



VICTORIA PLC

Environmental, Social and
Governance Report 2023

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Environmental, Social and Governance Report

OVERVIEW

Victoria advocates sustainable practices, prioritising waste reduction, operational efficiency, and the well-being of our workforce as fundamental pillars of our success as a Group.

Our commitment to sustainable operational improvements has played a pivotal role in driving the growth and advancement of our business. An excellent recent example of this is the consolidation of part of our Balta acquisition into our UK carpet manufacturing and logistics operations (see adjacent box).

OUR APPROACH TO ESG

We continue to develop our Environmental, Social and Governance (ESG) strategy to ensure that sustainability issues are effectively managed, data collection is streamlined, and progress reporting is cohesive throughout the entire Group. In FY24 we will establish a set of ESG targets, and Key Performance Indicators (KPIs) to showcase how we will measure performance over time, that we expect to publish in our next Annual Report. This year's report references the primary ESG challenges that we first detailed in the 2022 Annual Report and discusses our ongoing achievements in the current year against them.

The achievements detailed throughout this year's report demonstrate that we continue to make significant progress and in line with our reporting requirements we will include the necessary Task Force on Climate related Financial Disclosures (TCFD) in next year's Annual Report. This disclosure will include some of the targets and key performance indicators (KPIs) for the significant ESG topics. The robust action plans we are developing seek to ensure the successful achievement of these targets, whilst remaining true to the group's wider business strategy that delivers our ongoing success.

CONSOLIDATION OF OUR BALTA CARPET MANUFACTURING & DISTRIBUTION

In the past we've previously detailed how the consolidation of our UK carpet operations has been done in such a way that we have been able to make more carpet at a higher quality with less waste and lower overheads.

Using the knowledge gained from these previous integrations we are now in the process of consolidating some of the manufacturing and distribution of our newly acquired Balta subsidiary into our manufacturing plant in Newport, Wales. We expect this project to lead to numerous benefits from a sustainability perspective. With most customers being based in the UK we will be able to produce the goods closer to the point of consumption, reducing the emissions associated with distribution of the product. Our expectation is this will more than offset the small increase in distance we will incur from the supply chain.

In addition, we expect the wind down of activity in the previous factory to lead to an overall decrease in emissions as the production is integrated into our existing UK facilities.

Our previous consolidation activity meant less power usage and reduced carbon emissions per square meter of carpet produced and our expectation is this project will repeat this trend.

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OUR SIGNIFICANT ESG TOPICS

Below we present a table outlining what we consider to be the significant ESG topics associated with each aspect of our operations, along with their respective priorities.

These topics were first disclosed in 2022 and represent the outcome of work performed alongside a leading ESG consultancy to understand our ESG risks, mitigating activities and opportunities. The activity was a Group wide review involving many stakeholder

interviews and significant research into both the sector and territories we operate in. This review, detailing the factors that impact Victoria specifically and the flooring industry in general, were a key input into a management assessment that concluded on these topics and their corresponding priorities.

These ESG topic areas, and their priority, will be re-assessed annually. The current period assessment has resulted in no change.

The prioritisation of specific topics across the Group is contingent upon the nature of their operations (for instance, the priorities associated with soft flooring manufacturing may differ substantially from those related to ceramic tile manufacturing). Consequently, certain topics may represent a higher or lower priority for different parts of the Group.

ESG Topic	Operational Area		
	Soft Flooring Manufacturing	Ceramic Tile Manufacturing	Distribution / Logistics
Environmental			
Energy management	○	●	○
Carbon Emissions	○	●	○
Waste and Water management	●	○	–
Product lifecycle	●	○	–
Chemicals Management	○	○	–
Social			
Attracting, Developing and Retaining Talent	○	○	○
Diversity & Inclusion	○	○	○
Health Safety and Wellbeing	○	●	○
Responsible Sourcing	○	○	○
Human Rights and Modern Slavery	○	○	○
Governance			
Reporting, Disclosure and Transparency	○	○	○

ESG Risk Priority

○ Low Priority ○ Medium Priority ● High Priority

ENVIRONMENT

Managing our energy usage & our carbon emissions

We review our Greenhouse Gas (GHG) footprint through the Streamlined Energy and Carbon Reporting (SECR) process. This data enables us to identify the areas of our business which produce the most emissions and take significant, direct action to reduce our energy usage and carbon emissions.

Streamlined Energy and Carbon Reporting

The section below presents the energy usage and associated carbon dioxide emissions for Victoria's global operations. This section has been prepared in compliance to the SECR Framework as implemented in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

GHG Emission (1st April 2022 to 31st March 2023)	Units	UK & Europe soft flooring	Australia	Ceramics	North America	Total
Emissions from combustion of gas (Scope 1)	tCO ₂ e	20,368	2,899	206,284	72	229,623
Emissions from combustion of fuel for transport purposes (Scope 1)	tCO ₂ e	13,003	368	3,062	83	16,517
Emissions from purchased electricity (Scope 2)	tCO ₂ e	31,545	5,220	31,447	120	68,332
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	tCO ₂ e	35	–	14	–	49
Total Gross emissions	tCO ₂ e	64,951	8,487	240,808	274	314,521
Energy consumption used to calculate above emissions	kWh	283,907,776	24,327,609	1,248,088,386	1,000,947	1,557,324,718
Total Gas Usage	kWh	115,040,948	15,737,729	1,130,042,689	379,410	1,261,200,777
Total Electricity Usage	kWh	118,122,602	7,008,294	105,362,031	306,595	230,799,523
Total Transport Usage	kWh	48,098,591	1,581,585	12,683,665	313,134	62,676,976

Within the UK, the total Gross emissions for the year were 24,292 tCO₂e (previous year 26,259 tCO₂e) and total associated energy consumption was 116,649,642 kWh (previous year 126,414,714 kWh).

The total Global Gross emissions for the year were 314,521 tCO₂e (previous year 303,717 tCO₂e) and total associated energy consumption was 1,557,324,718 kWh (previous year 1,548,654,291 kWh). Excluding the emissions and energy consumption of our acquisitions our total Global Gross emissions for the year were 280,636 tCO₂e and total associated energy consumption was 1,412,054,924 kWh, a like for like decrease in the current period.

The intensity ratios have been calculated for the four reporting divisions. These have been calculated from sales volumes for each division and include all energy usage and emissions stated within the above emissions figures and the methodology.

Emissions (1st April 2022 to 31st March 2023)	Units	UK & Europe soft flooring	Australia	Ceramics	North America	Total
Intensity Ratios	tCO ₂ e/ 1000m ²	0.388	0.367	4.472	0.045	1.257
Previous year intensity ratio	tCO ₂ e/ 1000m ²	0.332	0.393	4.887	0.004	1.660

Note that Graniser was excluded from the Ceramics intensity metric reported in last year's annual report because it was acquired towards the end of the period and so this same treatment has been carried forward into the previous year intensity ratio reported in the table above.

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Methodology

Victoria have followed the 2019 HM Government Environmental Reporting Guidelines and report in alignment with relevant aspects of the GHG Protocol. Emissions factors used are tonnes of CO₂ equivalent and data has been calculated using the 2022 UK Government's Conversion Factors for Company Reporting, for all UK electricity and global fuels data. The Australian Government National Greenhouse Accounts Factors, International Energy Agency, Association of Issuing Bodies and the Environmental Protection Agency have been used for all remaining geographical electricity conversion factors for location-based reporting.

Scope 1 emissions relate to on-site gas usage and emissions from Company owned and long-term lease vehicles.

Scope 2 emissions relate to on-site imported electricity usage and CO₂e emissions calculated are associated to generation only and do not include Scope 3 Transmission and Distribution losses.

The Scope 3 emissions relate to grey fleet. A grey fleet vehicle is one owned and driven by an employee for business purposes. This also includes fuel use for any vehicles which have been rented short term, for an employee to travel for business purposes. We do not currently include other Scope 3 emissions including, but not limited to, those associated with purchased goods and services, the upstream emissions of the fuel and electricity we consume and employee commuting.

Where there is a Combined Heat and Power (Cogeneration) plant operated on site, the emissions reported have been associated and calculated from the natural gas input.

The primary source for energy consumption data is supplier consumption data, metering data with some limited estimated data. Most of the transport usage has been calculated from records of litres used. The remainder of the transport data has been taken from mileage records, some of which have been estimated where records did not exist. Estimated data makes up less than 5% of reported emissions.

The usage and emissions presented align with monthly supplier invoices and are calculated and presented for 1st April 2022 to 31st March 2023. Companies acquired during the Financial Year have been included from the start of the next month after the acquisition.

The emissions reporting includes all of Victoria's sites globally, this reflects the activities and financial information presented within the financial reporting. There has been no de minimis applied and all Victoria companies with a physical presence have been included.

Energy management and carbon emissions

Continuing volatility in global energy prices has meant our ongoing strategy to invest in sustainable, eco-friendly, and reliable energy solutions has never been more important. The diverse nature of the Group means we have an opportunity to achieve this in a variety of ways with the most common being the use of solar photovoltaic (PV) panels in several locations. Historically several Group entities have benefitted from this technology and in the current financial year specifically we have invested further with two of our Australian subsidiaries and our UK logistics operation benefitted from new solar panel installations.

At our ceramic tile facilities across Europe we continue, as in previous years, to harness the heat generated from our spray driers. Through co-generation plants, we utilise this heat to generate electricity. This approach allows us to reduce our environmental impact and contribute to a more sustainable energy consumption model.

Our carpet manufacturing operation in Newport, Wales has for a number of years benefitted from a nearby wind turbine providing up to 40% of our electricity needs at this site. At several of our locations we take the opportunity at times of low demand to sell the surplus renewable energy we produce back to the national grid. Similarly at several of our subsidiaries we procure the additional energy we require from renewable providers.

We recognise that whilst it is important to ensure that wherever possible the energy we consume is renewable it is also vital that we make every effort to reduce our consumption.

In response to this our artificial grass business has this year managed to reduce carbon emissions through the development of an innovative new polyurethane coating for use in its product. This method not only eliminates water usage but also requires approximately 70% less gas to produce, significantly reducing our emissions.

At a number of our subsidiaries we have undertaken projects to closely monitor our gas and electricity usage via sub metering. Initiatives such as these have allowed us to implement a significant number of energy saving measures this year that have ranged from the launch of "switch it off" campaigns, the replacement of high energy usage components with more modern and efficient models, LED lighting installation schemes as well as using alternate, less carbon-

intensive, transport (i.e. sea routes where possible) to import our materials. We've also taken steps to optimise our logistics chain at one of our Australian subsidiaries by using our delivery trucks to pick up recycled material on the return journey. Another notable project was undertaken in summer 2022 in our Turkish Ceramics operation that involved further insulation of our kilns to reduce the heat leak rate, with a notable reduction in energy usage.

Logistics

The transportation of our products significantly contributes to our environmental impact. The fuel consumption of our truck fleet, which is essential for logistics, poses a substantial cost and generates a significant portion of the greenhouse gas emissions produced by our Group. Addressing this aspect is crucial in our efforts to reduce our environmental footprint.

During the year our underlay operation in the UK has been renewing their delivery fleet, with the more modern vehicles expected to deliver a 10% improvement in fuel efficiency.

For our UK carpet operations the distribution vehicles used were already compliant with the latest Euro 6 standard and we continue to monitor the technology solutions available, for example the potential to use electric trucks in the future. Our new distribution centre has been built ready to satisfy this need with 125kW of electric vehicle charging infrastructure and 32 charge points and within the warehouse itself all forklift trucks are exclusively battery powered.

Waste and Water Management

We have consistently upheld a conscientious approach to utilising raw materials, striving to minimise waste in our manufacturing operations and optimising resource utilisation. All businesses have a responsibility to

PLAN FOR HYDROGEN FIRED KILNS IN ITALY

We continue to explore how our Italian ceramics business can reduce its carbon footprint and minimise gas consumption through use of green hydrogen technology. To achieve this, we are evaluating a potential plan for a new plant that would span an area of 25,000 square meters and generate a substantial 20 gigawatts (GW) of green energy. Our plan will continue to be developed with a decision expected in FY25. This clean energy would be complemented by on-site solar panels and a Hydrogen supplied engine system. These measures would replace approximately 30% of the site's gas consumption with environmentally friendly energy and power various equipment and cogeneration processes, including four kilns and five tile dryers.

In addition, we would transition most of our machinery to utilise bio methane, produced using agricultural waste. This shift towards sustainable practices would also mean our business requires fewer greenhouse gas (GHG) emission certificates, contributing to our overall environmental goals.

Looking ahead to 2030, we anticipate significant advancements in hydrogen technology and so believe if we proceed with these plans it will enable us to meet most of our energy needs through clean energy sources. This substantial increase in the utilization of renewable energy would result in a notable reduction in carbon emissions and support our sustainability ambitions.

carefully manage resources to mitigate their impact on the environment. Embracing the principle of "doing more with less," not only enables us to achieve improved financial performance and deliver value to our customers but also generates increasing returns for our shareholders. By aligning our sustainability efforts with sound business practices, we can create a positive impact on both the environment and our stakeholders.

In support of this within our artificial grass business we have initiated a project to collect industrial waste that we are then able to recycle back to raw material chips. Our aim is to re-use this in the backing process and throughout 2023 we will continue trialling the potential use of this in our yarn production process. Our first yarns incorporating post industrial waste have already been launched.

At one UK underlay subsidiary we recycle 100% of all process water and a minimum of 90% of waste is diverted to be used either as refuse-derived fuel (RDF) or is recycled.

Process changes at our Italian Ceramics business mean that we will move to a non water based process in resizing. We have also made process changes at our new carpet distribution centre leading to significant reductions in our use of water with harvested rainwater now being used in the toilets and the washing of our trucks.

Significant efforts have also been made at one of our Australian subsidiaries to improve waste management. The waste yarn that might otherwise be lost is being recovered, separated and prepared for supply to recycle networks. We expect this initiative to significantly help reduce waste, as will another project undertaken to use soft

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wool waste in packaging and acoustic materials. The same team have also seen water usage significantly reduced through use of a new boiler system and process changes in the dyehouse that have helped us reduce the amount of water needed for each kg of yarn produced.

Product lifecycle

The ceramic tile business within our Group manufactures a product that is easily recyclable and can be repurposed to create new ceramic and aggregate products. Through collaborations with local suppliers and recyclers, our ceramic tile manufacturing businesses harness the potential of recycled bricks, tiles, and glass to create specific ceramic tile products. Moreover, owing to the inherent reusability of our ceramics, once they reach the end of their life cycle, they can be transformed into new tiles through a process of re-grinding. This eliminates the need to dispose of waste in landfills and further supports our contribution to sustainability.

At the core of our underlay production is a recycling operation. Our manufacturing sites repurpose polyurethane foam waste from various industries, such as vehicle seats, soft furnishings, and mattresses, into long-lasting products for our customers. In addition to foam waste, we are exploring opportunities to incorporate other recycled components, such as carpet waste. Taking our recycling approach a step further, we are developing processes to reclaim used foam underlay that has reached the end of its useful life and recycle it into new high quality underlay products.

Within the carpet industry in the UK there is a lack of accessible options for consumers to recycle synthetic carpets. While we produce durable and high-quality products intended for long-term use, our synthetic carpets and artificial

grass products consist of a complex mix of materials, posing challenges for recycling. Although we also offer carpets made from natural fibres, consumer demand for synthetic carpets remains strong, making them the predominant choice in our production.

To combat the lack of accessibility in carpet recycling in the UK, we are committed to driving progress in this area. To support the advancement of carpet recycling, we have become a Core Member of Carpet Recycling UK, an independent non-profit membership association. This association collaborates with manufacturers, distributors, contractors, retailers, fitters, and the waste sector to divert carpet waste from ending up in landfills.

By joining we have gained access to strategic collaborations and networks that enable us, along with the wider industry, to develop viable solutions for carpet and other textile flooring waste. Our membership ensures that we are aware of and can participate in emerging opportunities in carpet recycling. This includes exploring sustainable raw materials for manufacturing, promoting product reuse, implementing take-back schemes, identifying recycling outlets nationwide, and staying updated on innovations in material processing. Our active involvement demonstrates our commitment to driving positive change and contributing to the development of sustainable practices for carpet recycling within our industry.

To address the challenges we are committed to conducting a comprehensive evaluation of our product range to explore opportunities for developing more circular products, i.e. products that minimise reliance on virgin resources and are purposefully designed with their end-of-life considerations in mind. Achieving this can be accomplished either by producing items with a diverse

material composition that are easier to separate during recycling or by creating products made from a single material.

Our artificial grass subsidiary believes sustainability starts with quality and will continue to focus on the development of products offering longer product lifetimes. During the year we also launched a new coating range meaning only one polymer-family is used in the entire artificial grass product. This makes recycling easier and means that the recycled material is higher quality and more easily reusable into other artificial grass components. This innovation has been deployed in a new product range within our landscape brands, alongside our other brands focused on the environment. Our landscape solutions team also started a take back scheme in Belgium and the Netherlands, aiming to collect all the cutting waste of the carpets during installation and to collect the end-of-life product. Measures such as these help enable a product range that is recyclable and circular. We are also developing new yarn with biobased polymers and yarn that is made up of recycled content with another new product range expected to launch in 2023 as a result.

Our Australian subsidiaries also have several initiatives that support the lifecycle of our products. These include a take back scheme that will recover used underlay and recycle it into new product. At Dunlop we recycle 100 tonnes of used underlay per year and are proud that 100% of our product can be recycled. In addition to this the underlays offered by them are made up of 90% recycled materials and we launched sustainable bio-based underlay using renewable source sugar cane accompanied by a commitment to plant one tree for every ten rolls of underlay sold. This range is complemented with the use of biodegradable bags which we're

currently exploring for all ranges. The point of sale displays for this product also contain no plastic and are entirely recyclable.

At another of our Australian subsidiaries we have developed a range of Solution Dyed Nylon (SDN) that utilises recycled waste for new product ranges launching in 2023. A takeback programme is also being explored and we've developed a process with a local company that will see our waste polypropylene recycled into products for the agricultural, nursery and landscaping industries.

Our new Balta acquisition benefits from a 'Pureloop' installation for recycling of polypropylene waste & intermediate products. All mono polypropylene material (from weaving, tufting, tape extrusion etc.) is recycled inhouse and used in our staple fibre extrusion and for tape extrusion. In addition, we have started recycling all waste from our Turkish extrusion plant using our Pureloop installation in Belgium and made investments to enable the extrusion of recycled polyester yarn.

Chemicals Management

We recognise the importance of responsible chemical management and strive to protect the natural environment while ensuring the health and safety of our colleagues. We utilise a range of chemicals tailored to meet the unique needs of our products and businesses. Over the years, we have made significant efforts to eliminate the use of chemicals from our manufacturing processes.

Our manufacturing businesses prioritise the safety and responsible handling of chemicals through Control of Substances Hazardous to Health (COSHH) Task Risk Assessments conducted for all relevant production processes.

These assessments provide detailed information on the chemicals used, potential hazards, and the measures implemented to mitigate any risks associated with their use. Each chemical is assigned a risk score ranging from 'Very Low' to 'Extreme' based on its specific application. Many of our assessments indicate a 'Low' or 'Very Low' risk level, with only a limited number categorised as 'Medium' risk.

Our businesses adhere to robust Health, Safety, and Environmental protection policies and guidelines that cover the handling of chemicals on our sites. These outline packaging, labelling, storage, and disposal requirements for the chemicals we use, as well as the necessary Personal Protective Equipment (PPE) for our colleagues. Regular training on chemicals handling and usage is provided to all relevant employees as a mandatory requirement for their roles.

Procedures are in place to promptly address any spills or contact incidents involving chemicals. Our sites are equipped with hand and eye wash stations, as well as specialised clean-up equipment to effectively contain and manage any spills.

Additionally, designated emergency response officers are present at our sites to handle any incidents that may occur. Furthermore, our manufacturing businesses engage third-party specialists to conduct annual discharge surveys, ensuring that there are no unintentional discharges into local water courses.

Specific activities in the year include a project underway within UK underlay to eliminate all chemicals with a hazard statement from production within 5 years, with investment in further trials seeking sustainable materials already made.

We have already taken measures in one of our Australian subsidiaries to ensure we are no longer applying chemical based topical treatments on our Solution Dyed Nylon (SDN) carpets.

Where applicable our subsidiaries also check the EU's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) statements of our supplier base to ensure the compliance of our end products.

SOCIAL

Victoria seeks to create an excellent workplace environment that positively influences local communities. In the current year one of those communities was impacted by one of the deadliest natural disasters in their history, the Turkey–Syria earthquake. After ensuring our people were safe the Group made a donation to the British Red Cross for the Turkey-Syria Earthquake Appeal to assist the country's rescue and relief effort.

Attracting, developing and retaining talent

Our continued success hinges on our capacity to attract, retain, and nurture top talent throughout the entirety of our organisation, providing them with the necessary resources to advance their careers within Victoria.

We prioritise fostering a diverse and inclusive workforce, ensuring that a multitude of career pathways are available. Our commitment to developing our employees is illustrated through structured training programmes offered internally, complemented by the recruitment of exceptional individuals from outside our organisation.

To cultivate fresh perspectives and drive innovative product development, it is imperative that we invest in emerging talent and explore novel approaches to work.

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VICTORIA SALES ACADEMY

At Victoria Ceramics Spain training is a fundamental pillar for the development of our teams, helping us to have skilled professionals who are aligned with the company's strategy and values. For this reason, last year we launched the first edition of VCS Academy: Sales Edition, a training programme in which 20 colleagues representing all our sales channels acquire and reinforce knowledge in the areas of product and processes, as well as in the improvement of commercial skills with the help of highly qualified internal and external trainers.

This project, which lasts 6 months and has 2 daily sessions each month (72 hours of training in total), aims to achieve professional excellence in the Group's sales team with high value training that helps to offer our customers great quality service and management, allowing us to differentiate ourselves from the competition and increase our contribution margin.

Thanks to the great reception of the pilot, we extended the programme to the rest of our colleagues with 2 further editions launching this year.

"With this training we try to bring the product and the process closer to the sales team so that they can use it as a sales tool, as it is the best way to understand our product. In addition, we want to pass on all our effort and care, which is what makes it special."

Dolors Porras

Head of Development and internal trainer

"I think this training has not only helped us to incorporate knowledge on a professional level, but also in our own personal lives, it is a development in all senses. I think we will be much better able to talk to a client, recognise what their needs are and be able to reach an agreement much better."

Alberto Luzón

Saloni Sales Representative and first edition student

We've made investments during the year in some of our workplaces. As part of the previously mentioned new distribution centre we've taken the opportunity to improve employee wellbeing in several meaningful ways, including a modern office environment and the encouragement of multiple ways of getting into work through for example carsharing and providing facilities for those who ride to work. We've also refurbished the recreation areas used by our staff in one of UK underlay subsidiaries and our new Balta acquisition benefitted from a significant investment providing new dressing rooms, shower facilities, nursery facilities and canteens.

Our Australian subsidiary Dunlop has been proud to partner with a non-profit organisation, The Sacred Heart Mission and provide the opportunity for staff to spend a quantity of time during the year volunteering in support of their mission to feed the homeless and disadvantaged.

We've implemented additional measures to try to improve the offering to our staff to attract, develop and retain the best talent. For example, one of our subsidiaries during the year developed a new programme alongside partners that offers our employees a range of social benefits and discounts.

Other subsidiaries have also incorporated a variety of measures, including reworking our compensation to make it more equitable across plants to increase the choice and mobility of our people.

We offer similar incentives designed to encourage retention at another subsidiary, with subsidised transport to our employees as well as increased annual leave to employees with long service to encourage retention of our most experienced staff.

Whilst integration projects and productivity improvements meant we did lose employees over the course of the year we recognise that continuing

to develop our existing staff and that of the future workforce is critical. We constantly review and seek new opportunities to do this such as at Alliance where we're planning to work with the appropriate Local Education Authority to encourage students and apprenticeships during 2023.

Employee diversity and inclusion

Victoria is dedicated to upholding the principles of equality and fairness in employment opportunities. We strive to cultivate a diverse workforce and foster an inclusive environment across our entire organisation. Our goal is to provide an atmosphere where every individual can thrive, realise their potential, and actively contribute to our business objectives, irrespective of their age, gender, ethnicity, or background.

To support our commitment to diversity and inclusion, we have established policies that outline our approach and provide guidelines for promoting equality. Additionally, wherever possible we offer family-friendly working practices that accommodate the needs of our employees and periodically review gender pay gaps within our various businesses before developing strategies and initiatives to address and close those gaps. Ultimately, our aim is to foster a culture where our employees feel empowered to bring their unique perspectives, experiences, and backgrounds to their place of work. By embracing diversity, we can collectively achieve exceptional performance and drive our growth as an organisation.

Our ceramics operation in Europe provide some good examples of our approach. In Spain we have started a new equality and diversity plan for each group subsidiary. This will involve a detailed equality assessment and diagnosis, a payroll audit and job evaluation to define if there is any gap in salary.

We demonstrate a commitment to fostering an inclusive workforce across the Group, an example of this is particularly evident in our Italian subsidiaries. In this particular case, notable achievements have been made in recent years upholding gender diversity, with women occupying around half of the positions across different roles. Furthermore, mirroring practices that can be seen elsewhere in the Group, proactive measures have been implemented to create an environment that embraces individuals with disabilities. These measures include providing necessary accommodations and support, enabling everyone to realise their professional potential to the fullest extent

Health, safety, and well-being

Ensuring the well-being and safety of our workforce lies at the core of our Group's culture. We are deeply committed to not only preventing injuries or accidents among our employees, but also to providing them with the necessary support to maintain their physical and mental well-being, while promoting a healthy work-life balance.

We operate a "Safety First" mindset, which aims to significantly contribute to improvements in our Lost Time Incidents (LTI) and Reporting of Injuries, Diseases, and Dangerous Occurrences Regulations (RIDDOR) performance. We actively encourage all colleagues to report any incidents or near misses, as this enables us to drive further enhancements in workplace safety.

Throughout our Group major manufacturing sites adhere to ISO accreditation and uphold the highest standards of health and safety. Each major site is supported by a dedicated Safety Manager who oversees the implementation of safety protocols. We actively involve our employees in the

development of risk assessments for our operations, and through process improvements, increased training and development initiatives, and strong management focus, we seek to consistently achieve advancements in colleague safety within the workplace.

While a limited number of hazardous substances are utilised in our manufacturing processes, we have stringent procedures in place to govern their transportation, storage, and careful usage. The Group is constantly working on reducing the consumption of these substances and exploring safer alternatives as evidenced in the Chemicals Management section of this report.

Our employees are the invaluable foundation of our organisation, and we continuously seek ways to support them in their work at Victoria. We recognise and appreciate their contributions not only through fair compensation but also by prioritising their health and well-being. Examples of this commitment can be found throughout the business such as walk around audits and planned task observation as well as regular company briefings to help ensure our commitment to health and safety is paramount.

Our UK Carpet distribution business has introduced mental health first aiders and engaged with an occupational health provider to support our workforce whilst continuing to enforce strict procedures, including testing, with regards to drugs and alcohol ensuring the safety of our workforce and others.

At Balta we've deployed a safety campaign throughout their operations. Under the '1 Balta for Safety' umbrella we launched a 'Stop, Think, Act' campaign that involved all white and blue collar workers. This involved the use of videos alongside other

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communication campaign material. Due to this and other measures we were pleased to see our accident frequency decrease year on year by 6%.

At our Australian entities we employ similar practices, for example safety committees and 'toolbox talks'. During the year Victoria Carpets Australia also partnered with the Black Dog Institute, a foundation focused on developing strategies and programs for people

and their families suffering with mental health issues raising money with the help of our employees. Alongside this we introduced an Employee Assistance Program whereby employees and their families can reach out for confidential assistance across a range of personal and domestic situations.

Our Ceramics entities have also been making important steps forward. In Spain we have been collaborating

with a group of experts researching how to reduce the risks associated with exposure to crystalline silica in the ceramic sector. Together we have defined the technical and organisational measures requiring implementation and developed a guide that will shortly be published to the rest of the sector.



In Italy measures have included restructuring our work shift to be based on a 3+2 structure instead of the previous 4+2 and first aid training being offered to all our employees to help promote greater awareness of health and safety in the workplace.

Finally in Turkey we have focused on clean air by committing to a significant afforestation programme in the area surrounding our factory, improving the environment for our people.

Responsible Sourcing

The raw materials we procure from numerous suppliers worldwide contribute significantly to the impact of our products. We therefore support and encourage our suppliers and partners to address their own environmental, social and governance performance to ensure we procure the very best materials at the best prices, for the long term. This collaboration ensures that we obtain the finest materials at the most competitive prices, with a long-term perspective in mind.

As an example, wherever possible our wood materials are sourced from sustainable origins including suppliers certified by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).

Across our Group, we conduct due diligence assessments on many of our suppliers to maintain low exposure to ESG risks. We regularly screen and visit key commercial partners, establishing supplier codes of conduct outlining the standards and practices we expect.

For example, at an Australian subsidiary we have a technical department that regularly audits the manufacturing processes of our suppliers to ensure they comply with good practice manufacturing in terms of people, environment and process, whilst at another of our Australian

subsidiaries we conduct regular visits to supplier factories and provide regular feedback on quality and on-time performance. We employ an extensive assessment process over our key raw material suppliers against selection criteria that includes energy efficiency, material content, manufacturing processes, packaging materials, modes of transport, material design, service levels, and their human rights record.

We have similar processes in place in Europe, for example at our Turkey ceramic tile operation all our suppliers are required to transmit our Supplier Code of Conduct throughout their organisation and ensure compliance as well as adhering to our Supplier Sustainability Policy.

Our North American subsidiary Cali is committed to conservation and ensuring that all plant-based flooring products are legally harvested and sourced in accordance with federal law and properly declared. This is achieved through a combination of supplier education, third-party certification, supplier self-certification and enforcing internal accountability throughout our own workforce, enabled through appropriate training and support.

Modern Slavery

At Victoria, we prioritise the fair and respectful treatment of our employees throughout the entire Group. We are committed to providing them with equitable compensation and ensuring suitable working conditions. Discrimination, bullying, harassment, and victimisation are strictly prohibited, and we actively promote an environment of open communication, encouraging employees to voice any concerns they may have directly to senior management.

We have developed a Modern Slavery Statement highlighting how we address the issue of modern slavery and human trafficking. This statement outlines the measures we have implemented to ensure that such exploitative practices do not occur within our organisation or our supply chains.

Within our supply chains, we maintain a low risk of human rights violations. This is largely due to the longstanding and trusted relationships we have established with many of our suppliers. We regularly conduct thorough factory visits with key suppliers, fostering transparency and trust in our partnerships. Furthermore, our supplier base primarily consists of well-established and professionally managed businesses operating in jurisdictions with robust regulatory frameworks concerning Modern Slavery.

We undertake a number of actions both internally and within our supply chain to protect against these risks. An example would be that in our UK underlay business we recently benefitted from training sessions provided by a leading retailer and a UK charity focused on the detection of modern slavery and exploitation and continue to monitor new human rights and modern slavery risks as they emerge.

GOVERNANCE

Reporting and disclosure

Good governance is essential to all our work at Victoria. We ensure we have the appropriate controls across our businesses to always support and display strong business ethics. We support anyone who, in good faith, discloses a failure to meet our high standards of business ethics. We have a number of whistle blowing procedures in place across the organisation and in 2023 seek to integrate these solutions to provide an even more robust solution

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for the Group. We promote a culture where employees feel able to raise concerns without fear of retaliation and in the knowledge that the matters they report will be taken seriously and in confidence.

The Group also has in place a framework of internal policies and procedures to address anti-corruption, bribery, conflict of interest, whistleblowing, gifts and hospitality, tax evasion and share dealing issues.

One of the areas that is seeing the most regulatory change is that of sustainability. We are committed to improving how we capture data and disclose our performance against action plans that mitigate our ESG risks.

Currently, at a Group level, we collate our carbon impact data and report it against the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations. By enhancing our reporting and disclosure, we will further develop our understanding of our scope 3 emissions and build a clearer picture of the emissions intensity of our products which will support our GHG emission reduction efforts.

Next year, in line with our reporting requirements, we will align our disclosure of climate-related risks and opportunities with the guidelines provided by the Task Force on Climate-related Financial Disclosure (TCFD). This will detail our governance, strategy, risk management and metrics and targets related to our climate-related risks and opportunities. As part of next year's report we will also include the targets we are working towards and the United Nations Sustainable

Development Goals, including where relevant the indicators and targets that sit underneath them, that we positively contribute to and are relevant to our plans. We also continue to monitor the regulatory environment in which we operate and will respond as necessary to other developments, such as the UK Sustainability Disclosure Requirements, Climate Change Transition Plan, Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy and the International Sustainability Standards Board (ISSB) disclosure requirements.

OUTLOOK

Victoria is committed to ESG matters and is actively continuing to implement its strategy. This is an evolving initiative with many subsidiary-level actions being taken across the Group under a Board-reviewed framework. Further information will be published as the Group's ESG strategy continues to develop.

On behalf of the Board



Brian Morgan
Chief Financial Officer

13 September 2023