



 MACFARLANE
GROUP

Sustainability Report 2024

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How to use this report

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All internal and external links are live and shown with an underline. These will connect you with the information when clicked.

For more information about Macfarlane Group visit [macfarlanegroup.com](https://www.macfarlanegroup.com)



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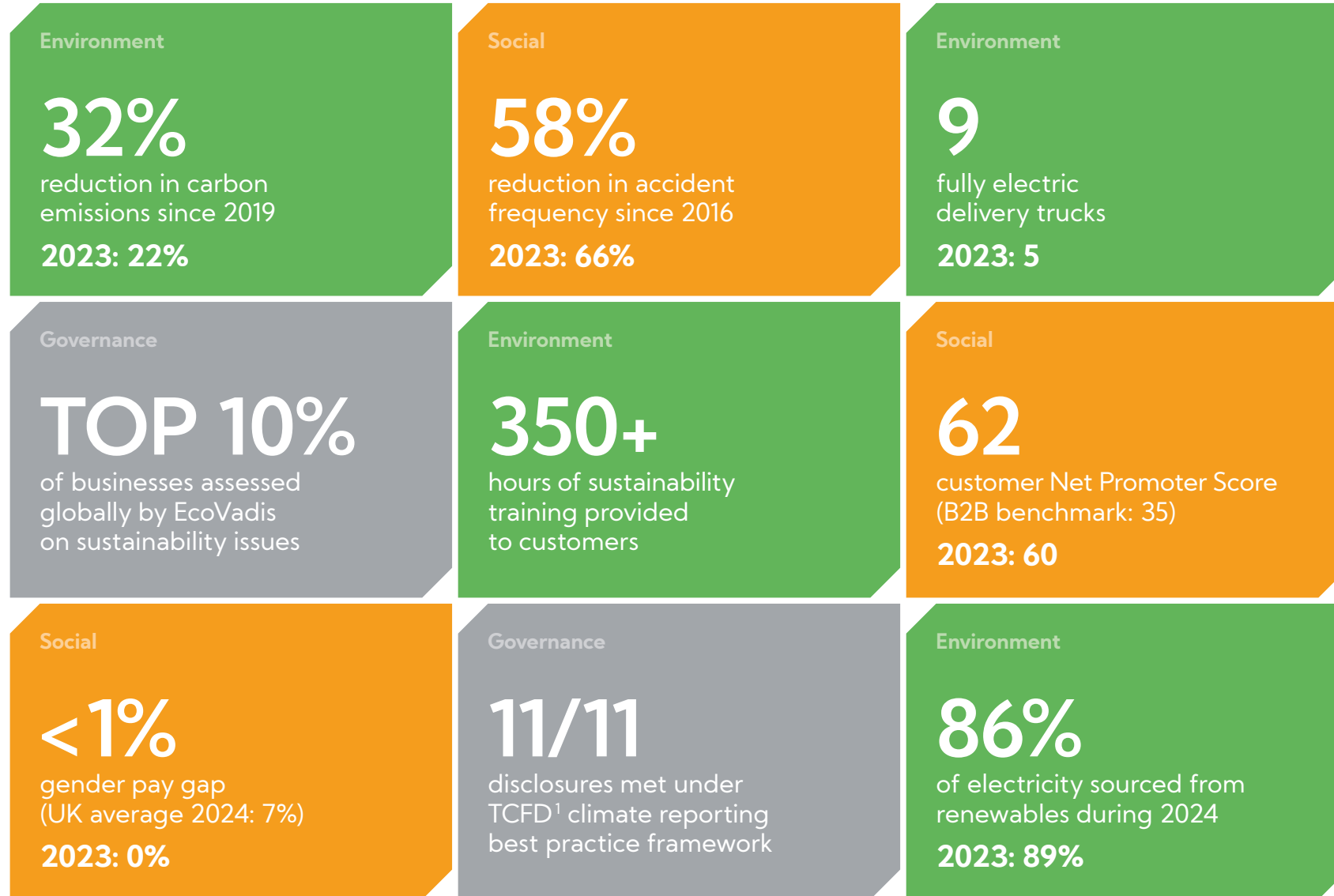
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Overview



Our performance at a glance



Sustainability is core to our business with our innovative products and solutions designed to add value while also reducing environmental impact.

Overview

Environment

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¹ Task Force on Climate-related Financial Disclosures.

Vision and strategy

Macfarlane Group and sustainability

Since its establishment more than 75 years ago, Macfarlane Group has always believed in doing business the right way. Whilst a lot has changed during that time, the foundations of how we operate have remained the same. Consistently supporting our stakeholders, striving to do the right thing and acting with integrity continue to define who we are and how we operate.

Sustainability is core to our business with our innovative products and solutions designed to add value while reducing environmental impact. As a designer, manufacturer and distributor of protective packaging we are extremely well placed to support our customers in delivering against their own sustainability goals; providing expert advice that they can trust and solutions that work.

We are changing processes, changing materials and changing minds to help businesses to plan for a better future.

Our sustainability strategy

Our sustainability strategy is based around six key pillars and sets out our priorities across the key environmental, social and governance ('ESG') issues that are of most relevance to the Group.



Our business model

Our purpose

Ensuring our customers' products are effectively and sustainably protected in storage and transport.

What we do

We design, manufacture and distribute protective packaging across a diverse range of sectors, throughout the UK and Europe.



How we do it

- Adapting our flexible geographic footprint to stay close to our customers
- Adopting a 'stock and serve' approach
- > 1,000 suppliers of protective packaging
- Effective in-house specialist manufacturing supply



Commitment to sustainability



Peter Atkinson



David Patton

We are pleased to have continued to make good progress against our sustainability strategy. During the year we accelerated our transition away from fossil fuels, scaled up our engagement with customers on sustainability issues and continued our investment in our most important asset, our people.

Across the Macfarlane Group we recognise the importance of taking action to reduce the environmental impact of our business but also ensuring we are well equipped to support our customers as they strive to achieve their own sustainability goals. It has been pleasing therefore to see a strong upward trend in customers utilising our packaging Innovation Labs and other resources, to evaluate and take action on the environmental impact of their packaging.

During the year, we have also taken important steps to further understand the environmental impact across our whole value chain, including mapping our Scope 3 carbon emissions. We will use these results to inform our next steps and in particular target our engagement with suppliers on key sustainability challenges.

We continue to see a commitment from the Government to reduce excessive packaging use and remove materials that cannot be recycled at scale. As a progressive business, we believe that we have a key role to play, providing our customers with expertise and solutions that support them through this transition, enabling them to unlock real environmental benefits now.

There remain many uncertainties and challenges on the road to net zero carbon emissions and a more sustainable economy, many of which remain outside the control of any individual business. However, there are also clear opportunities to make further progress across this agenda and pursue growth whilst also minimising environmental impact.

We will endeavour to do this, as we always have, by continuing to take demonstrable action, listening carefully to our stakeholders, being transparent about the challenges and holding ourselves accountable to the highest standards of governance and best practice across our sector.

Peter D. Atkinson
Chief Executive

David Patton
Head of Sustainability



Headline progress summary against our six strategic pillars

Environment

| Strategic pillar | Strategic goal | Headline progress | |
|---------------------------------|---|--|----------------|
| 1. Reducing our impact | Transforming our operations to minimise their environmental impact | <ul style="list-style-type: none"> 32% reduction in absolute carbon emissions 9 electric trucks now operational within the delivery fleet Solar panels installed at our GWP manufacturing site 42% of company car fleet is now fully electric | See page 11 |
| 2. Supporting our customers | Enabling our customers to deliver against their sustainability goals | <ul style="list-style-type: none"> Ran 19 sustainability workshops improving customer awareness around key environmental issues Scaled up support to help customers prepare for new environmental regulations Tailored specialist support provided to over 250 customers through our Innovation Labs Improved our customer Net Promoter Score to 62 (2023: 60) | See page 16 |
| 3. Partnering with suppliers | Collaborating with our suppliers to reduce environmental impact across our industry | <ul style="list-style-type: none"> Completed our Scope 3 mapping to calculate the carbon emissions across our value chain Commenced engagement with suppliers to track carbon reductions Completed full risk assessment of our supply chain and scaled up supplier assurance activities 97% of product procurement now considered to be with low risk or fully compliant suppliers 89% sites fully Forest Stewardship Council ('FSC') certified | See page 19 |

Social

| Strategic pillar | Strategic goal | Headline progress | |
|----------------------------------|---|--|----------------|
| 4. Caring for our colleagues | Creating a supportive, inclusive and high-performance culture | <ul style="list-style-type: none"> Invested in our colleagues through the establishment of our World Class Sales training programme Increased our safety observations by over 100% since 2021 Launched our new Diversity Equity and Inclusion Policy and improved our recruitment resources to embrace diversity Took action to address our colleagues' priorities, improving our induction process, core training and employee benefits | See page 23 |
| 5. Investing in the community | Investing in our local communities and supporting our colleagues to do the same | <ul style="list-style-type: none"> Over 412 volunteering hours provided to a wide range of local community initiatives Expanded our network of Community Champions to support local initiatives Launched our 'Macfarlane match' programme, providing a corporate matching of all staff fundraising efforts | See page 26 |

Governance

| Strategic pillar | Strategic goal | Headline progress | |
|----------------------------------|---|--|----------------|
| 6. Doing things the right way | Led by our core values, embracing best practice and maintaining the highest standards of governance | <ul style="list-style-type: none"> Joined the UN Global Compact, committing to the UN's 10 principles for sustainable business Our EcoVadis rating places Macfarlane in the top 10% of businesses assessed globally on sustainability issues Awarded the London Stock Exchange's Green Economy Mark for listed businesses that contribute to the global green economy Received external accreditation for our work to proactively manage cyber risks | See page 29 |



External standards and global benchmarking

Alignment to leading external standards

Across Macfarlane Group we are committed to being held accountable against the leading global standards on sustainability, providing our stakeholders with assurance that we are continuing to make demonstrable progress.



EcoVadis is one of the world's most trusted sustainability ratings agencies, independently assessing over 130,000 businesses across 130 countries. Macfarlane achieved a score in the top 10% of all businesses following assessment in 2024.



CDP is a not-for-profit charity, whose purpose is to improve disclosure standards, driving companies to make meaningful and demonstrable progress. We are pleased to have improved our climate score to a B during the year, as a result of the measures taken to manage our environmental impact. We also undertook inaugural disclosures under water and forestry themes.



The Green Economy Mark is awarded independently by the London Stock Exchange to businesses contributing to the global green economy. Macfarlane Group is one of only 108 equity issuers that were awarded the Mark in 2024, representing 3% of the London Stock Exchange's total equity market capitalisation.



The Sustainable Development Goals adopted by the United Nations set out the global blueprint for a more sustainable future. They consist of 17 overarching goals that seek to address the primary sustainability challenges facing the world today, encompassing inequality, poverty and climate change. Macfarlane have set out how we believe we can support the delivery of these goals on [page 9](#).

We are committed to being held accountable against the leading global standards on sustainability.



External standards and global benchmarking (continued)

Alignment to Sustainable Development Goals

The Sustainable Development Goals ('SDGs') consist of 17 overarching Goals which set out the global blueprint for sustainable development. While no individual company or state can deliver on these goals by themselves, all organisations have a role that they can play to support progress. Here we have set out the SDGs where we believe we can play a role and explained how they link to our strategy.



Focus
Taking urgent and transformative action to combat climate change and its impacts.

Why it is important to Macfarlane?
As a responsible business we believe we have an obligation to take action on climate change and help drive the transformation that is required. That is why we are investing in fully electric trucks, renewable energy and efficiency measures and why we will seek to go further, working with our customers and suppliers to reduce their carbon footprints.



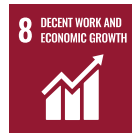
Focus
Ensuring more sustainable consumption and production patterns that respect the boundaries of the natural world.

Why it is important to Macfarlane?
Sustainability is already deeply embedded within our business as we deploy our resources and expertise to help our customers use less resources within their packaging operations. Our knowledge of the market, best practice techniques and operational excellence allow us to offer expert and independent advice to our customers to support them in achieving their sustainability objectives.



Focus
Reducing inequalities within and among countries.

Why it is important to Macfarlane?
Across the Group we value diversity and are committed to being an equal opportunities employer of choice. We provide quality employment across the UK and in Europe. We have developed a progressive business culture that values and respects all individuals. We believe this is an intrinsic part of creating a great place to work.



Focus
Promoting sustained, inclusive and sustainable economic growth, productive employment and decent work for all.

Why it is important to Macfarlane?
We employ over 1,000 people, serve over 20,000 customers and work with more than 1,000 suppliers, many of whom are small and medium sized enterprises. We have strong growth ambitions and remain focused on growing in the right way, by: reducing our environmental impact, investing in innovation and new technology and being an employer of choice for our colleagues.



Focus
Achieving gender equality and empowering all women and girls.

Why it is important to Macfarlane?
As a business we recognise that gender inequality is still prevalent across society and are committed to providing better opportunities for females, at all levels. Through a series of progressive measures, we are pleased to have women representing 1/3 of senior leaders in our business and to have made good progress on gender pay gaps.



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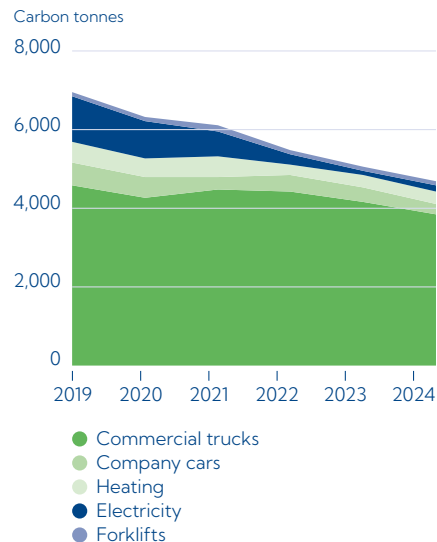


1. Reducing our impact



Transforming our operations to minimise their environmental impact

Macfarlane Group carbon emissions since baseline





We are focused on three key areas to reduce the Group's impact on the environment, namely:

1. transitioning our delivery fleet away from fossil fuels;
2. moving our energy supply to renewable sources; and
3. striving to implement more efficient practices across our operations.

We are pleased to have made strong progress in reducing our absolute carbon emissions by 32% over the last five years. This reduction has primarily been driven by investment in renewables, more efficient management of our delivery fleet and transitioning to alternative fuels.

Progress summary

| | Headline target | 2024 update | Rating | |
|--|---|---|----------|---|
| Scope 1 and 2 carbon emissions intensity relative to revenue  | 50% reduction in Group carbon intensity by 2030 (originally 30%). | We have increased our target to a 50% carbon intensity reduction by 2030 and are on track with a 44% reduction achieved at the end of 2024. | On track |  |

This reduction has been achieved alongside business growth during the same period, meaning our carbon intensity relative to revenue has improved by 44%. This means we have surpassed our initial carbon intensity improvement target of 30% by 2030. We have therefore decided to increase this target to 50%.

| CO ₂ per annum market based | 2024 | 2023 | 2019 (baseline) ¹ |
|--|-------|-------|------------------------------|
| Packaging Distribution | 3,786 | 4,210 | 5,234 |
| Manufacturing Operations | 917 | 873 | 1,722 |
| Overall | 4,703 | 5,083 | 6,956 ¹ |

| Carbon reporting (market based) | 2024 | 2023 | 2019 (baseline) | Movement since baseline |
|--|-------|-------|--------------------|-------------------------|
| Absolute carbon emissions (Scope 1 and 2) (tCO ₂ e) | 4,703 | 5,083 | 6,956 ¹ | -32% |
| Carbon intensity (carbon tonnes over £m revenue) | 17 | 18 | 31 | -44% |

¹ 2019 baseline emissions and associated intensity have been restated to adjust for additional data that was identified during the year. Previously reported baseline emissions were 6,503 tonnes and intensity was 29 tonnes per £m.

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1. Reducing our impact (continued)

Greenhouse Gas Reporting 2024

Absolute Emissions were reduced for the fifth year in succession through to the end of 2024. This has been supported by further electric transition, solar panel deployment, transitioning to renewable power and ongoing efficiency measures. Lower business volumes during 2024 have also contributed to less underlying demand for fuel.

The Group has delivered an absolute carbon reduction within its distribution division, since baseline and over recent years. While manufacturing carbon emissions have reduced since baseline, they have increased slightly from 2023 due to the acquisition during 2024 of Polyformes, which is an inherently more energy-intensive business.

Progress summary

| | Headline target | 2024 update | Rating | |
|---|---|---|---------|---|
| Scope 1 and 2 emission source: Commercial vehicles  | 50% of delivery fleet to be fully electric by 2030. | 9 fully electric vehicles are now operational in the delivery fleet, with 4 added during the year. This equates to 8% of our baseline delivery fleet. While we are confident we can grow this number significantly, achieving our initial 50% target will be challenging due to factors beyond our control, including the lack of a national charging infrastructure. | At risk |  |

Commercial vehicles

Our most material environmental impact is the carbon we produce through the fuel required for our national fleet of commercial vehicles. Progress here will be pivotal to further carbon reduction efforts. The chart below provides a breakdown of our internal carbon emissions for 2024 (Scope 1 and 2).

In 2024, commercial vehicles represented 82% of our carbon footprint. The Group made further progress on its journey to alternative fuels by adding a further four 18-tonne fully electric vehicles to the delivery fleet, taking the total number to nine.

To date, these vehicles have been performing well. However, significant uncertainty remains over the ultimate

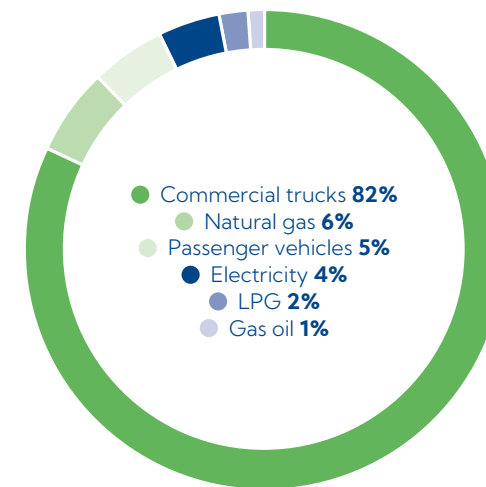
commercial and operating viability of fully electric vehicles due to their higher operating costs, limited driving range and limitations within the national charging infrastructure. These factors are largely outside our control, therefore achieving our aspirational 50% electric delivery fleet target by 2030 is likely to remain challenging.

We do however believe that we can continue to make substantial progress, working with external stakeholders to take advantage of the latest technology as it comes to market.

Improving the efficiency of our operations will remain a key component of our sustainability agenda. There are several elements that drive the efficiency of our logistics and we have made good progress over recent years in driving greater efficiency across the Group through a range of measures, including consolidation of sites, investment in industry-leading planning systems, timely adoption of more efficient vehicles and incentivising better driver performance. In 2025 the Group plans to upgrade its older commercial vehicles to newer models which are both lighter and more efficient and are therefore anticipated to deliver a significant carbon saving.

The Group has also made further progress in moving away from fossil fuelled (liquefied petroleum gas) forklifts to fully electric models, replacing these models at seven distribution sites during the year.

Macfarlane Group's 2024 internal carbon footprint



| | CO ₂ e tonnes | Percentage % |
|--------------------|--------------------------|--------------|
| Commercial trucks | 3,872 | 82% |
| Natural gas | 271 | 6% |
| Passenger vehicles | 248 | 5% |
| Electricity | 168 | 4% |
| LPG | 91 | 2% |
| Gas oil | 53 | 1% |
| Total | 4,703 | 100% |

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Continuing our commitment to carbon reduction

Across the Group we now have nine fully electric trucks operating across our sites. We have also scaled up our use of certified renewables and increased our ability to generate energy at our sites by continuing our investment in solar power.

During the year we welcomed a further four 18-tonne fully electric trucks to our commercial fleet. As well as running on clean energy the trucks have also enabled the business to become more efficient through the use of braking regeneration technology that has reduced the trucks' energy consumption by nearly a quarter.

We also invested £235,000 to install solar panels at our GWP manufacturing site in Crickdale. The panels are expected to reduce GWP's energy demand by 40% and save an estimated 1,750 tonnes of carbon over their lifespan.



40%
forecast reduction
in energy demand



We were delighted to welcome these new trucks to the fleet during the year which are helping us to reduce the environmental impact of our business, while maintaining the highest levels of customer service.

Tim Hylton, Logistics Director, Macfarlane Group



1. Reducing our impact (continued)

Company cars

We are continuing to transition our company cars to fully electric and have now converted 42% of our overall fleet. Despite the barrier of slowly developing infrastructure, we have encouraged participation through increasing the allowance we provide for these vehicles and worked with our leasing partners to provide greater flexibility to help the transition. We have also installed additional charging points during the year at our sites to make these a more viable option for colleagues. Despite a growing company car fleet, this has helped us deliver a 58% reduction in carbon emissions, from the company car fleet since our 2019 Baseline.





Renewables

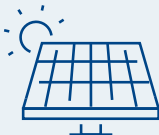


We have continued to build on our progress, installing additional solar panels at our GWP manufacturing site, near Swindon. This brings the total amount of solar generated by the Group at its operational sites to c.350,000 kWh during the year, the equivalent of 73 tonnes of carbon avoided, and reduces the Group's requirements to purchase electricity directly from the National Grid.

As at the end of December all sites under direct Group control were procuring certified renewable electricity. Acquisition sites with ongoing legacy contractual commitments and landlord-controlled sites made up the balance, meaning overall that 86% of Group electricity was sourced from renewables during the year. This is a small decrease from prior year (89%) as we acquired Polyformes into the Group during 2024 who had an existing contractual commitment in place.

We have delivered a 58% reduction in carbon emissions, from the company car fleet since our 2019 Baseline.

Progress summary

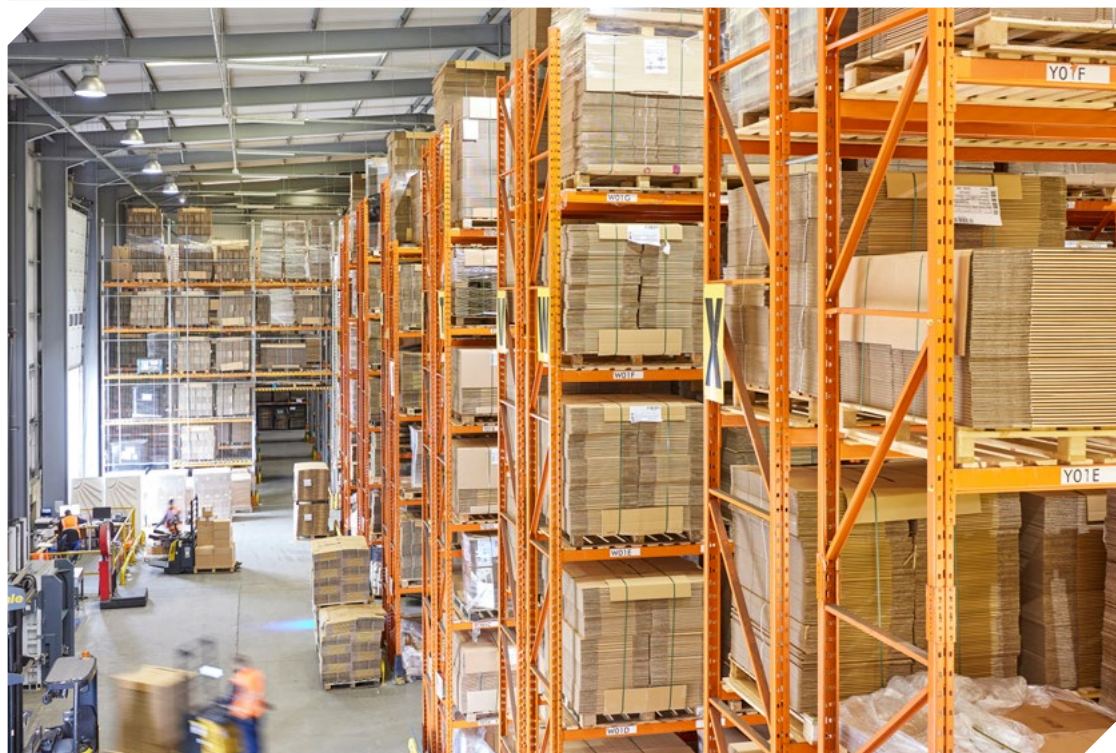
| | Headline target | 2024 update | Rating |
|---|--|---|--|
| Scope 1 and 2 emission source: Company cars  | 50% of company car fleet to be fully electric by 2026. | 42% of our company car fleet is now fully electric (2023: 32%). | On track  |

| | Headline target | 2024 update | Rating |
|---|--|--|--|
| Scope 1 and 2 emission source: Energy  | 100% of electricity we control ¹ to be sourced from renewables by 2025. | As of 31 December 2024, 100% of electricity directly controlled by the Group was procured through certified renewable contracts. | On track  |
| | Solar panels to be installed at one site per year to 2030. | Solar panels installed at our GWP manufacturing site in 2024, meaning we now have solar arrays at 5 Group sites. | On track  |

¹ Excludes sites where electricity is sourced by the landlord and sites recently acquired with legacy contracts. The acquired sites are brought under the Group certified renewable contracts as soon as practical post-acquisition.



1. Reducing our impact (continued)



Waste and use of natural resources

Waste management

The Group continues to minimise the environmental impact of waste across its operations. Well-established processes are in place to minimise and reuse materials where practical, e.g. with transit pallets. Where waste is unavoidable, materials are clearly segregated on-site to minimise any contamination and improve recyclability.

During 2024 around 75% of the Group’s waste materials were segregated for recycling purposes, 14% was used to create Biomass energy, with the balance (11%) used to create general energy from waste. The Group continues to avoid sending waste to landfill.

In addition to managing its own waste, the Group also operates a recycling division that collects waste on behalf of our customers. The Group offers this across a range of products including paper, card, flexible plastics and foam. During 2024 the division recycled 7,262 tonnes of packaging waste on behalf of our customers which was broadly in line with the previous year where 7,332 tonnes of waste was recycled.

Water and other natural resources

Given the nature of our business, the direct use of other natural resources is low across the Group. We recognise that climate change will continue to accelerate water stress, particularly in certain areas of the country. We have therefore undertaken water stress audits across our sites during 2024 and identified no high-risk sites.

It is only at the Group’s manufacturing sites that water is used in operations. At these sites, established processes are in place to minimise water requirements and overall usage remains relatively low. During 2024 the Group used 4,665m³ of fresh water within its manufacturing operations (2023: 4,475 m³), equating to a water intensity of 0.11m³ for every £1,000 of revenue (2023: 0.13 m³).

During the year we completed the upgrade of the office printers across the Group. This has provided the opportunity to implement smarter processes around our office printing. This has enabled the Group to reduce its annual prints, on a like-for-like basis, by 32%, removing the need for approximately 800,000 sheets of paper.



2. Supporting our customers



Enabling our customers to deliver against their sustainability goals

Supporting our customers to deliver on their own sustainability objectives continues to be a fundamental part of our sustainability strategy. We continue to build our expertise and resources to allow us to deliver an industry-leading customer service with sustainability at its heart.

Our two state-of-the-art Innovation Labs ('ILabs') remain popular with customers and have been busier than ever. During the year our dedicated innovation design team have worked on more than 360 packaging projects with our customers.

As part of our support, we consider all stages of the packaging lifecycle, from initial design and manufacture through to the end of the packaging's life. This enables our customers to identify the most sustainable packaging solutions for their specific requirements. A recent example of our support is included in the case study on [page 19](#).

As an independent provider of packaging solutions, we are not tied to specific suppliers or packaging materials. We therefore source the most sustainable solutions and provide customers with expert advice that they can trust on the different options available.

Progress summary

| | Headline target | 2024 update | Rating |
|--|---|--|-----------|
| Product environmental impacts | By 2025 at least 90% of products in Packaging Distribution will contain recycled content. | 85% of products across Packaging Distribution now contain recycled content (2023: 86%). Progress is restricted due to the quality and performance of some recycled content products currently available. | Some risk |
| | By 2025 at least 90% of products in Packaging Distribution will be recyclable. | 88% of Packaging Distribution products are now recyclable (2023: 88%). | On track |

Education and regulation

During 2024 we were delighted to host over 260 customers in our sustainability workshops. Here we provided training to improve awareness of key global sustainability challenges, how these relate to packaging and highlight areas for action and improvement.

In addition, we have continued to develop comprehensive guides and tools for our customers on the latest regulatory developments, like for example, Extended Producer Responsibility ('EPR'). See more at macfarlanepackaging.com/extended-producer-responsibility

We recognise the increasing regulatory requirements coming into force across the packaging industry and the impact these are likely to have on many of the Group's customers both within the UK and across Europe. Being able to comply with these regulations and mitigate new cost exposure is an area that we believe will only grow in importance to our customers and is why the Group has continued to invest to ensure we can provide the best possible support to our customers as they navigate this increasing complexity.

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Sharing sustainability and packaging insights with our customers



Improving understanding of key sustainability challenges and the impact of forthcoming regulation is increasingly important for businesses looking to make the right choice for their packaging.

During the year we have scaled up our support to customers on sustainability issues. We have organised a range of sustainability workshops and seminars to educate our customers on key sustainability challenges, what they mean for packaging and how we can support them to deliver against their objectives.

Using our expertise and experience of the packaging market we can support our customers to find the solution that is right for them – considering the total cost and environmental impact of packaging, across its lifecycle.



It was logically presented – outlining environmental and legislative challenges first and then drilling into the impacts and opportunities at a more detailed level.

E-com planner, Snowdonia Cheese Company



It was great to meet at the Innovation Lab in Heywood, the session was very informative. Well worth the visit and helped me to understand new packaging ways and ideas, as well as products available.

Warehouse Manager, Smither Oasis



260+
customers engaged at our sustainability events



2. Supporting our customers (continued)

Product and customer service

As the largest protective packaging distributor in the UK, and growing in mainland Europe, we benefit from our scale and experience when sourcing goods. We actively engage with the latest packaging innovations to provide our customers with the greatest possible choice of packaging options. During the year we launched a range of new products, including self-adhesive paper tapes, high performance stretch wrap and a new strapping range, all with increased recycled content.

We have also enhanced the skills of our sales teams through the launch of our internally developed World Class Sales ('WCS') programme, preparing our




colleagues to meet the growing expectations of our customers. This programme includes specific modules on sustainability, raising understanding of key sustainability challenges and their implications for packaging.

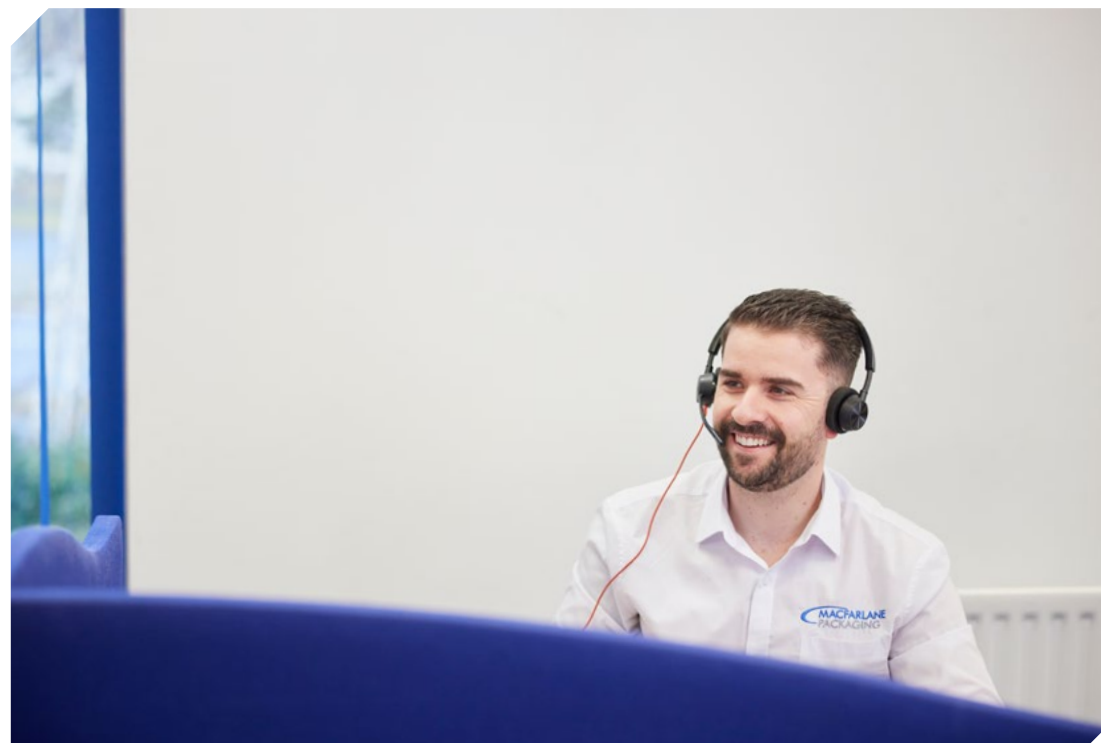
These and other initiatives have helped us retain a high annual customer satisfaction score of 94% and to improve our customer Net Promoter Score to 62. This score compares favourably against the current industry average benchmark for B2B businesses, which is 35.

Our customers will always be at the heart of everything we do and striving to continually serve them better will remain deeply ingrained across all of our operations.

During the year we launched a range of new products, all with increased recycled content.

Progress summary

| | Headline target | 2024 update | Rating | |
|--|---|--|-----------|---|
|  | To obtain a customer Net Promoter Score of 60 in our Distribution Division by 2025. | Net Promoter Score of 62 was achieved for 2024 – the average for B2B businesses is currently 35. | Delivered |  |
| | To achieve annual customer satisfaction scores of above 95% in all divisions by 2025. | Overall customer satisfaction was 94% for 2024. | On track |  |



Delivering sustainable packaging solutions for our customers

We are constantly looking at ways to support our customers to deliver against their sustainability goals without compromising on quality.

Childرسالon is an award-winning, British childrenswear retailer that provides clothing from fine designers around the world. Aligned with their core values, Childرسالon is dedicated to helping build a fairer, greener and brighter future for today's children.

As part of our ongoing partnership Childرسالon challenged Macfarlane to provide a more environmentally friendly solution for its gift packaging, that did not compromise on quality or the customer experience.

Utilising the Group's internal expertise we provided the customer with a solution that uses significantly less material, is fully recyclable at household and still delivers a great customer experience.



Working on this packaging project with Macfarlane has been an incredibly rewarding experience. Macfarlane's commitment to innovation and environmental responsibility made it possible to achieve these impressive results.

Head of Logistics – Outbound, Childرسالon

59 tonne
reduction in carbon emissions
54 tonnes
of material removed

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3. Partnering with suppliers



Collaborating with our suppliers to reduce their environmental impact

As a distributor and specialist manufacturer of protective packaging, most of our environmental impact rests within our supply chain, where packaging materials are extracted, manufactured and transported through the early stages of their life cycle. We have strong relationships with our strategic suppliers, many of whom are already taking transformational action to decarbonise their operations and reduce their environmental impact. Our sustainability strategy recognises that, although the actions of our supply chain partners are ultimately not within our control, we can work with our suppliers to ensure that collectively we are making the necessary progress.

Value chain carbon emissions

During 2024 the Group completed its first Scope 3 mapping exercise to provide a baseline estimate of carbon emissions across its full value chain. In line with best practice, the analysis was done across all categories of Scope 3 with calculations undertaken by an independent expert. The Group's total value chain carbon is estimated to be 195,802 CO₂e per annum.

The key drivers of the Group's Scope 3 emissions are associated with the purchase of packaging materials (78%) and the estimated emissions associated to end of life treatment when packaging products become waste.

Progress summary

| | Headline target | 2024 update | Rating |
|---|---|--|----------|
| Scope 3 emission source: Suppliers | 80% of Group suppliers by value to have active carbon reduction programmes by 2030. | 51% of Group procurement by value is from suppliers with active carbon reduction programmes. | On track |

Following the Scope 3 exercise, the Group will continue to engage with strategic suppliers on their carbon reduction programmes. To date, 51% of total procured spend is undertaken with suppliers that already have carbon reduction plans in place. The Group has set itself a new target to have 80% of procurement spend being with suppliers that are actively reducing their carbon emissions by 2030.

To address the emissions associated with packaging at end of life, the Group will continue to improve the recyclability of its product portfolio, building on progress to date and ensuring that products align with new recycling regulations emerging within the UK and EU. The Group welcomes Government plans to drive a further step change in recycling infrastructure which will be vital to reducing emissions and creating a more circular packaging economy.

The Group will focus its immediate efforts on the activities that enable actual reductions to Scope 3 emissions through supplier engagement. Over the long term, the Group will also work with its external stakeholders to evaluate how data can be improved to enhance the accuracy of future Scope 3 carbon reporting.



3. Partnering with suppliers (continued)

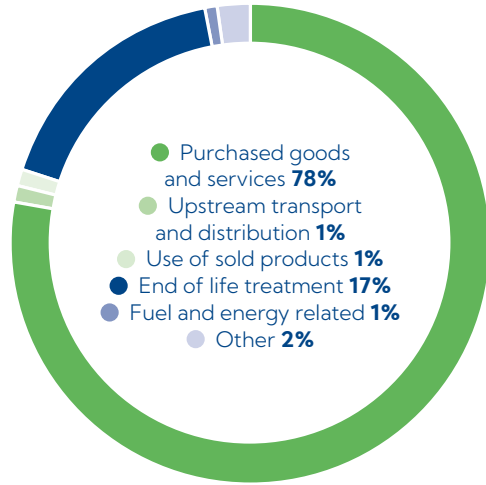
Supply chain assurance

During the year the Group updated its supplier risk assessment across a range of key sustainability issues. We have integrated these risk assessments into ongoing supplier management, with additional assurance procedures where suppliers are assessed to have elevated areas of risk. This additional assurance is required prior to a supplier being classified as fully compliant. During 2024, 97%¹ of procured Group spend came from low risk or fully compliant suppliers.

In addition to increasing the recycled content within our products, we have increased our capacity to provide additional assurance to our customers on the sustainable sourcing of paper materials through Forest Stewardship Council certification (FSC) of our products. 89% of our Group sites are now fully FSC certified, with the outstanding sites relating to recent Group acquisitions.

¹ Excluding suppliers of companies acquired during 2024 which will be incorporated from 2025.

Macfarlane Group value chain carbon assessment (Scope 3)



Progress summary

| | Headline target | 2024 update | Rating |
|-----------------------------|---|---|----------|
| Sustainable sourcing | 100% of Group sites will be FSC certified by the end of 2025. | 89% of our sites are now fully FSC certified (91% in 2023). | On track |



During 2024, 97%¹ of procured Group spend came from low risk or fully compliant suppliers.



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4. Caring for our colleagues



Creating a supportive, inclusive and high-performance culture

Our goal remains to enhance colleague engagement, nurturing a supportive, safe and inclusive culture which helps us to be an employer of choice.

Health and Safety

Caring for our colleagues starts with keeping them safe from harm, with Health and Safety remaining our number one priority across all of our sites. We have sought to embed a strong Health and Safety culture across the Group, striving for continual improvement. This has been critical in delivering a 58% reduction in our Accident Frequency Rate (AFR) across the Group since our baseline year of 2016.

Although 2024 AFR remained consistent with prior year for our Distribution Division, there

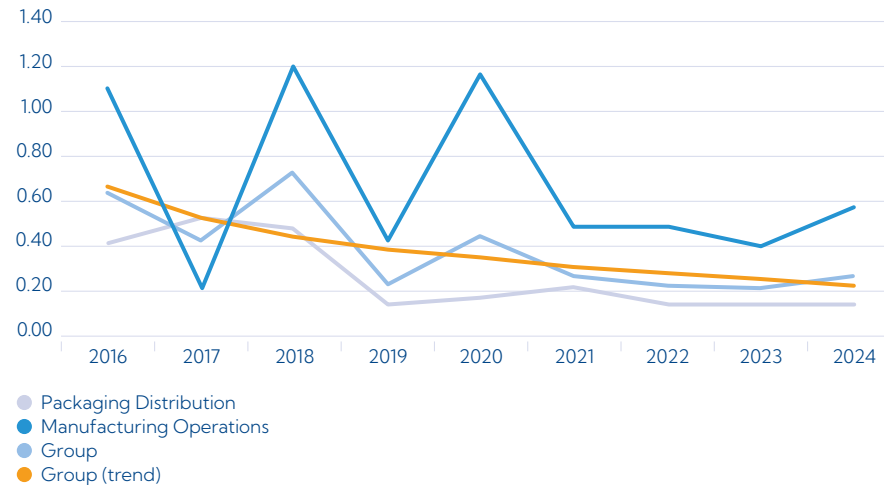
was a slight increase within our Manufacturing Division, which has been primarily driven by the significant growth in the Group's manufacturing operations and the greater inherent risks posed to staff as a result. The Group continues to have one of the lowest injury frequency rates when compared to other UK packaging manufacturers and management will continue to work across all sites to help ensure that all risks are mitigated as much as practically possible, while recognising the changing risk profile.

A risk-based approach is taken within the Group's Health and Safety programme, ensuring that resources are directed in the most efficient way possible. All reportable incidents (2024: 5; 2023: 4) are investigated thoroughly by our team and, where appropriate, changes to working practices are implemented.

Accident Frequency Rate ('AFR') for Macfarlane Group

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------------------|------|------|------|------|------|------|------|------|-------------|
| Packaging Distribution | 0.42 | 0.53 | 0.48 | 0.15 | 0.18 | 0.22 | 0.15 | 0.15 | 0.15 |
| Manufacturing Operations | 1.11 | 0.22 | 1.20 | 0.43 | 1.17 | 0.50 | 0.49 | 0.41 | 0.57 |
| Group | 0.64 | 0.43 | 0.73 | 0.23 | 0.45 | 0.28 | 0.23 | 0.22 | 0.27 |

The Accident Frequency Rate ('AFR') represents the number of reportable health and safety incidents per 100,000 of staff hours worked.



4. Caring for our colleagues (continued)

Additionally, we ensure that colleague training is reinforced in each area where incidents have arisen.

During 2024 we focused on the safety of our commercial drivers, extending our logistics inspections and digital commercial vehicle checks. We also undertook training in critical task analysis focusing on human interactions with risks within the workplace and trained more of our colleagues on accident investigation techniques.

We have sought to build on this progress with a proactive approach to identifying and managing potential risks, through training, awareness raising and targeted risk assessments. This has helped us deliver a 100% increase in pro-active safety observations since our records began in 2021.

Colleague engagement

We know an engaged workforce delivers numerous benefits across our organisation, driving productivity, reducing turnover, enhancing both colleague and customer satisfaction, and reinforcing our commitment to being an employer of choice.

In recent years, we have prioritised understanding and improving our colleagues' experiences. Our colleague engagement survey has provided invaluable insights, enabling us to identify areas for development. Over the past year, we have taken further steps to address these areas as part of our 'You Said, We Are Taking Action' initiative. This has involved a range of measures, including the introduction of a new performance management toolkit for staff, a new enhanced induction programme and improvements to our core benefits.

We have also improved our internal communications on key sustainability topics and expanded our community representative network to include newly-acquired businesses. This network creates an ongoing dialogue between central and local colleagues to help ensure that initiatives are effective and helpful.

Diversity, Equity and Inclusion ('DEI')

We are committed to providing equality of opportunity to all existing and potential colleagues.

We have improved our recruitment resources to raise awareness of DEI best practices and revised our induction and onboarding toolkits to help new colleagues from all backgrounds feel included. Additionally, we have launched internal training on the importance of DEI across the business and have focused on celebrating significant cultural events throughout the year to raise awareness. We also introduced DEI overview training, with over 200 employees completing the training so far.

We have also revamped our careers page on our website, featuring updated content and improved navigation.

Our policies and action strive to ensure that the work environment is free of harassment and that everyone is treated with dignity. We have created a new Dignity at Work Policy during the year and a bullying and harassment guide to help colleagues identify what is and what is not acceptable behaviour.

We are pleased to continue to have strong female representation across our business and particularly within our leadership and management teams. Approximately one third of our senior managers and 40% of the Board are female.

Through our annual pay reviews we have maintained the progress we have made on reducing gender pay gaps. Our mean average pay gap was -0.7% for the last reporting period (2023: 0%) and our median pay gap was -3.9% (2023: -9.4%), in favour of women.

Employee gender split

| | 2024 | | 2023 | |
|----------------------------|------------|------------|------|--------|
| | Male | Female | Male | Female |
| Directors | 3 | 2 | 3 | 2 |
| Senior managers | 13 | 6 | 11 | 6 |
| All other employees | 714 | 427 | 680 | 440 |



4. Caring for our colleagues (continued)

Colleague support

We have a wide range of benefits and initiatives in place to support our colleagues. These include a hybrid working policy, career breaks, shared parental leave and enhanced maternity and paternity pay. During the year we have improved our benefits further through extending death in service cover and providing more flexibility to colleagues on holiday purchases.

We provide all colleagues with full access to our employee assistance programme, providing them with confidential support and advice on all manner of life challenges, 24 hours a day. Our partnership with MIND, the national mental health charity has continued throughout the year and helps us to deliver this support as do our networks of mental health first aiders across the organisation, who act as the front line of support.

¹ These numbers reflect central initiatives and exclude recent acquisitions and any training delivered locally.

Colleague development

We remain committed to supporting our colleagues to learn and develop, enabling them to have flourishing careers and fulfil their potential. We launched our World Class Sales programme during the year, equipping our colleagues with the skills and knowledge that will help them thrive in a changing packaging market. 48 colleagues from across the Group have now completed the programme and we intend to extend this during 2025.

We also launched our new Learning Management System ('LMS'). The LMS provides easy access to additional Health & Safety training within manufacturing and key system training for sales and procurement colleagues, as well as other helpful resources. Total training delivered during 2024 was estimated to be around 14,200 hours¹, equating to approximately 27 training hours per member of staff.

We remain committed to supporting our colleagues, enabling them to have flourishing careers and fulfil their potential.



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5. Investing in the community



Investing in our local communities and supporting our colleagues to do the same

In 2024, the Group continued its commitment to understanding and engaging with the communities we serve. Throughout the year, we promoted a sense of community and social responsibility among our colleagues, encouraging volunteering and supporting a wide range of important causes.

As a business connected within local communities, we have a long history of supporting initiatives close to where we work. Alongside more recently developing our national partnerships with Blue Cross and MIND, we continue to nurture this local engagement.

This year we maintained a network of community champions across the business who serve as focal points for our volunteering

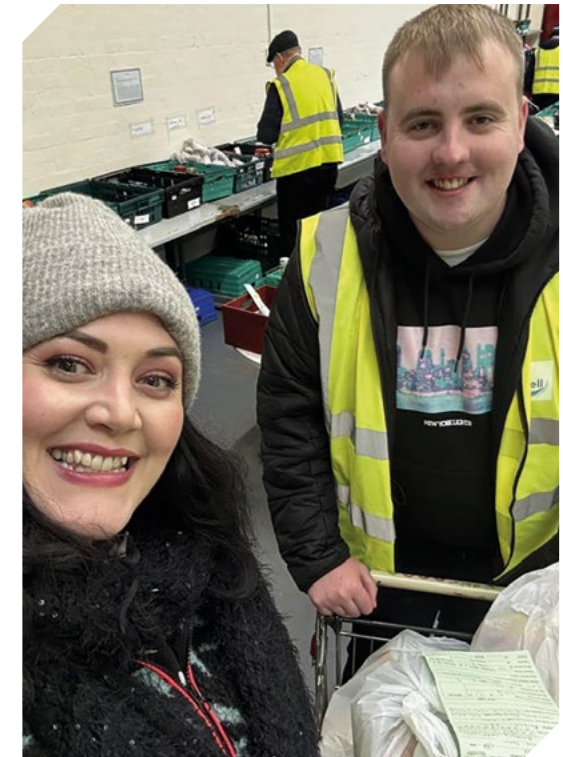
efforts. These colleagues help raise awareness, support others in getting involved and drive local fundraising and volunteering at sites.

All staff continue to benefit from a fully-paid volunteer day where they can support a local initiative or collaborate with colleagues to support a regional or national activity. This initiative empowers our colleagues to volunteer their time and skills for community projects that matter most to them. During 2024, staff recorded 412 hours of volunteering time across these different initiatives.

During 2024 we also launched our Macfarlane matching programme where the Group matches and effectively doubles our colleagues' fundraising efforts.

This year we maintained a network of community champions across the business who serve as focal points for our volunteering efforts.

Marketing colleagues volunteering at the local food bank in Wolverhampton.



Supporting the communities where we operate

Throughout the year we have been involved in supporting a variety of dynamic community led projects and initiatives through partnership and volunteering. Some examples are highlighted here.

Left: East Midlands colleagues who hosted a festive quiz for local people at the Spring Meadow Centre.
Below: Group finance colleagues volunteering at the local Glasgow food bank.



Above: Colleagues from across Macfarlane Group joined our customer Hydro Aluminium for a beach clean and study with the Marine Conservation Society.
Left: Edith from our Reading office who completed an incredible 700km walk in June 2024, raising £1,730 for The Cleft Lip and Palate Association.



It was a great day for the Macfarlane volunteer litter clean up team on the beach, supporting our customer and the Marine Conservation Society to make a positive impact in the area. Beaches are an important asset for all of us – this activity helped in the litter clearance effort and to identify and monitor problematic litter.

Phil Rees, Group Regional Director, Macfarlane Packaging

412+
hours invested in volunteering initiatives during 2024

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6. Doing things the right way



Led by our core values, embracing best practice and maintaining the highest standards of governance

At the heart of Macfarlane Group is the drive to do business in the right way; responding to our stakeholders; recognising our broader responsibilities and acting with integrity in everything that we do. Fundamental to that is embedding the highest standards of governance and striving for best practice for an organisation of our size.

The Environmental Social and Governance ('ESG') Committee is well established within the organisation. Made up of senior leaders across the Group it helps ensure that the Group continues to deliver against its Sustainability Strategy.

The Chief Executive and the majority of Senior Managers have explicit sustainability objectives within their personal performance objectives and this was extended further this year to include the broader management team. This helps to ensure sustainability issues are not just a central initiative but core to the way that the business is run.



The Group's strategy and its progress is also overseen by the Group's Board. The majority of the Board are independent and are therefore appropriately placed to provide effective oversight and challenge management, whenever required. Sustainability remains a standing item on the Board's agenda and a key consideration across all major decision making.

The Group also recognises its broader social and regulatory responsibilities with regards to the following areas:

- Human rights: the Group is committed to respecting everyone's human rights, ensuring that all individuals are treated with dignity and respect, and will seek to find and prevent any adverse human rights impact associated with our business activities. The Group has developed a Human Rights Policy, guided by

international best practice. This Policy, together with details regarding how the Group seeks to implement it, is available at macfarlanegroup.com.

- Modern Slavery Act: each year, the Group makes a public statement under the Modern Slavery Act which is supported by internal procedures to ensure that the principles of the Act are adhered to. The statement is also available at macfarlanegroup.com.
- Anti-bribery and corruption: the Group has an anti-bribery and corruption policy which is supplemented by a gift register and an associated policy on accepting gifts to mitigate the risk of any conflicts of interest. The Group conducts regular fraud and corruption risk assessments and undertakes a range of measures to help reduce these risks, including staff training and awareness initiatives.



6. Doing things the right way (continued)

- Whistleblowing: the Group provides an independent whistleblowing service, available both internally and externally, that is actively promoted. This allows all stakeholders to raise any matters of concern with anonymity and provides a route for timely escalation in the event that issues are not resolved locally. The Board reviews all whistleblowing cases and oversees their appropriate resolution.
- Executive Pay: the Group has a prudent approach to executive remuneration, ensuring that a robust and evidence-based process is followed and that remuneration does not become excessive. Further details of this process can be found within the Directors' Remuneration Report, of the Annual Report, available at [macfarlanegroup.com](https://www.macfarlanegroup.com).
- Tax: the Group takes a conservative and prudent approach to meeting its tax obligations, ensuring it pays the right amount of tax in a transparent manner and avoids elaborate schemes that seek to distort economic reality and avoid tax that is rightly due. The Group's tax strategy is also available at [macfarlanegroup.com](https://www.macfarlanegroup.com).
- Cyber Risk Management: The Group recognise the growing risk around the cyber environment and undertakes a programme of work to help mitigate these. The Group was pleased to receive external accreditation during the year for its efforts to date.
- Stakeholder management: the Group recognise its responsibilities to a wide range of stakeholders and takes a proactive approach to help ensure it engages effectively across these stakeholders and uses this to inform its decision making. The Group has set out in detail how it seeks to engage each of its stakeholders within the stakeholder engagement section of its annual report, available at [macfarlanegroup.com](https://www.macfarlanegroup.com).

We take a fully transparent approach to how we manage sustainability issues across our operations. We consider integrity and authenticity on this agenda as critical to enabling progress and this is why we continue to support external accreditation and associations, like Carbon Disclosure Project and EcoVadis. It is also why we will continue to embrace the TCFD¹ reporting framework, widely regarded as industry best practice for the disclosure of climate-related risks and opportunities.

The Group was pleased to join the UN Global Compact during the year, joining with organisations across the world in aligning to the 10 fundamental principles for responsible business.

The Group was also pleased to receive recognition from the London Stock Exchange through receipt of its Green Economy Mark for listed businesses who are contributing to the green economy.



The Group was pleased to receive recognition from the London Stock Exchange through receipt of its Green Economy Mark.

¹ The Task Force on Climate-related Financial Disclosures.



Appendix



Data and methodology approach

The Group identified its boundaries to ensure all activities and facilities for which it is responsible were being recorded and reported in line with Scope 1 and 2 of the SECR regulation. Data was collected and calculations were undertaken by Macfarlane Group initially. These calculations were then shared with an external consultant, EcoAct, who undertook an independent review to provide assurance that the data being presented was accurate and free from any material errors.

Methodology

Calculations were completed in accordance with the requirements of The Greenhouse Gas Protocol and aligned with the Global Reporting Initiative. Both absolute values and an intensity ratio for the Group's emissions have been calculated. Activities conducted in the Republic of Ireland, the Netherlands and Germany are included below to represent the Group's full global Scope 1 and 2 footprint.

Data and sourcing

All data is generated from invoices and purchases of energy. Some electricity data has been generated by landlords; where meters are shared across multiple tenants each part of the site is allocated a proportion of total consumption. Some invoices are only issued after the reporting period. These invoices are estimated, but do not cover greater than 5% of total energy consumption. Estimated usages are based on the preceding months' consumption data.

In this report, the term 'Carbon emissions' not only includes carbon dioxide (CO₂) but all other greenhouse gases, including methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulphur hexafluoride (SF₆). Carbon emissions are calculated and reported in tonnes of CO₂ equivalent (tCO₂e) in accordance with recommended best practice.

The carbon footprint calculations use published emission factors and agreed formulae taken from the latest (2024) UK Government Conversion Factors for Company Reporting, provided by the Department for Business, Energy and Industrial Strategy (BEIS) and the International Energy Agency electricity emissions factors (2024).

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