



# Helping to heat homes sustainably



## We have seen significant progress in our management of ESG priority areas

### Introduction to ESG

As Chief Executive Officer, I am pleased to introduce our first Sustainability Report. This report allows us to discuss the progress we are making within environmental, social and governance (“ESG”) areas at Stelrad. We also set out our current strategic thinking on ESG and our role in helping to heat homes sustainably. This strategic direction reflects our belief in a future where low and zero carbon domestic heating systems are widely available and provided in a way that benefits all our stakeholders.

Never has the need to support our stakeholders been more clearly demonstrated than during the last two years. The Covid-19 pandemic has had a dramatic impact on working practices and has been a dominant consideration for the Board. Throughout this, the safety and wellbeing of our workforce and contractors and the communities in which we operate has been our main concern. The response and determination shown by all involved reflect well on our Company culture and values and are a real source of pride for me.

Despite the challenges of 2021, we have seen significant progress in our management of ESG priority areas. We have taken action to broaden the skill set at all levels of the business, welcoming new Board members with strong ESG experience and forming a new international working group to oversee the development and implementation of our evolving ESG strategy. We have also taken action to improve our access to the detailed information necessary to make informed decisions, expanding our data collection and enabling the publication of Group-wide environmental performance metrics for the first time in this report. This focus on further understanding our Group impacts will continue as we aim to identify and measure our relevant Scope 3 emissions in the coming years and initiate lifecycle analysis to quantify the environmental impacts of our products throughout the value chain. All this work will help provide the necessary strong foundations to be able to target improvements and measure and demonstrate our performance over time.

This quantification work will form part of what promises to be an exciting period for ESG at Stelrad. During 2022, we will conduct a detailed review of our ESG activities, using the findings to develop a full ESG strategy that builds on the work presented here. By engaging with our stakeholders and employing a robust and wide-ranging materiality assessment, our new strategy will have the needs of our stakeholders embedded within it and will be fully aligned with our corporate aims, objectives and values. As part of this work, we will redefine our ESG ambitions and targets and identify where and how we can contribute to wider international goals.

I want to finish this introduction by focusing in on safety, which is a key priority for Stelrad. Our operations in the UK achieved the milestone of one year with zero lost time accidents. I am sure you will agree this is an outstanding achievement and reflects the positive safety culture that exists throughout the Company. This achievement only reinforces the need to continue our drive towards zero harm – we must build on this strong performance and continually look to improve.

I hope you find this report, and the information included within it, useful, and we very much welcome feedback on how we could enhance this in future years.

**Trevor Harvey**  
Chief Executive Officer

14 March 2022

## Introducing our strategic direction and our role in helping to heat homes sustainably

Climate change, resource scarcity, social inequality and corporate transparency are some of the defining issues of our time. Stakeholder interests are increasingly driven by ESG factors, and having a robust sustainability strategy at the heart of decision making is key for any business aiming for longevity and future growth. All businesses must play their part, developing solutions to the biggest challenges we face and transforming business models so that they are compatible with a low carbon, green and inclusive world.

The impact of heating on our environment and society is a significant and important one. Heating contributes to almost a quarter of all UK emissions and is the largest single energy user in Europe<sup>(1)</sup>. Globally, heat accounts for nearly half of all energy consumption and 40% of energy-related carbon dioxide emissions<sup>(2)</sup>. At the same time, households in almost every market are currently facing steep energy price rises as a result of accelerating global demand as the global economy recovers from the pandemic.

Our purpose is to help heat homes sustainably. We believe Stelrad has a key role to play in a future where low and zero carbon home heating is widely available – bringing intelligently and thoughtfully designed heat emitters to the market that work seamlessly in systems that are less reliant on fossil fuels. We have been proactive in developing products that are compatible with low carbon, low temperature systems such as heat pumps, and we have for a long time worked with housebuilders and installers to help design systems that support low and zero carbon in homes. Now with governments in nearly all our major markets accelerating net zero ambitions and outlining their detailed plans for decarbonising home heating, we are well placed to embrace the opportunity of greener markets.

Our ESG approach also means we are constantly examining every element of our business, from our care for our people and how we work with our suppliers and partners to our impact on the environment, ensuring that we are integrating high standards throughout our business and operating as efficiently as possible. In our first Annual Report we share Stelrad's new sustainability-orientated business purpose, our evolving strategic direction on ESG, and our commitment to further our ESG ambitions and credentials over the years to come. This year we have developed as an initial step a four-pillar ESG framework, representing a strategic direction that reflects our current priorities, including our key role in helping to heat homes sustainably. We look forward to a planned in-depth review of our ESG activities over the course of 2022, including a full-scale materiality assessment and an in-depth strategy development process, engaging our stakeholders throughout.

(1) The Oxford Institute for Energy Studies (2018). Decarbonisation of Heat in Europe: Implications for Natural Gas Demand. University of Oxford.

(2) Vivid Economics/Imperial College London (2017). International Comparisons of Heating, Cooling and Heat Decarbonisation Policies. BEIS.



### Supporting the future of home heating

We design home heating products which help reduce carbon emissions from buildings and support an equitable net zero transition.

► [Read more on page 4](#)



### Minimising our environmental impacts

We reduce our own footprint by focusing on energy, waste and water in our operations and the resources needed to produce, package and transport our products.

► [Read more on page 6](#)



### Building an exceptional workplace

We empower our employees to be the best they can be, prioritising their safety, wellbeing and development, and promoting equality, diversity and inclusion.

► [Read more on page 10](#)



### Maintaining high standards of business

We manage the Group for the benefit of all stakeholders through high ethical and corporate governance standards and a culture of accountability, integrity, transparency and responsibility.

► [Read more on page 13](#)

## Introducing our strategic direction and our role in helping to heat homes sustainably *continued*

### How does our work on ESG align with our business model?

The ESG approach that we have organically evolved over the last decade is deeply linked to driving value for our business, whether that is opening up market opportunities, accelerating operational efficiencies, or building our resilience to external threats. In this way, it has underpinned our commercial aims. It also delivers value for our stakeholders by prioritising and responding to the needs of our customers, people, investors and suppliers, and the communities where we live and work. This is an approach that has developed without extensive structure, external review or guidance, but through our natural ways of working and our positive approach to doing business.

By undertaking a thorough review of our material ESG issues, and developing a well-rounded, long-term, targeted and effective strategy over the course of the next year, we are aiming for this positive organic approach to sustainability to be transformed into the basis of our strategic framework. Our aim is for ESG to be fully embedded in our business decision making, investments and governance in a manner which both reflects our historically positive ways of doing business and formalises our future commitments to sustainable value creation.

We have also started using the 17 United Nations Sustainable Development Goals (“SDGs”) to inform our approach, so that we are contributing meaningfully to global priorities. The SDGs were published in 2015 and highlight the priorities negotiated by the international community as vital for economic growth and development towards the year 2030. In the section underneath, you can see how we believe Stelrad can best contribute to seven of the globally important SDGs.

### Addressing priority issues through our new strategic direction

The four strategic pillars we have developed so far represent a starting point for our wider strategy development plans. In developing our strategic direction to this point, we have worked with external consultants to undertake a light touch internal audit of ESG issues that we believe are

materially important to the business; spoken informally with customers, employees and suppliers; and cross-referenced existing internal documents – including business plans and risk registers – with recognised external standards and frameworks including the Global Reporting Initiative (“GRI”), the Sustainable Accounting Standards Board (“SASB”) and the SDGs.

These four pillars set out our strategic direction and key priorities for the year, ahead of our commitment to undertake deeper strategy development moving forward:

1. **Supporting the future of home heating** focuses on the wider issues of climate change and energy equity and on how our products can help support an equitable transition to the low carbon economy.
2. **Minimising our environmental impacts** summarises the responsibilities we have to reduce our own greenhouse gas (“GHG”) emissions, to manage energy, waste and water in our operations and to steward the resources used in producing, packaging and transporting our products.
3. **Building an exceptional workplace** describes our social responsibilities to our people and local communities, prioritising their health, safety, wellbeing and development and promoting equality, diversity and inclusion throughout our business.
4. **Maintaining high standards of business** highlights our governance responsibilities with a focus on embedding a strong, positive culture which promotes responsible and ethical behaviours across the Group and the suppliers we work with.








We have developed our first year of reporting to focus in on these four pillars and to chart the progress we have made over the last twelve months. Over the following pages we share metrics, case studies and future plans in line with the four pillars.

During 2022 we will be working with external consultants to carry out a detailed materiality assessment as part of our review, with the intention of verifying and testing our priority ESG topics and further developing our strategy. Whilst we do expect these four strategic direction pillars to evolve and change as a result of our deeper dive strategic work, we wanted to share where we are starting from with our key stakeholders. We see this as an opportunity to open a dialogue with all our stakeholders, and welcome early feedback and comments.

### Supporting global priorities

We have used the UN SDGs to help identify areas where, through our actions, we can have the biggest economic, environmental, social and governance impact, and play our part in achieving a better and more sustainable future for all. The infographic below shows the findings from this initial assessment – the goals that we believe are most aligned to our business and why.

As part of the next phase of work, we plan to conduct a detailed assessment of the targets and indicators that sit underneath the goals, in order to identify those that Stelrad is best positioned to contribute to.

 <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>	 <p><b>5</b> GENDER EQUALITY</p>	 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>	 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	 <p><b>13</b> CLIMATE ACTION</p>
<p>Stelrad prioritises the health of its people and promotes wider wellbeing through more accessible home heating solutions</p>	<p>Stelrad pursues partnerships and promotes opportunities for women in STEM</p>	<p>Stelrad maintains high workplace standards, protects workers’ rights and pursues responsible business growth</p>	<p>Stelrad innovates in products that support energy resilience in buildings</p>	<p>Stelrad designs products that help reduce energy usage in homes and work with lower temperature and low carbon systems</p>	<p>Stelrad manages its environmental impacts across the product lifecycle and aims to bring its products to market as efficiently as possible</p>	<p>Stelrad brings products to market that support the low carbon transition by helping to decarbonise home heating</p>

## Supporting the future of home heating

We design home heating products which help reduce carbon emissions from buildings and support an equitable net zero transition.

Tackling climate change by reducing greenhouse gas emissions is now a global priority. Both UK and EU markets have set legally binding targets to reach net zero carbon emissions by 2050, with further ambitious interim reductions of 78% by 2035 and 55% by 2030 respectively from 1990 levels. The 26th Conference of Parties (“COP26”) was held in Glasgow, UK, in 2021, and saw the development of further international net zero pledges, including from China and India.

In 2018, space heating in residential buildings accounted for 17% of total European energy consumption<sup>(1)</sup>, so moving quickly to low and zero carbon heating systems is a critical element in achieving these ambitious commitments. To support this, legislation is being introduced across Europe to limit or prohibit fossil fuel heating systems in both commercial and domestic settings over the next five years and beyond, focusing in the initial phase on new construction activity. The UK Government, for example, has set out how it plans to stimulate the market for low carbon heat in its Heat and Buildings Strategy, published in October 2021, including an ambition to phase out the installation of natural gas boilers beyond 2035.

Of the existing 310 million centrally heated homes across the UK, Europe and Turkey, 80% feature hydronic systems. And while the need and size of the opportunity are clear, retrofitting this stock with low or zero carbon heating systems (such as those that use heat pumps, for example) remains challenging due to the likely combined need for higher levels of insulation and air management.

Despite the uncertainties and challenges of this evolving landscape, Stelrad is well placed to support this transition. We remain at the forefront of understanding and influencing evolving legislation in the heating market, as an active member of two influential trade associations consulted by the Government: the European Heating Industry (“EHI”), which recently brought together industry representatives and policymakers to identify barriers and solutions to bringing heat pumps to the mass market, and the UK Energy and Utilities Alliance (“EUA”), currently advising the Government on its proposed market-based mechanism for low carbon heat following publication of its Heat and Buildings Strategy in 2021.

While future heat sources are likely to see a combination of more heat pumps and alternative boiler technologies, we believe the vast majority of future heating systems will remain water-based, hydronic types, especially given the significant replacement market for heating systems within existing buildings. One thing does appear certain at this stage though – that space heating of the future will operate at lower system temperatures, requiring higher levels of building insulation combined with heat emitters that have a larger surface area.

For this reason, we have been proactive in both designing and promoting products that maximise heating performance and are entirely compatible with low carbon, low temperature heating sources such as heat pumps, as well as working with housebuilders, specifiers and installers to help ensure the right products are selected and installed. Stelrad is fully committed to providing a range of radiators and other heat emitters that will keep people warm in their homes with the minimum environmental impact as we undergo this important transition.

(1) Eurostat (2018). Energy, Transport and Environment Indicators. European Commission.



### Our progress and key initiatives

#### Products fit for the future

With an average installed product lifecycle of around 30 years, Stelrad’s existing radiators provide a cost-effective heat emitter solution for low temperature systems, designed from the outset to use recyclable steel and to strike the best compromise between material consumption and performance in terms of radiator heat output. We are continuing to develop our product portfolio to make sure Stelrad provides highly capable products for the heating systems of the future, whether in new construction or for replacement applications.

The latest additions to our heat pump compatible range include triple panel, triple convactor K3 type 33 radiators, vertical radiators featuring vertical waterways designed to maximise heat output, and the Vento radiator with electrical fan convection. We have also recently launched fully electric towel warmer and vertical ranges, which, when coupled with a renewable source of electricity, can eliminate the need for fossil fuels during the lifetime of the product.



We are continuing to develop our product portfolio to make sure Stelrad provides highly capable products for the heating systems of the future.

## Supporting the future of home heating *continued*

### Partnering with others to maximise heating performance

System performance is driven by good design, with radiators sized appropriately to allow the heat source to operate most effectively.

Stelrad has developed its own basic and advanced heat loss calculation programmes to support all specifiers in optimising radiator selection no matter what the building, the heat source, or the system temperature. This is easily accessible online and provided free of charge.

Consultants and architects can also benefit from Stelrad's Continuing Professional Development ("CPD") courses which provide training on making the most appropriate radiator selection for a given situation. We have also made a significant investment in our Building Information Modelling ("BIM"), allowing designers to incorporate our products into their building models during development.

We also work closely with leading housing developers and social housing providers, engaging with various stakeholders, including heating contractors and social housing residents. We aim to find the best possible solution when considering various factors such as budget, ease of installation and operation, and long-term heating system effectiveness. We provide radiator expertise, offering a full heating system design service with the intention of ensuring that future occupiers benefit from cost-effective performance that also reduces the impact on the environment.

### Case study: Southway Housing Trust

#### Major apartment developments show the potential of pairing radiators with ground source heat pumps

Two major "extra care" apartment developments by Southway Housing Trust in Manchester are seeing radiators paired with ground source heat pumps, to provide heating for over 55s who are moving into brand new apartments which may be their homes for life.

Gorton Mill House in Gorton and Dahlia House in Burnage are rapidly taking shape on brownfield sites in Manchester with the aim of providing zero carbon sites. Southway Housing Trust has taken the decision that, wherever possible, none of its future new build properties will have gas as the source of heating and hot water and is 100% dedicated to renewable heating and hot water systems for its tenants in the years to come.

Paul Maidment from Southway Housing Trust says: "These developments are the results of a policy decision we have taken to utilise renewable heating and hot water systems in all our new build properties. But we are keen to provide equipment in our homes that is most suitable to the demographic of the likely householders who live in our properties, and we have thought this through very carefully. One major outcome of this was that we decided we wanted to utilise modern, efficient radiators to share the heat around our homes because nowadays radiators are aesthetically pleasing and can be part of the décor rather than simply heat sharing appliances. They are familiar to most of our tenants and moving into a new home with us they will feel immediately comforted by the fact that, even if the driver of the heating system is new, modern technology, it all looks and feels the same as the heating systems they have had in their homes before."

### Case study: My Home Farm

#### My Home Farm renovation shows the power of choosing the right products

Kirsten and Mars left London to discover a new, slower-paced life in the countryside and now share renovation and lifestyle experiences with followers of their My Home Farm blog, YouTube and Instagram channels.

To be environmentally conscious and financially economical over the long term, they switched from oil central heating to an air source heat pump supported by solar PV. Radiator sizes originally chosen for some rooms were unsuitable, prompting Stelrad to suggest installing triple panel, triple convector K3 radiators.

"We could feel the difference from the moment we replaced the previous radiators with the K3s from Stelrad. Heating for us is all about comfort and sustainability, and if you have the heating on full and still need to wear two jumpers, it's just not working efficiently," says Kirsten. "It was so important to us to get expert advice and then get the right equipment fitted to ensure we were getting the maximum performance from our air source heat pump. Our garden room was really chilly even with the heating on and we avoided using it. Now we can feel the heat the K3s generate simply by walking into the room, giving us back a whole living space. We had no idea that a radiator would literally mean we could reclaim a big part of our house that we love and now can enjoy every day no matter what the weather is like outside."

### Case study: Operational impacts

#### Reducing our reliance on gas

This year we completed a five-year £175k upgrade project to install 16 modern, fully modulating gas burners on the electrocoat ovens in our manufacturing site in Mexborough, UK. These ovens are used to cure the paint on our products and are an integral part of the manufacturing operation. The older burners were not only less energy efficient but difficult to maintain due to their age. We anticipate that the new equipment will result in gas savings of at least 10% compared to the older units and in 2022 we will investigate alternative heating systems in the factory offices to further reduce our gas reliance across the site.



## Minimising our environmental impacts

We reduce our own carbon footprint by focusing on energy, waste and water in our operations and the resources needed to produce, package and transport our products.

At the same time as recognising the role we can play in the transition to low carbon heating, we are resolutely focused on our own operational environmental impacts and those of our products. Our aim is to drive ongoing efficiencies throughout our business and work with others to reduce our overall environmental footprint.

To date we have concentrated on energy and resource efficiency in our operations by embedding environmental and energy management systems at our major sites in the UK, the Netherlands and Turkey, and now we are working hard to better understand the indirect and lifecycle impacts of our operations and products so that we can work with our suppliers and customers to continually improve environmental performance across all our activities.

A key priority is understanding and reducing emissions of the greenhouse gases that contribute to climate change and aligning our ambitions with global efforts. To that aim, we are fully supportive of government targets to reach net zero, and the next step for us is scoping out our future contribution to these targets.

## Our progress and key initiatives

Over the last twelve months, our focus has been on improving our understanding of our operational impacts, a significant step which will enable us to identify target areas and improve overall performance. Whilst we have previously reported Scope 1 and 2 carbon emissions for our UK operations in line with Streamlined Energy and Carbon Reporting (“SECR”), this has since been expanded to include data from around the Group. This enhanced data collection now includes energy, carbon, water and waste, contributing to the KPIs in this report and establishing our baselines in these important environmental impact areas.

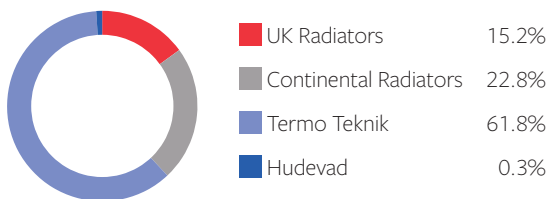
This focus on a full understanding of our impacts will continue into 2022, with two projects designed to understand our impacts up and down our value chain. Firstly, we will begin recording relevant Scope 3 emissions which we will report in future. This will also enable us to identify priorities and set targets that map out our journey to net zero. Secondly, full lifecycle assessments will begin across our product ranges with a view to reducing impacts across the product lifecycle and determining a suite of Environmental Product Declarations.

### Total Group Scope 1 and 2 carbon emissions, 2021

## 25,441 tCO<sub>2</sub>e

**Total carbon intensity**  
**0.17 tCO<sub>2</sub>e** per tonne of product produced

#### Emissions (tCO<sub>2</sub>e) by operating division (%)

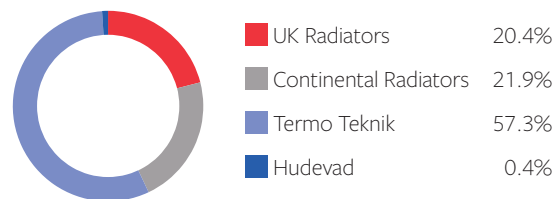


### Total Group energy use, 2021

## 95,746 MWh

**Total energy intensity**  
**651 kWh** per tonne of product produced

#### Energy split by operating division (%)

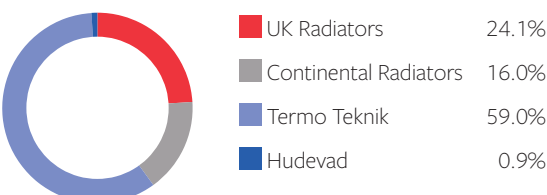


### Total Group waste generated, 2021

## 7,911 tonnes

**Total waste intensity**  
**53.8 kg** per tonne of product produced

#### Waste split by operating division (%)

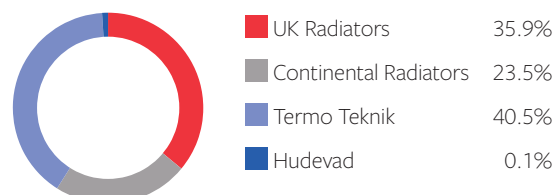


### Total Group water usage, 2021

## 77,863 m<sup>3</sup>

**Total water intensity**  
**530 litres** of water per tonne of product produced

#### Water split by operating division (%)



## Minimising our environmental impacts *continued*

### Energy in our operations

During 2021 we reported total global energy use of 95,746 MWh. This corresponded to total Group Scope 1 and 2 emissions of 25,441 tCO<sub>2</sub>e or 0.17 tCO<sub>2</sub>e per tonne of packed product. As this is the first year where this data has been collected for all sites, a Group comparison to previous years is not possible. However, the UK operation has seen total energy use increase slightly by 2.3% in 2021, reporting total energy use of 19,567 MWh in 2021 (2020: 19,129 MWh). However, when considered against increased output in 2021, as a consequence of increased demand following recovery after the initial impact of Covid-19, energy use per tonne of packed product reduced from 1.08 MWh per tonne in 2020 to 1.05 MWh per tonne in 2021.

In addition to ongoing energy efficiency upgrades and projects during the last year (see example case studies on pages 5 and 7) we recognise the important role that renewable energy sourcing plays in reducing our emissions. We made further progress during 2021, with all the electricity used in the UK coming from renewable sources and, by the middle of the year, our European warehouse in the Netherlands also switched to renewables. This means that energy from renewable sources now accounts for 9.25% of our Group supply.

Furthermore, we have undertaken a review of our company car policy with the aim of minimising fuel emissions. In the UK, all company cars are already sub-50g/km of CO<sub>2</sub> and in 2021, for the first time, all UK scheme members are now able to select an all-electric vehicle. Other countries will follow this lead and have, as an initial step, committed to ensuring all vehicles across the Group will emit less than 50g/km of CO<sub>2</sub> by 2025. We have also started offsetting carbon emissions that we cannot eliminate, as both the UK and Turkish operations participated in carbon offsetting projects, through which 600 trees were planted to offset 177 tonnes of carbon.

### Water and waste in our operations

Our water usage in 2021 was 77,863m<sup>3</sup> of water which equates to 530 litres per tonne of packed product. Nearly all (99.97%) of the waste that we generate is processed through recycling plants. In 2021 that waste totalled 7,911 tonnes, which equates to 53.8kg of waste per tonne of packed product. Along with energy and emissions, both water usage and waste generation are areas that we are collecting standardised data on for the first time. This enhanced data will enable better sharing and more consistent practices across the Group as our manufacturing and distribution operations continuously look for opportunities to improve.

This work will continue in 2022 and beyond and will be further supported by our plans to understand the full lifecycle impacts of our products. Additionally, the achievement during 2022 of the ISO 50001 energy management standard in our Continental Radiators division is a key goal.

### Managing impacts in our supply chain

Beyond our direct operations and while we work to quantify our impacts, we have identified packaging and the impacts associated with the steel used in our products as key supply chain issues.

Our steel suppliers currently use around 16% of recycled steel in their manufacturing processes and we are actively encouraging our suppliers to move towards the production of lower carbon steel. While many, especially those in Europe, are already advanced in their thinking here, others need more time to develop plans. We will continue to monitor this by engaging with our suppliers on the issue and looking for ways that we can contribute to this important transition. In the meantime, we are proactive in reducing our steel usage by building efficiency and substitution considerations into product design. The technical composition of steel is constantly evolving with Stelrad working in partnership with suppliers to reduce overall steel consumption through a combination of high strength steel (“HSS”) and reduced steel gauge, both of which are achievable without any compromise on product quality or performance.

Another target area in our supply chain is packaging. A key plank of our packaging work next year will be to bring together a working group with representatives from across the business who will help to coordinate our approach as we look to reduce material inputs, increase the use of recycled material and improve recycling rates up and down the value chain. In 2021, the UK began trials with its suppliers to introduce alternative polythene wrapping with 30% recyclable content, which were successful, and have led to similar trials in other locations.

#### Case study: Energy management



#### Managing energy efficiencies in manufacturing

During 2021, our manufacturing site in Çorlu, Turkey, became the second site to achieve ISO 50001. As part of this achievement, we carried out an energy audit with an independent expert. This helped to map out a five-year energy savings plan targeting significant reductions in electricity and gas usage by focusing on shorter-term “quick wins” as well as identifying medium and longer-term actions that will maintain momentum in our drive for continuous improvement. Our Turkish team has already started putting the plan in place, completing a number of relatively straightforward actions that are already resulting in significant energy savings. These include reducing the timer on infra-red heaters, switching to LED lighting and reducing air leaks in the operation, which together are projected to save over 300 MWh per year.



## Streamlined Energy and Carbon Reporting (“SECR”)

This report summarises our energy usage, associated emissions, energy efficiency actions and energy performance for the global Group operations over the 2021 financial year.

It also summarises the methodologies utilised for all calculations related to the elements reported under Energy & Carbon.

As of November 2021, Stelrad Group plc is a quoted Company. The business is now mandated to include energy consumption, emissions, intensity metrics and all energy efficiency improvements implemented in our most recent financial year in Group accounts moving forwards. An organisational boundary has been applied for the purposes of the reporting.

We are proud to say we achieved 99.98% verifiable data coverage and 0.02% of consumption data used for this global reporting has been required to be estimated to achieve 100% data coverage.

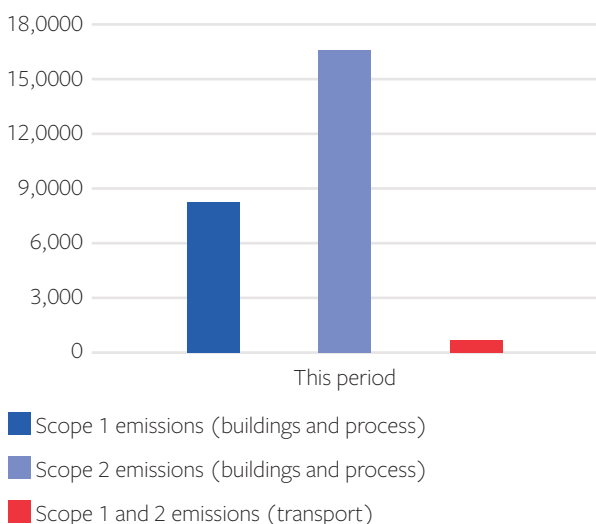
### Year 1

Stelrad’s Scope 1 direct emissions (combustion of natural gas and transportation fuels) for this year of reporting are 8,913.10 tCO<sub>2</sub>e, resulting from the direct combustion of 47,826,563 kWh of fuel.

Scope 2 indirect emissions (purchased electricity) for this year of reporting are 16,527.63 tCO<sub>2</sub>e, resulting from the consumption of 47,919,381 kWh of electricity purchased and consumed in day-to-day business operations.

Our global operations have an intensity metric of 0.17 tCO<sub>2</sub>e per tonnes of product produced for this reporting year.

### Scope 1 and 2 emissions (tCO<sub>2</sub>e): this reporting period



### Consumption (kWh) and Greenhouse Gas emissions (tCO<sub>2</sub>e) totals<sup>(1)</sup>

The following figures show the consumption and associated emissions for this reporting year for our global operations.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets, and on-site transport.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

### Totals

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

Utility and Scope	2021 Global consumption (kWh)
Grid-Supplied Electricity (Scope 2)	47,916,041
Gaseous and other fuels (Scope 1)	44,921,633
Transportation (Scope 1)	2,904,930
Transportation (Scope 2)	3,340
<b>Total</b>	<b>95,745,944</b>

The total emission (tCO<sub>2</sub>e) figures for reportable energy supplies are as follows. Conversion factors utilised in these calculations are detailed in the reporting methodology.

The Group have elected to voluntarily dual report for 2021 also, utilising market-based emission factors to demonstrate the current carbon position of the business. As the business increases the amount of renewable energy used throughout global operations, this will demonstrate the impact on the overall global carbon footprint.

Utility and Scope	2021 Global consumption (tCO <sub>2</sub> e) (location-based)	2021 Global consumption (tCO <sub>2</sub> e) (market-based)
Grid-Supplied Electricity (Scope 2)	16,526.94	15,389.10
Gaseous and other fuels (Scope 1)	8,236.45	8,236.45
Transportation (Scope 1)	676.66	676.66
Transportation (Scope 2)	0.71	0.71
<b>Total</b>	<b>25,440.75</b>	<b>24,302.91</b>

(1) Greenhouse gas emissions in tCO<sub>2</sub>e reporting includes carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), hydrofluorocarbons (HFCs), nitrous oxide (N<sub>2</sub>O), perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>).

## Streamlined Energy and Carbon Reporting (“SECR”) continued

### Energy consumption and emissions by location

		UK Radiators	Total non-UK
Grid-Supplied Electricity (Scope 2)		8,646,009	<b>39,270,033</b>
Gaseous and other fuels (Scope 1)	Consumption (kWh)	10,262,848	<b>34,658,785</b>
Transportation (Scope 1)		654,981	<b>2,249,949</b>
Transportation (Scope 2)		3,340	<b>0</b>
Grid-Supplied Electricity (Scope 2)		1,835.80	<b>14,691.13</b>
Gaseous and other fuels (Scope 1)	tCO <sub>2</sub> e (location-based)	1,879.74	<b>6,356.70</b>
Transportation (Scope 1)		147.05	<b>529.60</b>
Transportation (Scope 2)		0.71	<b>0.00</b>
Grid-Supplied Electricity (Scope 2)		0.00	<b>15,389.10</b>
Gaseous and other fuels (Scope 1)	tCO <sub>2</sub> e (market-based)	1,879.74	<b>6,356.70</b>
Transportation (Scope 1)		147.05	<b>529.60</b>
Transportation (Scope 2)		0.71	<b>0.00</b>
	<b>Consumption (kWh)</b>	<b>19,567,177</b>	<b>76,178,767</b>
<b>Total</b>	<b>tCO<sub>2</sub>e (location-based)</b>	<b>3,863.30</b>	<b>21,577.43</b>
	<b>tCO<sub>2</sub>e (market-based)</b>	<b>2,027.51</b>	<b>22,275.41</b>

### Intensity metric

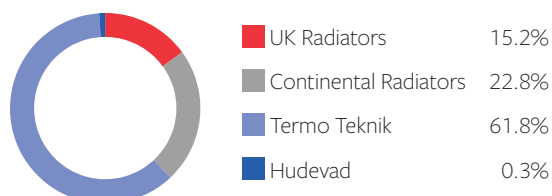
An intensity metric of tCO<sub>2</sub>e per tonne of product produced has been applied for our annual total emissions. The methodology of the intensity metric calculations are detailed in the reporting methodology, and the results of this analysis are as follows:

Intensity metric	2021 Intensity metric (location-based)	2021 Intensity metric (market-based)
tCO <sub>2</sub> e/tonne of product produced	0.17	0.17

### Global operations

Stelrad Group plc operates on a global scale, and has four main operating divisions, encompassing seven business units. The emissions of each operating division is detailed below.

### Emissions (tCO<sub>2</sub>e) by operating division (%)



### Reporting methodology

Scope 1 and 2 consumption and CO<sub>2</sub>e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value (“CV”) and kgCO<sub>2</sub>e emissions factors relevant for reporting year 01/01/2021 – 31/12/2021:

Database 2021, Version 1.0.

Where available, country specific emissions factors have been utilised for the global operational emissions of Stelrad Group plc. Residual emissions factors have also been used for non-renewable energy reported under market-based calculations, and where possible these have been sourced for the countries of operation for Stelrad Group plc.

Estimations undertaken to cover missing billing periods for properties directly invoiced to Stelrad Group plc were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 0.02% of reported consumption.

Intensity metrics have been calculated utilising the 2021 reportable figures for the following metrics, and tCO<sub>2</sub>e for both individual sources and total emissions were then divided by this figure to determine the tCO<sub>2</sub>e per metric:

- UK Radiators tonnage of product produced 2021 18,672
- Termo Teknik tonnage of product produced 2021 101,633
- Continental Radiators tonnage of product produced 2021 26,733



## Building an exceptional workforce

We empower our employees to be the best they can be, prioritising their safety, wellbeing and development, and promoting equality, diversity and inclusion.

Stelrad's people are the lifeblood of our organisation. As such, our success or failure as a business is intrinsically linked to our ability to attract, nurture and retain a happy and talented team. This is something that we can directly influence by maintaining high labour standards and respecting rights, prioritising safety and wellbeing, promoting equality, diversity and inclusion, and empowering our employees to be the best they can be.

Achieving this ambition has never been more important than during the last two years. The ongoing pandemic has presented an unprecedented challenge that has required increased flexibility and exceptional communication with all employees. During this time, our number one priority has been to protect the health and wellbeing of our staff and contractors and the communities in which we operate. However, the pandemic has also had some positive outcomes. For example, it has accelerated our understanding of the benefits of flexible working, and we are now committed to embedding flexible working arrangements into our "business as usual" to support our broader diversity and inclusion aims. We recognise we can build further upon this strong base and in 2022 we plan to develop our health and wellbeing and employee engagement programmes.

We are really proud of the talented, dedicated and stable teams we have built. Our low labour turnover rates are testament to our belief in paying competitive salaries, providing good working conditions, and investing in training and development. All of this is underpinned by strong and collaborative industrial relations, where employees at our three major sites are represented by trade unions.

Safety and wellbeing is also a cornerstone of our business. In 2022, we intend to double down on our goal of zero harm and build on this by cultivating a wellbeing culture in the business that promotes both physical and mental health. This will support our aim of strengthening employee engagement, which we will also do by establishing more structured mechanisms to listen to employees and act on their feedback.

### Case study: Ongoing development

#### Using internships to benefit our business

We use internships extensively across our business to foster links to local education and provide a steady flow of talented individuals from different backgrounds to our business. In 2013, Martyn Slaghuis completed an internship in our European technical department at our Nuth manufacturing facility in the Netherlands as part of his mechanical engineering studies. Under the guidance of experienced colleagues, he developed into a fully fledged mechanic, working full time in the department. Martyn displayed significant potential and in 2017 began a university-level engineering qualification which we helped to facilitate. On successful completion of his course, and following further coaching, we were delighted to promote Martyn to the position of Maintenance Manager this year and look forward to developing his career even further with Stelrad. As Martyn says in respect of opportunities at Stelrad: "If you want it badly enough there are no limits to what you can achieve."

## Primary measures

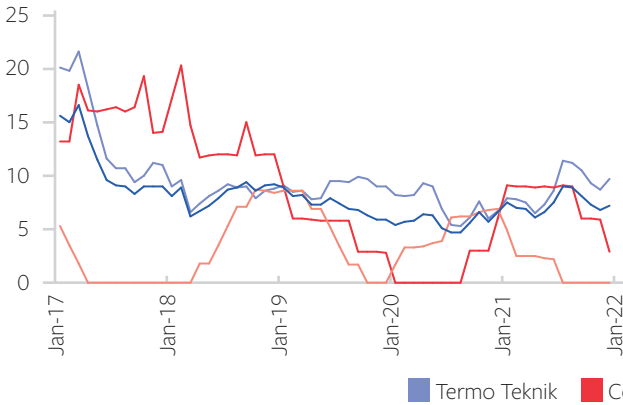
Our primary measures related to our accident performance are the lost time frequency rate ("LTFR") and the lost time severity rate ("LTSR"). Any accident resulting in an employee not being able to attend work the following day is regarded as a lost time accident.

People metrics	2021 %	2020 %	National average
<b>Absence</b>			
- UK	2.76	2.36	1.80% (2020)
- Netherlands	8.42	5.60	6.00% (2020)
- Turkey	6.53	14.12	—
<b>Labour turnover</b>			
- UK	9.18	5.58	17.00% (2021) / 8.10% (2020)
- Netherlands	4.10	3.06	—
- Turkey	6.25	2.60	—
<b>Training days per person (days)</b>			
			Target
- UK	4.34	0.97	3 days
- Netherlands	3.25	4.30	3 days
- Turkey	1.45	1.36	2 days

## Building an exceptional workforce *continued*

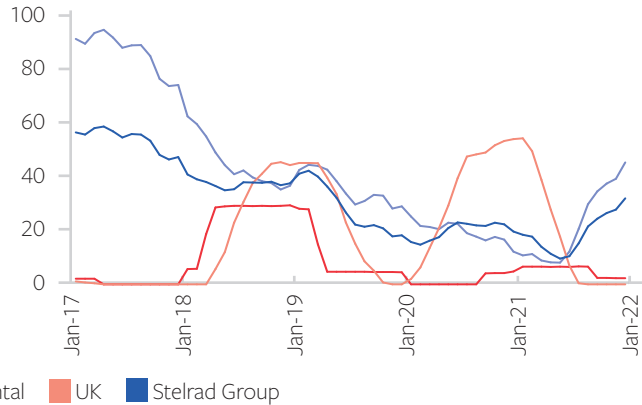
### Lost time frequency rate – five years

**LTFR calculation:** Lost time accidents in a rolling twelve-month period x 1,000,000/hours worked in that period.



### Lost time severity rate – five years

**LTSR calculation:** Working days lost in a rolling twelve-month period x 200,000/hours worked in that period.



## Our progress and key initiatives

### Health, safety and wellbeing

There is nothing more important than ensuring our people come to no harm. As a manufacturing business there will always be risks, but our actions can minimise those risks. Our approach to safety is driven by the Board and firmly embedded within our business culture. This culture promotes continuous improvement, exemplified this year by the upgrade of guarding standards (detailed in the safety case study on page 12).

In July, our UK operations successfully transitioned from BS 18001 to ISO 45001. This resulted in a wider range of people becoming engaged in the management of safety and contributed to the achievement of one full year with zero lost time accidents. This confirms that our goal of zero harm is achievable. Across the Group, both our UK and Continental divisions significantly reduced their lost time frequency rate (“LTFR”), offsetting an increase in Turkey, and resulting in overall Group performance falling back from 6.61 (2020) to 7.19 per million hours worked. Frequency and severity rates in our Turkish operations were impacted by several lost time accidents in May, September and December. Our review identified the problem as a rapid increase of production to satisfy customer demand, requiring a significant increase in headcount. The immediate focus in 2022 is to continue the long-term downward trend in both lost time accident frequency and the lost time severity rate.

Over the coming year, our commitment to safety will continue, and we will increase our focus on employee wellbeing by training and embedding mental health champions, rolling out Group-wide mental health awareness training, and enhancing our employee assistance programmes. The Covid-19 pandemic has shone a light on the importance of mental wellbeing and resilience in the workplace, and we are looking forward to developing further support mechanisms for our colleagues in these areas.

### Employee engagement

Building relationships based on trust, integrity and two-way communication is integral to our employee engagement approach. All three of our major sites have established strong positive relationships with trade union partners for collective bargaining purposes and we actively encourage employee representation. We also recognise the importance of exposing Board members to the concerns and ideas of the workforce. We will address this in 2022 by having all Non-Executive Board members visit our factories and spend time with local management and employees.

We also invest heavily in our people. In the UK and the Netherlands, we pay above national minimum rates for all roles, and we regularly benchmark our rates to ensure they are correctly positioned. In Turkey, all established employees are paid in excess of the national minimum rate, while new entrants are placed at the minimum rate for a short period whilst training before moving up our pay scales. We encourage and support employees to constantly develop and improve and are determined to promote career progression success stories (as shown in the case study on ongoing development). While we have seen a notable decrease in training days per person over the last two years, this is attributed to the restrictions imposed by Covid-19, and we are planning to recover this in the short term.

Our commitment to employee engagement and development is reflected in our performance, which, although impacted by Covid-19 in 2020 and 2021, still compares favourably with peers. Absence rates in the UK and Continental units were not substantially increased and remain in line with expected national averages, and in Turkey absence rates reduced in 2021 from a significant Covid-19 related spike in 2020. Whilst all three sites showed increases in labour turnover in 2021, the UK is significantly below the 2021 national average figure, whilst the increase in Turkey represents a return to long-term averages after an unusual year. In 2022 we intend to build on the existing employee engagement practices; we will conduct our first UK employee survey and will implement an employee engagement briefing at Board level. These two initiatives will ensure that everyone has a chance to provide feedback and highlight any key areas for improvement and will ensure that workforce wellbeing is monitored by the Board.

### Diversity and inclusivity

Over the last twelve months, we have made some good progress in pursuit of our ambition to promote equality, diversity and inclusion throughout our business.

### At Board level

Notable progress was made during the year on addressing female representation at the highest level, with two of our three new independent Non-Executive Directors being women. As outlined in our Nomination Committee Report on page 58 of the Annual Report 2021 we prioritised diversity as an essential consideration when undertaking the search for the new Non-Executive Directors. The Company sees great value in having a diverse and inclusive Board, enabling us to draw on different perspectives and backgrounds as part of our decision-making processes. We have committed to considering diversity and inclusion in all forward-looking Board membership processes, including skills, experience, gender, ethnicity, age, sexuality, disability, education and background. This is important as the Board is committed to maintaining a culture where all our team members feel supported, included, valued and recognised as Stelrad employees and as individuals. Our Board, Nomination Committee and Human Resources team work together to set diversity objectives and strategies, monitor their progress, and set the tone of Group culture from the top of the organisation.

### Opening up opportunities

Highlights of the year include our involvement in the UK Government's Kickstart Scheme. Through this programme, we have created five six-month work placements for young people who are at risk of long-term unemployment. Opening up opportunities for young people from different backgrounds benefits our business, as diversity is an ingredient for financial success, as well as allowing us to contribute to reducing inequality in wider society. Two of the four young people recruited to date are female and have commenced work in our warehouse in what was previously an entirely male environment. We have also signed up with the UK Government as a Disability Confident employer, demonstrating our commitment to taking action to improve how we recruit, retain and develop disabled people.

### Promoting diversity in our industry

When it comes to gender equality, we, like the wider engineering sector, face considerable challenges in attracting women into technical roles. We remain proactive in addressing the challenges we face through our work on STEM initiatives with local schools, colleges and training bodies. In August 2021 our UK business hosted a STEM event in conjunction with local schools, aimed specifically at encouraging more females into STEM careers. Outside the UK we are equally committed to our diversity and inclusion ambitions. In the Netherlands we hosted events aimed at identifying work opportunities for young people with disabilities and we have hosted factory tours aimed specifically at attracting refugees into our industry. In Turkey we have strong links with the local technical college and have hosted several factory tours and career Q&A events. We aim to build on these initiatives and relationships as we continue to look at how we can attract more diverse talent into our business and support the wider sector to do similar.

### Gender pay gap

In respect of gender pay gap reporting in the UK, our main UK employer, Stelrad Limited, with a headcount of 188 employees, was below the mandatory reporting threshold of 250 employees on the snapshot date of 5 April 2021. However, we recognise the importance of gender pay gap data in our pursuit of equality, diversity and inclusion, and therefore we report the gender pay gap statistics of Stelrad Limited on a voluntary basis in order to monitor progress. For the purpose of evaluation, we have compared our 2021 data with that from 2019, as the 2020 data is unrepresentative due to a significant number of employees being on furlough at that time. In 2021, the mean gender pay gap improved to -1.8%, meaning that the mean hourly rate for women was higher than that of men, from 10.9% in 2019. The median pay gap reduced to 2.8% from 14.5% in 2019.

These figures exclude our other UK employer, Stelrad Management Limited, which had 15 employees as of 5 April 2021. For future snapshot dates, commencing 5 April 2022, we intend to publish a single gender pay gap report on our website that includes all employees of our UK entities. Whilst we have made good progress in improving our gender pay data, we recognise that we still have much to do. As of 31 December 2021, we had 217 employees on our UK payrolls. 81% of these were male and 19% were female. However, there is stronger representation in sales, general and administrative positions, where 41% of the workforce are female. 95 of our 217 employees work in these positions.

### Community investment

An important part of the culture at Stelrad is making a positive contribution to the neighbourhoods and communities we operate in. To support community relations, the business allocates an annual Community Investment Fund, which is then managed by local teams. For example, in the UK, this is managed by the Social, Charity and Community Forum, a group of employee volunteers from all areas of the business. This fund is used for charitable sponsorships, social enterprises and education, including supporting individual causes raised by employees, such as providing financial assistance to a colleague whose home was one of 2,300 damaged during the flooding in Valkenburg.

### Case study: Safety



### Improving safety through upgrades and process automation

A key focus this year has been on updating machine guarding, in order to improve safety and introduce additional process automation. A set of Group Machine Safety Standards has been created and externally audited by guarding specialists, and this has prompted upgrades at all three manufacturing sites. This work will continue throughout 2022 and beyond.

The work includes eliminating possible reach points where employees could come into contact with equipment; upgrading guarding switches to modern "dual channel" specification; reconfiguring perimeter guarding to allow better employee access; and improving visibility of the machinery from a safe distance. All three manufacturing sites carried out upgrade projects including: work in the UK to complete one of its production lines, and the first half of a second line; Continental work on production line robot cells, packaging line robot cells and shrink-wrap ovens; and work in Turkey to complete the guarding replacement on one of its lines, as well as two robot cells.

## Maintaining high standards of business

We manage the Group for the benefit of all stakeholders through high ethical and corporate governance standards and a culture of accountability, integrity, transparency and responsibility.

We uphold high ethical and corporate governance standards by establishing and embedding a culture of accountability, integrity, transparency and responsibility that ensures the Group is managed for the long-term benefit of all stakeholders.

Good governance is integral to ensuring the long-term sustainability of the Group, and the CEO takes ultimate responsibility for our sustainability strategy. He is supported in this by the other members of the Board, local management and a dedicated ESG working group. Details of the Board and the work of the established Committees are shown on pages 50 to 53 of the Annual Report 2021.

### UK Net Promoter Score, 2021

# 32.3%

(UK all sector average: 21.2%)

### Our progress and key initiatives

Our business and employee activities are governed by our revised Group Code of Conduct which will be reinforced during 2022 to all parts of the business and supported by training to embed it into our culture. The Code of Conduct sets out our policies and procedures and helps to ensure that all employees can act according to Stelrad's values. The Code of Conduct is supported by several policy documents, and the case study below highlights work undertaken to review these documents during 2021. Each of our policies are supported by training programmes. The policies in operation include:

- the whistleblowing policy;
- the conflicts of interest policy;
- the anti-bribery and corruption policy;
- the modern slavery statement;
- the health and safety policy;
- the environmental policy; and
- the accounting and tax policy.

The processes and values within these policies are then embedded within our management systems. Where possible, we engage with accreditation bodies to certify that our systems are in line with recognised best practice, which has led to most areas of the business holding ISO 9001, 14001, 45001 and 50001. During 2021, Termo Teknik in Turkey became the latest site to achieve an ISO 50001 certification, with the Continental Radiators division also aiming to achieve this in 2022. The certifications held by each site are subject to external audit verification, with any areas of non-compliance actively addressed ensuring our processes are kept up to date.

### Case study: ESG performance

#### Working with our customers to raise standards

We are working with our customers on a range of initiatives to benchmark our ESG performance, leading to the identification of priorities for the future. An example is that, in 2021, our three main manufacturing sites each completed an EcoVadis sustainability assessment for the first time. We are pleased to note that both the UK and Continental sites achieved silver awards, indicating that our historical approach has provided a good foundation for future development.



### ESG governance

During 2021, several actions were taken to further improve our management of sustainability matters throughout all layers of the business. Firstly, a consideration in the recent appointments to the Board was experience in sustainability. This strengthened the knowledge and skill set of top-level management in this area. In addition, an international ESG working group was formed, which will focus on the development and implementation of our ESG strategy in all business units, reporting on progress to the Board.

This working group is formed of representatives from our three main divisions, and from across the Operations and HR functions. These representatives are key to ensuring all aspects of our business are considered in the strategy development process, and in working with local management to implement change in pursuit of our sustainability aims.

### Case study: Strengthening a Group-wide culture

#### Achieving consistent standards

Our historical approach to policy setting has been to blend centralised direction with local knowledge and expertise. This has allowed us to address the local needs of stakeholders more directly, with a mix of a top down and bottom up approach that encourages stakeholder engagement and input. During 2021, we undertook a review of our existing policies with the recognition that greater consistency was needed between sites to promote our culture more effectively. This has resulted in the updating or creation of several Group-wide documents that have been rolled out across our site teams to support existing processes and encourage a consistent standard for all employees.



## Climate-related financial disclosures: TCFD statement

In line with our pillars focusing on minimising our environmental impact, as well as maintaining high standards of business by constantly assessing future risks, we acknowledge and support the requirement for UK companies with a premium listing to make disclosures consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”). Stelrad supports the transition to a zero carbon global economy, and we are aware of the need to reduce our exposure to climate-related risks. Whilst we are still in the early days of embedding the TCFD recommendations, we are committed to using this framework as part of our strategy to mitigate risks and adapt to opportunities.

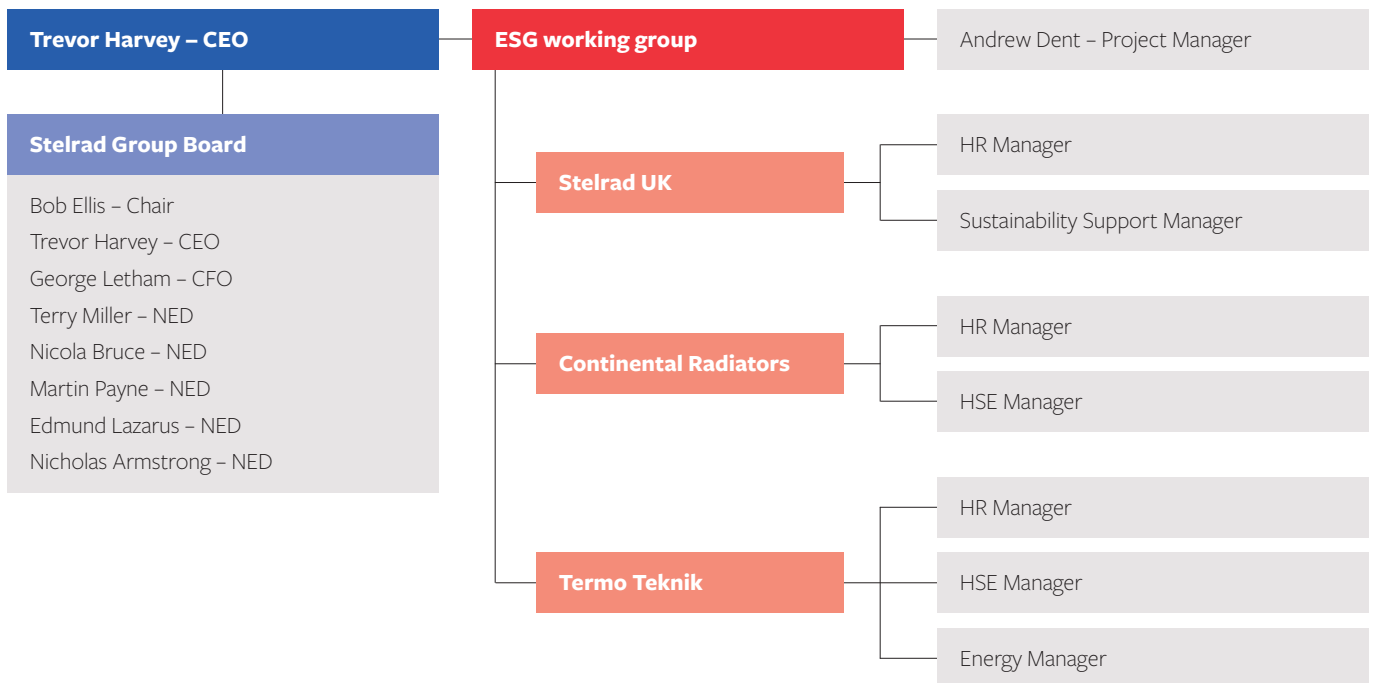
This section responds to our regulatory obligation to make disclosures aligned with the recommendations of the TCFD. We share disclosures according to the four overarching pillars set out by the TCFD, and where we have encountered technical or transitional challenges in addressing the eleven underlying recommendations, we have provided commentary on our workstreams to achieve full alignment.

We share disclosures against all four thematic areas below, and already share commentary on existing workstreams that align with several of the eleven underpinning recommendations. We intend to deepen our integration across the four areas and eleven recommendations of the TCFD over the next financial year, as we increase our reporting as a newly listed company from November 2021. Through this process we have identified multiple climate-related risks, including the impacts on manufacturing facilities of floods or other natural disasters, and the legislative changes being implemented in support of the decarbonisation of the economy.

### Governance

Stelrad is aware of the need to oversee and govern climate-related risks and opportunities. Climate change and climate-related risks and opportunities are governed as part of the wider ESG strategy, as well as through our approach to risk management more widely. The CEO has overall responsibility to lead the development and implementation of the Group’s ESG strategy and policies, including successful response to identified risks and opportunities. The Board has oversight of the risk process, and updates or changes to significant risks, including climate risks, are included as a standing agenda item in scheduled Board meetings. The Audit & Risk Committee assists the Board in the oversight of the risk process. Operational management assists in the identification of emerging risks and implements any agreed mitigating actions.

Our Commercial Project Manager is responsible for producing a monthly ESG Highlights Report, which incorporates our projects relating to climate change, climate risk, and mitigation and adaptation, and which is reviewed by the Board, with specific project updates presented in person on a quarterly basis. The Board and our Project Management function are exploring new opportunities for cross-functional roles and tasks to strengthen our approach to climate mitigation and climate risk-related projects, and our reporting, across the spectrum from climate change training to data management.



## Climate-related financial disclosures: TCFD statement *continued*

### Strategy

Our overall strategy is outlined on pages 14 to 15 of the Annual Report 2021, and our support for the future of home heating on pages 4 to 5. The Board is committed to the need to evaluate climate-related risk and opportunity in the ongoing development and delivery of our strategy. We have identified areas of opportunity related directly to the mitigation of climate change, through our role in supporting the low carbon economy. These sections reflect the business opportunity related to the transition to low carbon heating, which represents a direction of growth for us. The drivers for these market conditions are becoming embedded in international climate policy, including the European Green Deal and the UK Net Zero Strategy, suggesting that they will persist and support our chosen strategy over the medium to long term. This situation is constantly monitored to ensure our strategy remains relevant.

Moving our business strategy in a low carbon direction is a response to the clear opportunity raised by international policy and consumer response to the climate crisis. It also offers a risk mitigation mechanism for the business as we can diversify our income dependencies towards a wider range of markets.

### Risk management

The TCFD separates physical risks – those related to the impact of climate change such as disruption to manufacturing or supply chains due to extreme weather – and transition risks – those caused by regulatory changes. There is the potential for both types of risks to impact on Stelrad, but the probability of regulatory changes in our sectors is high, and the likelihood of these changes ensures that transition risks are seen as more significant to Stelrad.

The identification, assessment, management and mitigation of climate-related risks fall within our wider Enterprise Risk Management (“ERM”) process, more details of which can be found on pages 40 to 44 of the Annual Report 2021. Our ERM approach captures some of the potential physical and transition risks and opportunities related to climate, including risks to assets, markets and reputation.

The process for managing these climate risks and opportunities is fully integrated into our wider risk management approach, which is described on pages 40 to 44 of the Annual Report 2021. There are two principal risks, related to “business disruption” and “political environment and climate change”, included in this report that could be described as climate related (see pages 41 and 44 of the Annual Report 2021). As we continue to evaluate our emerging and principal risks, we will continue to monitor our exposure to climate-related risks, with the expectation of more developed reporting on this area in future years.

### Metrics and targets

We have previously reported on Scope 1 and 2 emissions in a limited way, and this report includes full reporting on Scope 1 and 2 emissions for the first time (see page 8). This section also includes several metrics related to our environmental impact.

### Future TCFD priorities

Our focus in 2022/23 is to develop our approach in relation to each of the four pillars and the eleven recommended disclosures, with a particular focus on:

- defining the division of responsibilities for ESG matters at Board level, and including this in job roles;
- further articulating the key climate-related risks and opportunities for our business, and how they relate to the achievement of our strategic objectives and our financial performance;
- undertaking scenario analysis to assess our strategic resilience, conducted following recognised best practices;
- separating out climate-related risks and opportunities within our ERM governance process; and
- developing methodologies to capture our emissions in the most material Scope 3 categories, and using enhanced lifecycle data to develop coherent and ambitious metrics and targets in climate-related areas, including a timeline to becoming net zero.



Moving our business strategy in a low carbon direction is a response to the clear opportunity raised by international policy and consumer response to the climate crisis. It also offers a risk mitigation mechanism for the business as we can diversify our income dependencies towards a wider range of markets.



## Developing our ESG approach: next steps

Beginning in January 2022, we will be working with specialist consultancy Design Portfolio to conduct a detailed review of our ESG activities and plans and develop a fully fledged ESG strategy for Stelrad. Building on our progress to date, our aim is to create a holistic, long-term strategy that is fully aligned to our corporate aims and the needs of our stakeholders, as well as identifying our national and international ambitions and the standards with which we want to align.

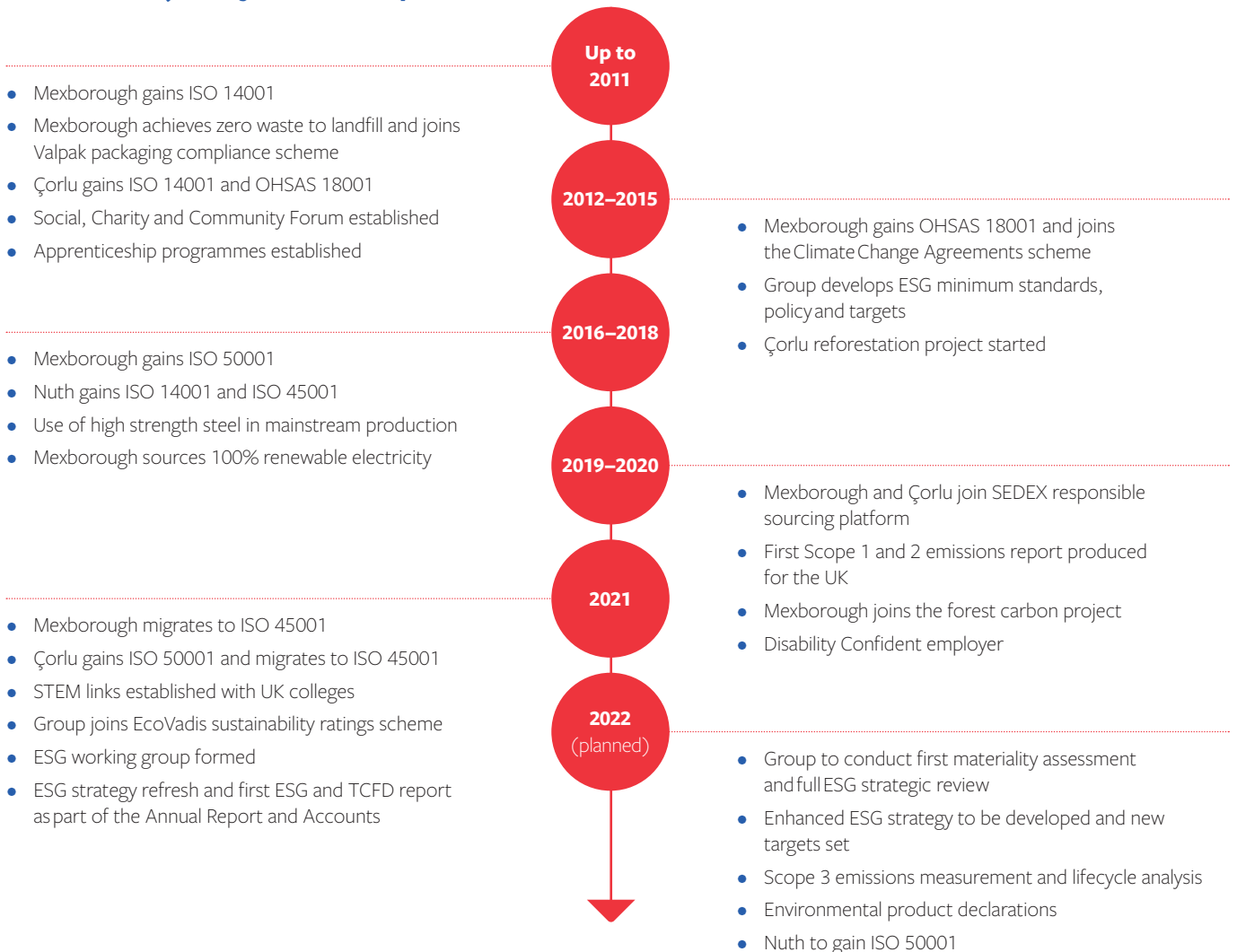
By putting our first in-depth materiality assessment at the heart of the process, we aim to ensure that our new strategy addresses priority risks and opportunities and the issues that matter most to our business and our stakeholders. We will be engaging widely with internal and external stakeholders to understand their views, conducting a business impact assessment of the risks and opportunities that have the potential to affect Stelrad, and undertaking a comprehensive review of internal and external factors and trends that may be crucial to our strategy. The strategy that we develop will outline our ESG priorities, the targets that we are

setting out to achieve, our plans for progressing our goals and how we will measure our performance along the way. As such, it marks an important milestone in the ongoing integration of sustainability into our business.

Our immediate plans also continue apace. We know how important it is going to be for our future to fully understand our ESG impacts as a business. From an environmental perspective, having measured our global Scope 1 and 2 greenhouse gas emissions for the first time in 2021, we have put in place plans for next year to conduct an initial assessment of our indirect Scope 3 emissions and a lifecycle analysis of our products for the first time. This will help to pinpoint where our biggest impacts are in the process of bringing our products to the market – from the steel we process and energy we use in our operations, through to how we package and transport our products – and the steps we can take to reduce these.

It promises to be a busy and exciting year ahead, and we are already looking forward to sharing our new strategy and progress with you.

### Stelrad's ESG journey and next steps





Stelrad Group plc  
69-75 Side  
Newcastle upon Tyne  
Tyne and Wear  
NE1 3JE