	6,359.3	7,977.8
	Market based	<b>5,915.8</b>	6,359.3	7,977.8
Carbon intensity (per £1m Revenue)	Location based	<b>66.4</b>	67.8	71.6
	Market based	<b>52.7</b>		
Total Energy Use kWh		<b>38,545,715</b>	32,124,696	39,161,466

We have selected a carbon intensity metric based on the energy consumption per tonnes of CO<sub>2</sub>e per £1m of revenue. We will use this ratio to monitor our energy efficiency performance over time.

### Energy efficiency actions taken

Continuation of reduced business travel with more use of online meetings and elimination of petrol and diesel powered fleet vehicle options as vehicle leases expire.

Continuation of the programme of rolling upgrades to LED lighting across all sites and heat-loss and insulation programmes at the manufacturing locations. The main focus of the year was working with Planet Mark to measure and plan our ZeroBy30 roadmap.

Our total energy use, greenhouse gas emissions and intensity ratio calculations have been independently calculated by Planet Mark using activity data collected by us.

