



**Leading with
our purpose.
Delivering on
our strategy.**

Establishing the foundations for sustainability

Trevor Harvey

Chief Executive Officer



Highlights of 2022

- Increase in the proportion of energy from renewable sources from 9.0% in 2021 to 52.2% in 2022, contributing to a reduction in market-based carbon intensity of 61.2% (see page 8)
- First measurement of indirect Scope 3 emissions in the UK (see page 8)
- Supplier auditing process established, with 20% of major Group suppliers audited in 2022 (see page 12)
- Employee engagement survey completed in the UK, with 92% of employees responding (see page 9)
- Our manufacturing site in the Netherlands gained ISO 50001 certification (energy management)

Next steps for 2023

- Development of sustainability metrics, including setting of targets
- Expansion of Scope 3 emissions measurement to include all business units
- Investment in renewable electricity generation projects
- Review of Group training and development schemes
- Roll-out of supplier audit process to all business units

Introduction to our Sustainability Report

I am pleased to report significant progress in sustainability at Stelrad this year. Using our findings from a stakeholder materiality assessment, we have renewed our sustainability framework to address the issues of greatest importance to our stakeholders and our business. This is enabling us to target future actions to support our sustainability priorities and our core purpose of helping to heat homes sustainably.

We have also strengthened our sustainability governance. Our sustainability working group is now complemented by a newly appointed Group Sustainability Manager and a sustainability steering group made up of senior managers across a range of functions within our business. This steering group is responsible for driving our sustainability actions across Stelrad and helping us achieve our longer-term sustainability goals.

In 2022 we made a lot of progress building our understanding of our overall impacts across our whole business. This included our environmental impacts; for example, we measured our lifecycle impacts and Scope 3 emissions in the UK for the first time. We also built understanding of our supply chain by conducting supplier audits and expanded our methods of collecting feedback from our employees. Each of these workstreams will pave the way for targeted and impactful actions in future years. This work will also be key in the development of an expanded set of sustainability metrics and targets to be developed in 2023.

This year hasn't only been about developing the foundations for future improvements, we have also taken significant steps on reducing the impacts of our energy usage. A particular highlight is the expansion of our renewable electricity purchasing, contributing to our market-based Scope 2 emissions falling by 99%. We will build on this in 2023 by investing in renewable electricity generation and working to further increase the share of energy provided by renewable sources. We have also seen reductions in our Scope 1 and 3 carbon emissions although these are largely a result of reduced production volumes. Our goal is to decouple our future emissions from our production volumes, reducing our carbon intensity.

This year has also been characterised by a challenging economic environment for our employees. In response to the pressures of the rising cost of living and hyperinflation in Turkey, we decided to support our employees even more. In 2022 we implemented a bi-annual pay review in Turkey and brought forward our salary review in the UK. These actions are useful examples of our culture in practice: acting with integrity and empathy and putting the people and businesses we serve at the centre of everything we do.

Finally, a word on safety. This remains our number one priority and we have seen areas of strong progress this year. The number of lost time incidents and the total number of accidents reduced, with the UK achieving a second year with zero lost time incidents. We also acted to reinforce our safety culture even further – focusing on the reporting of hazardous conditions and near misses. I am hopeful that these actions will help to progress us towards our goal of doing zero harm.

Trevor Harvey
Chief Executive Officer
13 March 2023

FIT FOR THE FUTURE

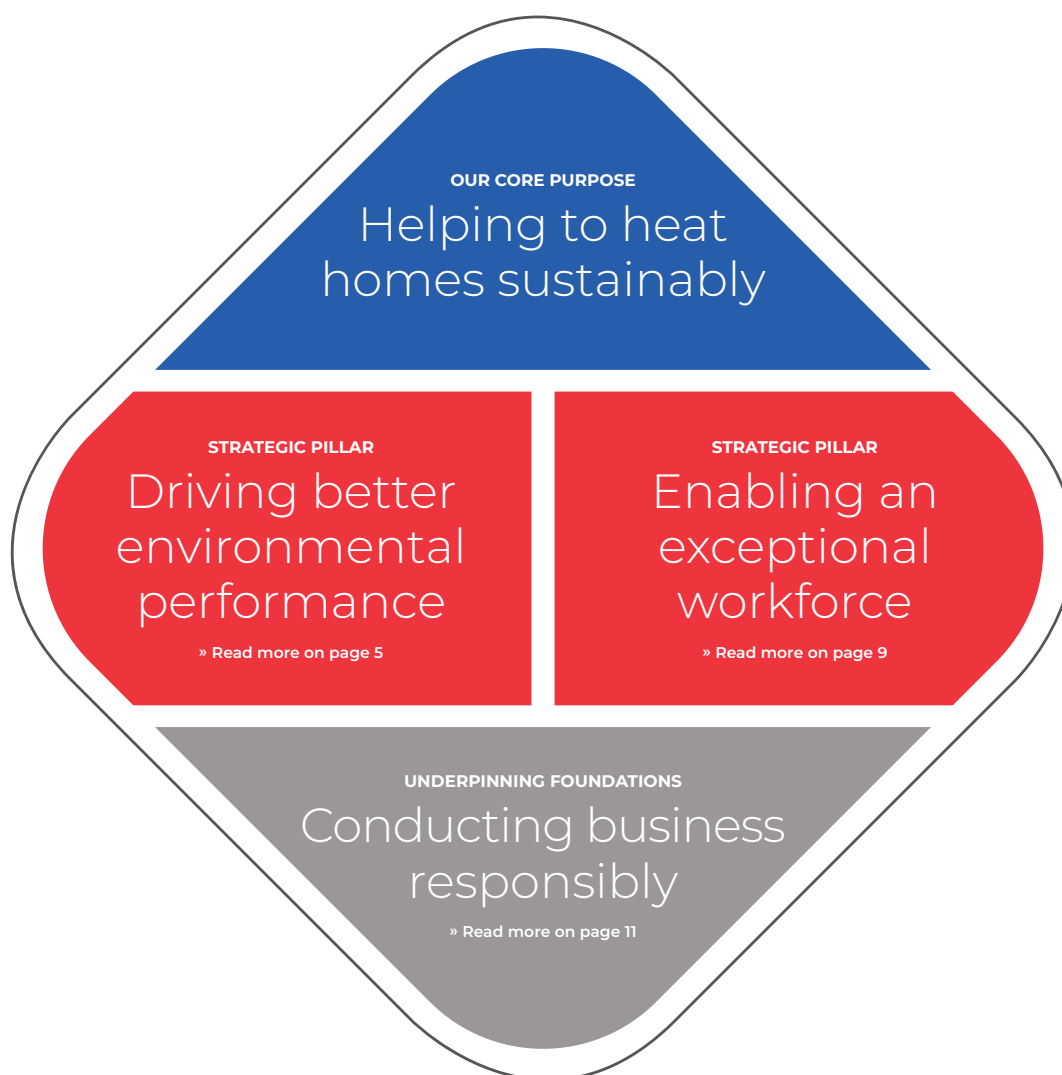
Our commitment to sustainability

Our strategy is aligned with and depends upon the responsible treatment of all stakeholders and the natural environment.

Focusing on the material issues for Stelrad and its stakeholders, our Fit for the Future sustainability framework represents an evolution of our historical ways of working. It is centred around our core purpose: **helping to heat homes sustainably**. This reflects our vision of the significant role we can play in facilitating the transition to a low and zero carbon heating industry.

Our framework sets out our approach to delivering our business strategy whilst also delivering on our sustainability commitments to stakeholders and the environment. Fit for the Future comprises two strategic pillars. The first, "Driving better environmental performance", will focus us on reducing our impact on the environment whilst also engaging, educating and influencing others throughout the value chain to achieve an effective transition to the low and zero carbon heating systems of the future. The second, "Enabling an exceptional workforce", helps our people contribute positively to the delivery of our strategy and our sustainability objectives.

Finally, our sustainability strategy is underpinned by strong governance, exceptional safety standards and effective oversight of supply chain management, which are the structural foundations for achieving our objectives.



Our commitment to sustainability *continued*

Materiality

The material focus areas of the Fit for the Future framework were determined through an in-depth consultation process with a wide range of the Group's key stakeholders. This process was completed formally for the first time in 2022 and was supplemented with desk research identifying industry trends. We also benchmarked our approach against members of our own and other industries, including competitors and customers.

Each issue was assessed on its significance to stakeholders and the potential impact it could have on our business. This resulted in the materiality matrix shown below, with issues shown towards the top right of the matrix being those with the greatest level of importance and focus. These material issues are the ones specifically addressed through our Fit for the Future framework.

We were reassured to see that the material issues emerging from this process strongly aligned with our previous areas of focus. This contributed to an evolution rather than a comprehensive redesign of our sustainability approach.

Material issues

Driving better environmental performance

- 1 Decarbonisation of heating
- 2 Raw material impacts
- 3 Greenhouse gas emissions
- 4 Product innovation
- 5 Energy management
- 6 Product packaging impacts

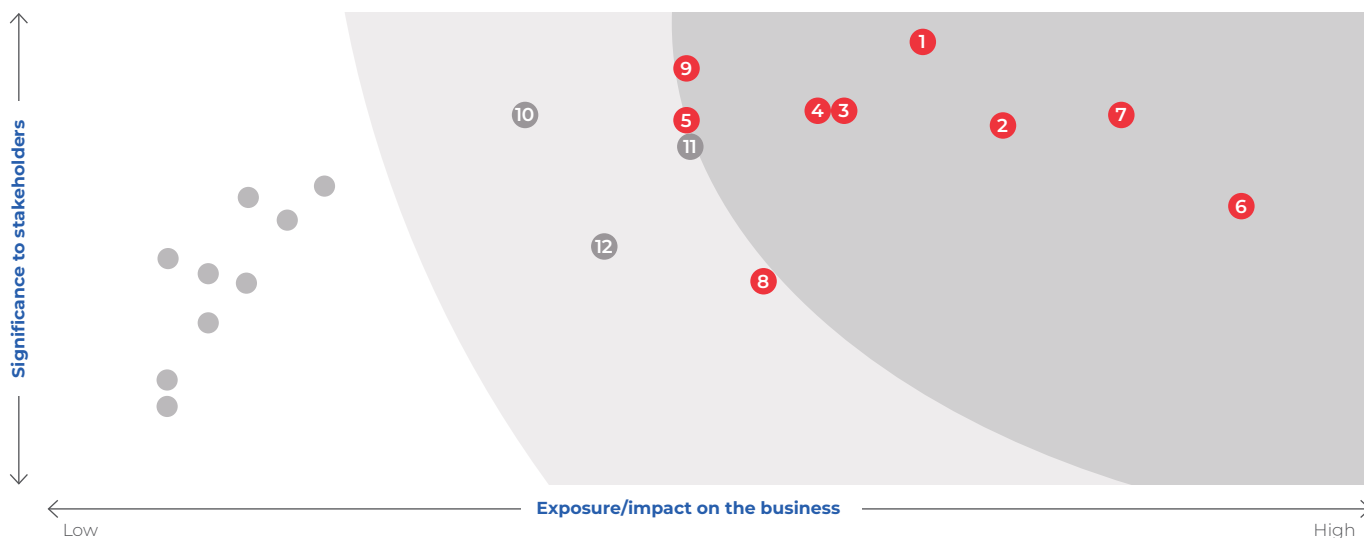
Enabling an exceptional workforce

- 7 Employment and skills
- 8 Diversity and inclusion
- 9 Health, safety and wellbeing

Conducting business responsibly

- 10 Anti-bribery and corruption
- 11 Labour standards and workers' rights
- 12 Supply chain human rights

Materiality matrix



Alignment with the UN Sustainable Development Goals

Through our sustainability work, we are supporting several of the Sustainable Development Goals ("SDGs"). Of the 17 SDGs, seven align most closely with our sustainability activities.

| Driving better environmental performance | | | | Enabling an exceptional workforce | | |
|--|---|--|---|---|---|---|
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH |
| We promote sustainable manufacture and resilient infrastructure and contribute to sustainable industry | Our products can deliver low-cost and efficient heat distribution and are suitable for low-carbon heating systems | We actively manage our environmental footprint, reducing our resource usage and waste where possible | We combat climate change by reducing carbon in our value chains and supporting the decarbonisation of heating systems | We prioritise the health and safety of our people, ensuring access to healthcare and aiding mental health | We promote equal opportunities for women, including in STEM and leadership roles. We do not tolerate discrimination | We provide productive employment and decent work, and maintain high standards, while targeting responsible growth |

Sustainability metrics

The metrics below address the material issues within each section of our Fit for the Future framework and were chosen to provide a transparent assessment of our progress against our key objectives. A wider set of sustainability metrics is presented on page 16, where we refer to several Sustainability Accounting Standards Board ("SASB") metrics for the first time. The metrics in this section do not currently include data from the DL Radiators business, and this will be incorporated during 2023, when we will also focus on refining these metrics based on industry best practice, setting long-term targets and further alignment to external standards.

These metrics show progress in a number of areas, especially in energy and carbon. 99.8% of our procured electricity in 2022 was from renewable sources which was the major reason for significant reductions in our carbon emissions and emissions intensity. We have also seen a strong increase in training provided and reductions in labour turnover. Whilst the percentage of women in our business remains low, this increased last year. Our safety measures have shown mixed results, with a reduced frequency of accidents but an increased severity. We aim to continue towards our goal of zero harm, with a primary focus in 2022 on reinforcing our culture and on training. The other metric showing a decline in performance this year was the intensity of plastic we use in our packaging, which increased due to product mix changes. The work completed in 2022 has set the foundation for us to make improvements and reduce this intensity in future.

| Metric | 2022 | 2021 |
|---|----------------|----------|
| Driving better environmental performance | | |
| Total market-based Scope 1 and 2 emissions (tCO ₂ e) | 6,712.4 | 24,302.9 |
| Total market-based Scope 1 and 2 emissions intensity (tCO ₂ e/t) | 0.06 | 0.17 |
| Energy from renewable sources | 52.2% | 9.0% |
| Plastic packaging intensity (kg/t) | 13.1 | 11.9 |
| Enabling an exceptional workforce | | |
| Training days per employee | 3.1 | 2.1 |
| Labour turnover rate | 4.9% | 6.2% |
| % of women in workforce | 9.2% | 8.3% |
| Conducting business responsibly | | |
| Lost time frequency rate ^{(1),(2)} | 6.05 | 7.19 |
| Lost time severity rate ^{(1),(3)} | 51.78 | 32.10 |
| % of suppliers with up to date audits | 19.7% | — |

(1) Any incident resulting in an employee not being able to attend work the following day is regarded as a lost time incident.

(2) Number of lost time incidents for every one million hours worked.

(3) Number of days lost due to incidents over the year per 200,000 working hours.

Stelrad's sustainability journey

Up to 2015

- Çorlu and Mexborough both gain ISO 14001 and OHSAS 18001
- Mexborough achieves zero waste to landfill
- Social, Charity and Community Forum established
- Apprenticeship programmes established
- Group develops minimum ESG standards
- Çorlu reforestation project started

2016–2018

- Mexborough gains ISO 50001
- Nuth gains ISO 14001 and ISO 45001
- Mexborough sources 100% renewable electricity

2019–2020

- Group joins SEDEX responsible sourcing platform
- First Scope 1 and 2 emissions measurement in the UK
- Mexborough joins the Forest Carbon project
- Stelrad UK becomes a Disability Confident employer

2021

- Mexborough migrates to ISO 45001
- Çorlu gains ISO 50001 and migrates to ISO 45001
- Group joins EcoVadis sustainability ratings scheme
- Sustainability working group formed
- First Sustainability and TCFD Report as part of Annual Report

2022

- Fit for the Future framework developed
- Stakeholder materiality assessment completed
- Sustainability steering group formed
- First Scope 3 emissions measurement, and first lifecycle analysis completed
- Nuth gains ISO 50001
- Packaging strategy working group formed



Driving better environmental performance

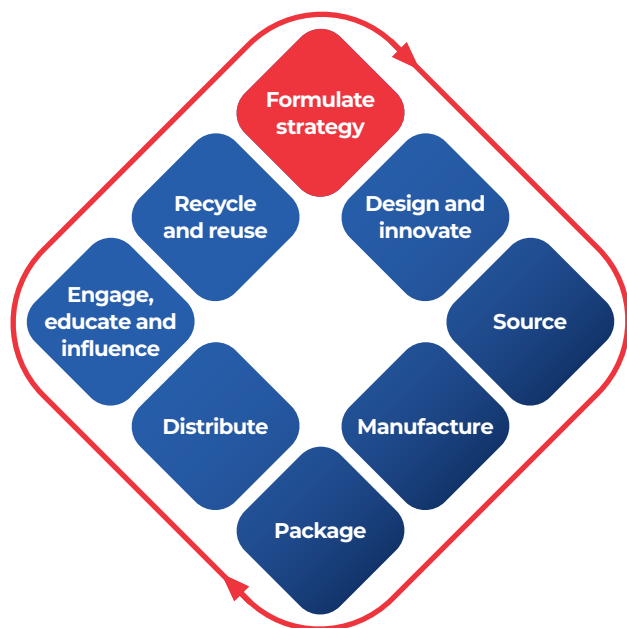
A key pillar of our strategy focuses on reducing the direct and indirect environmental impacts of our products and on helping to drive the decarbonisation of heating. We recognise the urgent need to reduce global emissions and manage resources efficiently. Our actions will ensure we play our part in meeting these global aims.

Our products can operate effectively with all heat sources. As alternatives to fossil fuels are developed, we will continue to innovate and introduce complementary products as part of a coherent offering for lower and zero carbon heating systems.

In the design, manufacture and distribution of our products, we are working to understand and quantify our environmental impacts and will target improvements as part of a long-term journey to net zero emissions. This work will extend beyond the scope of our own operations. We will engage with our value chain to minimise our impact, optimise our packaging design and reduce the environmental impact of the raw materials that we use in our products. We also have a clear role to play in influencing positive behavioural change for consumers to encourage the decarbonisation of heating.

Our key metrics within this pillar reflect the areas where we can have the greatest impact: our operational carbon emissions and intensity, the source of our energy and the use of plastic in our packaging.

Our strategy to drive better environmental performance applies across all stages of our business model as we outline below.



1. Formulate strategy

Environmental considerations feature strongly in our strategy. Our key objectives are outlined on page 14 of the Annual Report 2022 and are closely aligned to environmental performance. Equally, our strategic decisions on acquisitions such as DL Radiators carefully consider the value any such acquisition may contribute to sustainability. For more information on the acquisition, see page 16 of the Annual Report 2022. The central importance of environmental aspects reinforces the need to properly understand our impacts. One example of how we have done this is completing our first lifecycle assessment ("LCA") on the major product ranges sold in the UK. This identified opportunities to reduce the environmental impact of our products through the sharing of best practice and reinforced our strategy to reduce steel consumption by using lower-gauge steel, among other longer-term opportunities.

2. Design and innovate

Our radiators are designed to strike the best compromise between raw material usage and performance. A key method of improving our material consumption is to design products and processes that enable the use of lower gauge steel. In 2022, 17.6% of our steel purchases were classified as lower gauge (e.g. less than 1.1mm for panel steel), an increase from 16.5% in 2021. The purchase of this lower gauge steel directly reduced our steel purchases by 1,665 tonnes.

We continue to develop our higher heat output product portfolio, prioritising products that are particularly suited to the heating systems of the future. We have further expanded the range of triple panel, triple convector radiators that we sell, and the Vento radiator with an electric fan convection saw sales increase by 534%.

The acquisition of DL Radiators also helps us to achieve this product portfolio expansion, especially our electric radiator range. New electric products include aluminium radiators, fan-assisted towel rails and decorative steel tubular products. DL Radiators also sells dual fuel ranges that can operate as part of a hydronic system or solely from electricity. We are exploring ways these new capabilities can benefit our wider product offering.

Spotlight on UK water usage



Initial metrics showed that our UK site had the highest water intensity across the Group. This prompted further investigation, and during 2022 we installed additional water meters and built up a detailed schematic of water usage. This enabled us to identify several significant opportunities to reduce water usage, including the installation of additional valves and controls to manage water levels. The most significant outcome was the identification of an underground leak on site, which was subsequently located and repaired. These changes have contributed to a 21.8% reduction in annual water usage.

Spotlight on energy usage – fan optimisation



Extractor fans, which remove welding fumes, vapours and process gases, are present on each production line in our Turkish facility. During 2022, significant operational changes were made, resulting in estimated savings of 1,596MWh per year.

The changes took two forms: adjusting the fan speed using frequency inverters and reducing the amount of time the fans were running. Through a series of trials, we identified the lowest speed possible for each fan without jeopardising performance or air quality. This optimised energy consumption and performance. The second change involved automatically stopping a fan if there had been no welding activity for three minutes. The fan then restarts with the first new welding cycle. Details of this project have been shared through our best practice forums and we are investigating the opportunity to replicate this success in our other facilities.

3. Source

Our Scope 3 assessment (see page 8) has identified that purchased goods and services and upstream transportation are our two most significant emissions categories.

Steel is the most important material that we purchase, representing 96% of the weight of our packaged products. Conscious of this and the environmental impact of the steel supply chain, we are proactively engaging with our key steel suppliers to understand their plans to decarbonise steel manufacturing. We are discussing the likely timings of this as well as our opportunity to contribute to, and benefit from, this transition. Our strong relationships with suppliers will be a key enabler for reducing the environmental impact of our steel.

Across our supplier base, we have initiated a supplier auditing process, more details of which can be found on page 12. This process will help us to raise environmental standards across our whole supply chain.

4. Manufacture

Improving efficiency in our manufacturing operations continues to be a key focus, supported by significant investment across the Group, especially in our Turkish facility. This investment has contributed to improved carbon efficiency in Turkey and the initial LCA work suggests that manufacturing an equivalent product in Turkey results in a slightly (0.5%) lower carbon footprint than manufacturing in the UK. Our improvement work is ongoing, with several successful projects in 2022, such as those shown in the spotlight above.

Aided by our decision to increase purchases of renewable electricity and our efficient Turkish production, our overall carbon intensity reduced by 61.2%, from 0.17 tCO₂e/t to 0.06 tCO₂e/t. Our manufacturing and distribution facilities in Turkey, the Netherlands, Denmark and the UK all now purchase 100% renewable electricity. These purchases are largely on multi-year contracts and it is our aim to maintain this permanently, setting the foundation for further improvement in our key metrics. The purchase of renewable electricity reduced our Scope 2 emissions by 99% in 2022, with further small savings to be realised from a full year of purchases in 2023. Our purchase of DL Radiators also means we have renewable electricity generation capacity in the Group for the first time. We will investigate the possibility of expanding this in 2023, focusing on solar projects in Turkey.

A key enabler of improving energy efficiency is our energy management systems. In 2022, Nuth became the latest facility to achieve ISO 50001 certification, meaning that three out of five of our business units and 50% of our facilities now hold this key certification. Through the certification process, targeted energy saving projects were identified, which will contribute to future energy savings.

Beyond energy, our water usage has reduced by 20.1%. Helped by the activity outlined in the spotlight on UK water usage the UK site achieved a 21.8% reduction in total annual water usage against 2021.

The amount of waste we generated fell 16.6% to 6,596 tonnes, and we continue to divert virtually all waste from landfill, achieving 99.99% in 2022.

Driving better environmental performance *continued*

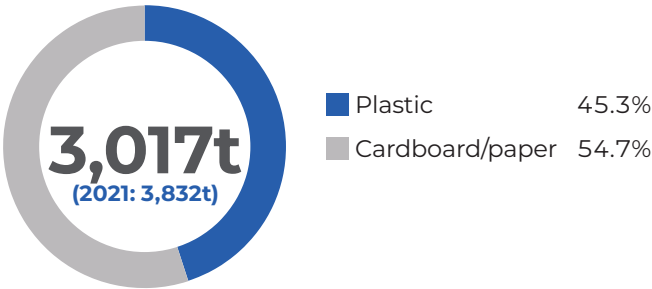
5. Package

Our products are often heavy and bulky, and the correct specification of packaging is essential to avoid damages. During 2022 we engaged in a significant project to understand better the packaging that we use, with the aim of reducing environmental impact without compromising the quality of the protection offered. This project has led to a detailed understanding of the packaging we use and has enabled us to publish a range of packaging metrics for the first time.

In 2023, our focus will shift to making improvements to our packaging, with an initial focus on the use of plastic. This is measured by our key metric of plastic packaging intensity, which increased by 9.9% this year due to product mix changes. This increase demonstrates the challenge we have to make our packaging more sustainable. We began this process in 2022, with changes made to the shrink film we use, ensuring it contains at least 30% recycled content. This is an improvement from 0–15% and affected 151 tonnes of material last year. This change has been successfully implemented with no deterioration in quality.

In 2022, we used 3,017 tonnes of packaging material, down 21% from 2021 due to reduced production volumes. This is broken down by material type as shown below:

Packaging used (2022), by material type



In addition, our packaging includes an average recycled content of 62%.

6. Distribute

We primarily use external logistics companies to distribute our products to 40 countries, from six manufacturing and warehousing facilities. Our distribution methods are flexible, and actively managed to increase efficiency, ensuring that we maximise vehicle utilisation rates. Final distribution to customers is managed with route optimisation software. We also aim to reduce the miles travelled, delivering to customer hubs in full pallet loads where possible, and investing significantly in the reorganisation of our European warehousing activities to reduce unnecessary trips.

We are addressing the carbon impact of our own car fleet and aim for all vehicles across the Group to emit less than 50g CO₂e per km. Currently, 33% of cars in the Group meet this standard and we aim for the UK to be the first unit to reach 100% during 2023.

Spotlight on low-carbon heating – Glenrothes Energy Network



Stelrad supplied radiators to 85 new affordable homes as part of an award-winning district heating scheme in Glenrothes. The properties will benefit from low-carbon heating supplied from the Glenrothes Energy Network which uses recycled timber to generate power. This innovative district heating system benefited from funding from the Scottish Government's Low Carbon Infrastructure Transition Project and contributes positively to the UK's Net Zero Strategy. The choice of Stelrad products to effectively distribute this heat reinforces the suitability of our radiators for use in low-carbon heating systems.

7. Engage, educate and influence

We recognise that as industry leaders we have a duty of care to educate and inform our customers, helping them to make more informed decisions on heating systems and accelerate the decarbonisation of home heating. In support of this, we engage in communication campaigns explaining how radiators can be suitable for a range of heat sources. We also regularly deliver training sessions to customers and specifiers in the form of continuing professional development courses ("CPD"), including directly addressing low-temperature systems.

In addition, we are strengthening our industry involvement, continuing to develop partnerships with key influencers such as trade associations, and forming partnerships with heating system design agencies.

8. Recycle and reuse

It is estimated that the lifecycle of our radiators is in excess of 30 years. Steel is 100% recyclable and, with a recycling rate of around 80% in some regions, benefits from one of the highest recycling rates of all materials. Recycled steel is reused to make new steel and our purchased steel contains between 15 and 20% recycled content.

In addition to the radiator itself, we are working to improve the recyclability of our packaging, primarily by replacing hard to recycle plastics with alternatives such as cardboard.

Streamlined Energy and Carbon Reporting

The table below summarises our energy usage and associated emissions for the Group during 2022. This table does not include data from DL Radiators for this year; this will be incorporated in future years.

We achieved 96.15% verifiable data coverage, with only 3.85% of consumption data being estimated.

Our chosen intensity metric is tCO₂e per tonne of product produced. The results of this intensity metric are as follows:

| | 2022 | 2021 | Variance |
|----------------|-------------|------|----------|
| Market-based | 0.06 | 0.17 | (61.2)% |
| Location-based | 0.19 | 0.17 | 10.9% |

| | | 2022 | | | 2021 | | | Variance |
|-------------------|---------|---------------|---------------|---------------|--------|--------|--------|----------|
| | | UK | Non-UK | Total | UK | Non-UK | Total | |
| Consumption (MWh) | Scope 1 | 7,359 | 28,183 | 35,542 | 10,918 | 36,909 | 47,827 | (25.7)% |
| | Scope 2 | 6,899 | 32,375 | 39,273 | 8,649 | 39,270 | 47,919 | (18.0)% |
| | Total | 14,258 | 60,557 | 74,815 | 19,567 | 76,179 | 95,746 | (21.9)% |

| | | Tonnes of carbon dioxide equivalent (CO ₂ e) | | | | | | Variance |
|----------------------------------|----------------|---|------------------|----------|---------|------------------|----------|----------|
| | | 2022 | | | 2021 | | | |
| | | UK | Non-UK | Total | UK | Non-UK | Total | |
| Scope 1 | | 1,377.8 | 5,252.9 | 6,630.7 | 2,026.8 | 6,886.3 | 8,913.1 | (25.6)% |
| Scope 2 | Market-based | 0.5 | 81.1 | 81.6 | 0.7 | 15,389.1 | 15,389.8 | (99.5)% |
| | Location-based | 1,334.1 | 12,116.2 | 13,450.3 | 1,836.5 | 14,691.1 | 16,527.6 | (18.6)% |
| Total Scope 1 and 2 | Market-based | 1,378.4 | 5,334.0 | 6,712.4 | 2,027.5 | 22,275.4 | 24,302.9 | (72.4)% |
| | Location-based | 2,711.9 | 17,369.1 | 20,081.0 | 3,863.3 | 21,577.4 | 25,440.7 | (21.1)% |
| Scope 3 category 1 | | 38,023 | — | 38,023 | 43,126 | — | 43,126 | (11.8)% |
| Scope 3 category 4 | | 2,373 | — | 2,373 | 3,075 | — | 3,075 | (22.8)% |
| Other Scope 3 emissions | | 1,588 | — | 1,588 | 2,389 | — | 2,389 | (33.5)% |
| Total gross Scope 3 emissions | | 41,984 | — ⁽¹⁾ | 41,984 | 48,591 | — ⁽¹⁾ | 48,591 | (13.6)% |
| Total Scope 1, 2 and 3 emissions | Market-based | 43,362 | 5,334 | 48,696 | 50,618 | 22,275 | 72,894 | (33.2)% |
| | Location-based | 44,696 | 17,369 | 62,065 | 52,454 | 21,577 | 74,031 | (16.2)% |

(1) A Scope 3 analysis has not currently been completed for non-UK businesses.

Reporting methodology

Scope 1 and 2 consumption and CO₂e emission data has been calculated in line with 2019 UK Government environmental reporting guidance.

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

Estimations undertaken to cover missing billing periods were calculated on a kWh/day pro rata basis at meter level. These estimations equated to 3.85% of reported consumption.

Purchased goods and services account for 90.6% of Stelrad's Scope 3 emissions. Other significant emissions categories include upstream transportation and distribution (5.7%), fuel-related emissions (1.7%) and capital goods (0.9%). All other categories are either not applicable, or account for 0.5% or less of Scope 3 emissions.

Indirect use of energy by sold products is optional to report in category 11. This would include the indirect energy use of boilers, which, if included, would represent more than 99% of total emissions. This is therefore not included in our inventory. More details can be found in our Carbon Balance Sheet Report, published on our website.



Enabling an exceptional workforce

Our people are fundamental to the success of our business. We aim to retain key personnel, develop the skills and knowledge of our workforce and attract talented individuals to aid our future growth and competitiveness. At the same time, we want to ensure that everyone at Stelrad is encouraged to fulfil their potential and enjoy a long-term career with us.

To help us achieve this we monitor our key sustainability metrics of training days, labour turnover and women in the workforce, which focus us on key areas including training and development, diversity, equality and inclusion and wellbeing. These key metrics have all seen positive progress in 2022 and we will aim to continue this momentum in the future. We will also build on our employee engagement programmes to ensure our employees' voices continue to be heard. Outside of our business, we are committed to community initiatives tailored to local needs across our broad geographic spread.

Our people

Our geographical footprint is shown on page 2 of the Annual Report 2022. Across the Group, we employ a total of 1,572 people, with 1,333 of those outside the UK. Given this geographic span, we have a diversity of cultural norms as well as a breadth of differing statutory requirements. Our culture, with its emphasis on respect, integrity, service, stewardship and excellence, bridges and values the rich heritage of our people and the diversity we have within our business. Our strategy of local-led implementation ensures we are delivering for our employees in each country. Our flat management structure also assists us in maintaining close working relationships across the Group.

Development

We provide opportunities for personal development and growth for all our employees. We continue to build our leadership capability to support and develop our current and future leaders and a key focus is on enhancing technical skills aligned to the evolving requirements of the sector. As an example, 24 UK employees attended a course that provided the knowledge and skills required to design, specify and sell heat pump systems. This included information on the environmental background of heat pumps, relevant legislation, and system selection and design.

These initiatives and a large increase in safety training in Turkey have contributed to an increase in our key metric of training days provided, from 2.1 to 3.1 per employee.

Developing our employees of the future

We continue to maintain our investment in developing employees of the future, with active internship and apprenticeship schemes across the Group. We currently have five apprentices in place, with plans for an additional one in 2023. In addition, we provide scholarships in Turkey to technical high school students, and in Continental Radiators, we participate in the PML platform – see the spotlight on Continental Radiator for more information.

Additionally, we foster links with local schools and colleges and participate in career development activities, including hosting open days and school leaver days across the Group. For example, in the UK this year, our Engineering Manager delivered a new programme in Advanced Manufacturing Engineering at Sheffield College as part of the Employer Skills Academy.

Spotlight on Continental Radiators – how we develop employees

We participate in Procestechniek & Maintenance Limburg ("PML"). PML is a platform established to address the shortage of operators and maintenance technicians by promoting enrolment in training courses. As part of this programme, we participate in several activities, including providing Company tours for secondary school students and their parents and participating in school open days. We also directly provide internships for students in maintenance and operations, offering opportunities to three students in 2022.

Internally, we ensure we offer career opportunities and personal growth to our employees who wish to progress within the business. We have a partnership with a local educational institute, which provides training including on leadership skills, lean skills and safety. When our employees indicate a desire for progress, they are given targeted support to give them the skills and experience required, including expanding role responsibilities. This approach has enabled us to fill several key vacancies with internal candidates.



Employee engagement

Our approach to employee engagement is decentralised and tailored to local workforces. We listen to and communicate with our employees through communication structures that differ in each location, taking into consideration statutory requirements, practical experience of what is effective and the diversity of our people.

We have continued to develop how we engage with our employees this year, including conducting an employee engagement survey in the UK. All UK employees were invited to participate on a voluntary basis, and we were delighted to achieve a response rate of 92%. This means that findings are representative of our employees' views. All employees have had feedback on the outputs and we will use this to identify areas where we can collectively build on team strengths and identify areas for improvement.

In addition, we actively encourage employee representation and have well-established, positive relationships with trade union partners across our main sites.

Our labour turnover rate is a key sustainability metric, as this reflects the success of our approach to employee engagement and development. Our turnover rate is low when compared to our industry, and it fell to 4.9% in 2022. This reinforces the success of our approach to engagement, coupled with our belief in paying competitive salaries, providing good working conditions and investing in our people.

A more detailed review of employee engagement at Board level is shown on page 86 of the Annual Report 2022.

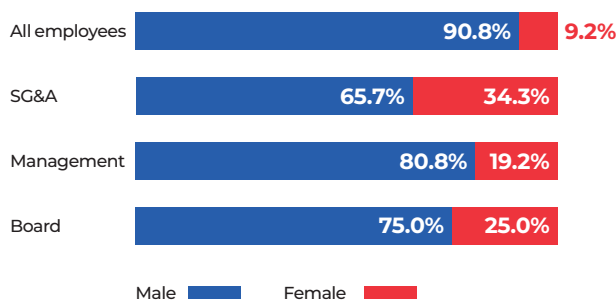
Equality, diversity and inclusion

As an international group, we recognise the importance of diversity in our people. Our priority is to integrate equality, diversity and inclusion into our key people processes and improve representation. Our success in achieving this is monitored by the Board, and more details can be found on page 69 of the Annual Report 2022.

We have introduced a Group Code of Conduct Policy and a Group Equality, Diversity and Inclusion Policy. Both policies have been communicated to employees, with a significant number attending training courses. The Code of Conduct Policy sets out the standards of behaviour expected from all employees. The Equality, Diversity and Inclusion Policy underlines our commitment to continue to develop as an open and inclusive organisation.

Gender

Consistent with the demographics of the wider manufacturing sector, the majority of our workforce is male although there is stronger female representation in sales, general and administration ("SG&A") positions, where 34% are female. We recognise that increasing the number of women in our business and in leadership roles is important to our future success and we continue to actively support women's access to technical education.



In the UK we continue to report the gender pay gap statistics of Stelrad Limited on a voluntary basis, with a full report available on our website. In 2022, both the mean gender pay gap and the mean gender bonus gap were favourable to women. In addition, the proportion of men and women receiving a bonus is now comparable.

Spotlight on Turkey – engagement in practice

In Turkey, we engage directly with our employees through our employee feedback scheme. This involves daily meetings with employee representatives and shift supervisors. We also provide opportunities for all employees to submit their thoughts on paper, and through any of several hosted events that take place throughout the year. These activities are underpinned by the solid framework that is in place due to our collaborative relationship with our employers' union.

This enables us to tailor benefits to support retention and attraction. Our tailored benefits include health services, hot drinks and meals, transport to and from the home, an on-site prayer room and an annual festival for all employees and their families.



Wellbeing

We are committed to providing a safe and supportive working environment that promotes personal wellbeing for all our employees.

We continue to develop our health and wellbeing support and already offer a range of occupational health services across the Group, including workplace physicians and nurses, external specialist services and preventative medical exams. In 2022 we implemented an Employee Assistance Programme in the UK that allows employees to claim money back towards the cost of essential healthcare. This includes optical and dental treatments, access to valuable health and wellbeing services and telephone counselling.

Community

We commit to ensuring that each of our businesses fosters strong, tailored relationships with its local community. These take many forms, including charitable donations, local sponsorships and local partnerships.

This sense of community is typified by our Turkish business, where we actively engage with many elements of the community. In 2022 this included local schools and students, a local women's shelter and care homes. We sponsored 15 local students in an inter-school technical competition – paying for their flights and enabling them to take part in an ultimately successful project.

Away from Turkey, DL Radiators has signed up to take part in the "Civiale Del Friuli" project, where local businesses and individuals work together on various community improvement initiatives. This will develop through 2023. In the UK, our Social, Charity and Community Forum continued its fundraising work, leading to £3,100 being donated to each of our supported charities.

In response to the ongoing crisis in Ukraine, we donated £1,000 to the Disasters Emergency Committee appeal for Ukraine. We also gave employees the opportunity to donate, with all employee contributions matched by the Company. In total we raised £3,580.



Conducting business responsibly

Conducting business responsibly is a key foundation in everything we do and underpins all aspects of our business including our sustainability strategy.

Our approach to business is guided by a clear set of Company values and a culture of safety that is overseen by the strong corporate governance of our Board. Internally we have robust operational structures, controls and policies that ensure good communication, oversight and effectiveness.

We hold ourselves, our employees and our suppliers to high ethical and governance standards which include international labour standards and human rights. We continue to offer our employees a fair income, with opportunities for personal development and progression.

In pursuit of our goal of zero harm we continue to invest in training and manufacturing processes to keep our colleagues safe and healthy and to reduce accident rates.

Governance of sustainability

Our Chief Executive Officer continues to have overall accountability for sustainability. He is assisted in this by a sustainability steering group and our sustainability working group.

The sustainability steering group was created this year to provide greater senior management support and co-ordination of sustainability. The membership of the group, as well as its interaction with the Board, is described on page 13. The group is responsible for setting priorities and driving the implementation of our sustainability strategy. During 2022, the steering group has been primarily focused on stakeholder engagement and the development of our strategic direction and framework.

The sustainability working group is co-ordinated by our Group Sustainability Manager and comprises local representatives from each business unit. This group is responsible for co-ordinating local sustainability actions, reporting on data and progress to the steering group and acting as sustainability champions. We will ensure the group remains effective by expanding the membership to reflect Stelrad's ongoing development.

This governance structure is effective as the working group provides broad reach, a range of inputs and the ability to effectively communicate with those most able to effect progress, whilst co-ordination and decision making are centralised, ensuring flexible and effective decision making.

Spotlight on safety – collision warning



We work consistently to identify risks and implement safety improvements, not just after the occurrence of incidents. Formal site risk assessments in each work area happen regularly and are complemented by daily tours by our local H&S Managers. When a risk is observed, it is thoroughly assessed, and preventative measures are identified. An example of this is in Turkey, where close working between people and vehicles presented a collision risk. A team, including operatives, management and health and safety professionals, investigated and concluded that it was not possible to redesign the operation to avoid the risk entirely, but that appropriate warning systems could be implemented to reduce the risk of accidents. This pedestrian detection system has now been installed on all vehicles that have regular pedestrian interaction.

Health and safety

Our number one priority is to keep our employees and contractors safe and healthy and we aim for zero harm across all our operations. During 2022, we saw improvement across many of our safety measures, with both our lost time frequency rate ("LTFR") and our total recordable incident rate falling. However, we saw an increase in our lost time severity rate ("LTSR"), from 32.1 to 51.8, reflecting an increase in the number of days lost. This increase is driven by accidents in Turkey and is attributed to trainees not following correct procedures. Corrective actions have been identified and are outlined below. LTFR and LTSR are both key sustainability metrics, and they each provide different perspectives on our safety performance.

Our UK site achieved a second year without a lost time incident ("LTI") and has since exceeded the previous record of 929 days without an LTI. To reinforce this success of LTIs, the Group's focus has shifted more to near misses and hazardous conditions reporting. Focus on these aspects helps to identify potential hazards before they cause injury and to embed a strong culture of safety. Our increased focus on reporting near misses resulted in an increase of 110% in the number of incidents captured.

The unit with the highest number of incidents continues to be Turkey – a point of real focus for the Group. This year has seen improvement, with LTIs falling from 18 to 12 but there are still opportunities for further development as shown by the increase in the LTSR. This increase in the LTSR is attributed to trainees not following correct procedures. This increased the risk of incurring injuries that require an extended period off work, which could be avoided by correct operation. This indicated that the main priority was to improve operator training. Work instructions have been made more detailed and are in many cases now supported by video recordings used to train new recruits and provide refresher training.

Fatality rate

| | |
|------|---|
| 2022 | 0 |
| 2021 | 0 |

Lost time frequency rate

| | |
|------|-----|
| 2022 | 6.1 |
| 2021 | 7.2 |

Lost time severity rate

| | |
|------|------|
| 2022 | 51.8 |
| 2021 | 32.1 |

Total recordable incident rate

| | |
|------|-----|
| 2022 | 5.1 |
| 2021 | 7.3 |

Supply chain management

Conducting business responsibly also extends to ensuring that we understand and manage our supply chain appropriately. To this end, in 2022 we developed a process for auditing our suppliers. This allows us to assess our suppliers' performances in a range of areas, using the findings to identify opportunities to work together to improve and develop.

The audit process covers health and safety, the environment, human rights and ethics, in addition to operational measures of delivery, quality and planning. This provides a holistic view of the activities of each supplier and helps ensure meaningful conclusions can be drawn.

We aim for all our major suppliers to go through this audit process periodically, and have included this as a key sustainability metric. By the end of 2022 20% of major suppliers had been audited, and we aim for all initial assessments to be completed by the end of 2024. In addition to the full audit process for larger suppliers, we have also reviewed our ethical trading policy and we are in the process of sharing this with our supplier base, ensuring understanding and agreement.

Anti-bribery, corruption and labour standards

We have a zero-tolerance stance on bribery and corruption. In 2022, the Board approved a new Group Code of Conduct, which set out our expectations on anti-bribery and corruption, among other areas. The roll-out of our new Code of Conduct was supported by in-person training to a large number of colleagues.

We respect fundamental principles of human rights, such as the United Nations Global Compact's ten principles. We also comply with all local and international laws and regulations. Our Code of Conduct is reinforced by our Group Conflicts of Interest and Whistleblowing Policies, and by a range of business unit level, topic-specific policies.

Our approach to labour standards is typified by our approach to collective bargaining and pay. This is also reflected in our EcoVadis rating, with all sites having shown improvement against the labour and human rights measure, contributing to Stelrad UK being awarded a gold medal for the first time and Continental Radiators maintaining a silver medal.

Sustainability Report 2022 *continued*

TCFD Report

This is the second report in which we make disclosures against the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). We are pleased to be able to report progress towards full compliance since last year and we continue to develop the integration of climate risks and opportunities into our strategy. Our focus in the coming years will be on ensuring further alignment with the disclosures not currently made: climate scenario modelling and the development of targets. These two disclosures are not made this year due to a desire to ensure any scenarios or targets are as meaningful and relevant as they can be, which necessitates more work on building organisational knowledge and capabilities. We plan to further develop our sustainability metrics, including the setting of targets in 2023. Beyond 2023 we will further our analysis and understanding of the potential financial impacts of climate change on our business, including taking into consideration different climate-related scenarios.

Climate governance

Our Chief Executive Officer has overall accountability for our sustainability strategy, including climate-related risks and opportunities. The Board is responsible for ensuring that appropriate systems and processes are in place to monitor and manage progress. The Board is guided by the Audit & Risk Committee in matters relating to climate risk. The Audit & Risk Committee is also responsible for overseeing the implementation of the overall risk management framework and for reviewing the Group's risk assessment capabilities and processes.

Climate risks are incorporated into the wider risk management framework, as climate change is considered to be a principal risk. This means that significant emerging or evolving climate risks are reviewed and assessed by the Audit & Risk Committee on an ongoing basis.

As well as including climate change as a principal risk, our Group Sustainability Manager maintains a climate-related risk and opportunity register, which aids the assessment and management of risks. This register was created during 2022 due to the unique characteristics of climate-related risks, advantageously separating this from existing business unit registers. Members of operational teams, particularly those involved in the sustainability working group, feed information on emerging risks to our Group Sustainability Manager and review the register in advance of reviews by the Audit & Risk Committee. The climate-related register is reviewed every six months by the Board and the Audit & Risk Committee, alongside business unit registers.

Progress on the execution of our sustainability strategy is driven and monitored by our sustainability steering group. This group was set up during 2022 and comprises the Group Chief People Officer, Group Sustainability Manager, Group Operations Director and Group Strategic Marketing Director. This group benefits from cross-functional leadership, helping to progress our strategy across the business. Members of the steering group periodically update the Chief Executive Officer and the Board on progress and the Board has embedded a process to ensure that sustainability is an essential consideration of all key decisions, alongside the section 172 requirements.

Co-ordination of sustainability actions across the Group is led by our Group Sustainability Manager and he is supported in this by members of the sustainability working group. This working group comprises representatives from each of the business units, who are actively involved in the day-to-day delivery of our sustainability strategy and who co-ordinate and direct actions within each business unit.

Strategy

We have a clear business strategy (outlined on page 14 of the Annual Report 2022) which is supported by our core purpose, helping to heat homes sustainably. Sustainability and climate are significantly linked to major parts of this strategy, especially in relation to decarbonisation of heating, for example ensuring our evolving product range is appropriate for lower and zero carbon heat sources. We set out our Fit for the Future sustainability framework on page 2, which sets the framework for how we are addressing our climate-related risks and opportunities. The table on page 14 shows the main risks and opportunities we have identified, as well as considering the impact these would have on our business and strategy.

In future years we expect to conduct scenario analysis to support our understanding of how climate-related risks and opportunities will impact Stelrad's business resilience, strategy and financial planning.

Risk management

Our wider risk management processes are explained in detail on pages 48 to 54 of the Annual Report 2022. Climate change is included at the Group level as a principal risk, with the detail of specific risks being captured in a climate-specific risk and opportunity register. This register captures the transitional risks associated with adapting to a lower carbon economy, the physical risks associated with climatic temperature increases and any opportunities that may arise and from which we may gain competitive advantage.

Our climate-related risks and opportunities are assessed in terms of the likelihood of the risk arising over three different time periods. Short term covers the next three years (2023–2025), medium term up to ten years (to 2032) and long term considers the impacts up to 2050. Likelihood of occurrence is expressed in levels from one to three, with level one meaning that the risk or opportunity is unlikely to occur in the period and level three suggesting that the risk is more likely than not to happen.

Likelihood is assessed in conjunction with the potential impact if a risk does occur. This impact is defined based on the likely financial or reputational damage or gain that could result, with the highest impact relating to events that could halt our ability to service our customers for a period.

Following this assessment, mitigation and realisation actions are developed to avoid or reduce the risk, or to ensure we take advantage of the opportunity. The management of the risk or opportunity and the implementation of the agreed actions are assigned to a specific member of senior management, responsible for ensuring that risks are maintained within an acceptable level as defined by the Board and for updating on changes.

The following pages provide details on the main climate-related risks and opportunities that have been identified through this process.

Metrics and targets

The key metrics we use to monitor our strategically material sustainability issues are shown on page 4, with further data included on page 16. The key metrics include measurement of our Scope 1 and 2 emissions and market-based emissions intensity per tonne of output. We provide further detail, including limited measurement of Scope 3 emissions, on page 8, where there is also a description of the main contributors to our Scope 3 emissions.

A priority for the future is to improve the quality of our metrics, including setting targets in key areas and expanding the coverage of our emissions reporting. Furthermore, we will ensure that our metrics are developed in consideration of our main climate-related risks.

Failure to meet stakeholder sustainability expectations or our previous commitments.

Category

Transition risk

| Description | Impact | Mitigation/realisation actions |
|---|--|---|
| There is a growing awareness from stakeholders of a company's sustainability performance, especially around climate and achieving carbon reductions. This includes examination of performance against previously stated commitments. There is a risk that these expectations are not met. | <ul style="list-style-type: none">Customers may move their business to competitors with more developed carbon strategies, resulting in losses of market share and revenue.Stelrad's access to capital may worsen, making it more difficult or costly to invest and impacting the Company's valuation. | An appropriate governance structure exists to ensure that sustainability matters are prioritised according to materiality and that we meet stakeholders' climate expectations. This includes managing interfaces with major stakeholders, ensuring that perceptions are accurate. |

Increased cost of business due to a combination of legislation and market dynamics.

Category

Transition risk

| Description | Impact | Mitigation/realisation actions |
|--|---|--|
| Climate change may result in suppliers developing lower carbon alternatives, for example through using green hydrogen. These may come at a higher cost. Sustainability targets are also leading to the introduction of legislation to encourage companies to reduce their environmental impacts and increase transparency in reporting. This trend is likely to continue and may differ by region, affecting some competitors more than others. | <ul style="list-style-type: none">Legislation may result in increased input costs, including of raw materials, energy and transport.Cost drivers may lead to changes to the relative competitiveness of radiators against alternatives.Legislation that requires additional data gathering and reporting will impact on the required level of resourcing. | We continue to monitor legislative changes and ensure that appropriate responses are developed. Any internal process changes that are required will also focus on efficiency improvements. We develop the skills and partnerships necessary to understand market changes in a timely manner and implement appropriate responses. Partnerships with key suppliers and trade bodies are especially important. |

An increase in the use of alternative technology.

Category

Transition risk

| Description | Impact | Mitigation/realisation actions |
|--|---|---|
| The drive to reduce carbon in heating may lead to new heat emitting technology entering the market, or in an increase in market share of existing competing technology. This could be driven by consumer behaviour and could be intensified by policy or legislation. The future changes may also support us, leading to the opportunity for differentiation described on the next page. | <ul style="list-style-type: none">Any increase in the presence of competing technologies may reduce the relative share of radiators and may impact on Stelrad's market share and profitability. | We continue to monitor legislative changes and assess these for their likely impact on product choices. We maintain strong relationships with customers and specifiers to ensure the positive attributes of radiators are understood and incorporated. Where appropriate, alternative technologies will continue to be brought to market as part of our offering. |

Sustainability Report 2022 *continued*

TCFD Report *continued*

Differentiation of Stelrad's product and service offering.

Category

Opportunity

| Description | Impact | Mitigation/realisation actions |
|--|---|---|
| <p>The drive to reduce carbon in heating may also lead to changes that could benefit us, including an increasing demand for higher output products. There is also the opportunity to bring new technology to market as part of our offering.</p> <p>The buying decision on heating products is likely to encompass broader considerations, leading to greater opportunity for differentiation.</p> | <ul style="list-style-type: none">• Opportunities for development of our product and service offering and differentiation.• Diversified or increased revenue streams through growing market share and from new products. | <p>Realising this opportunity requires that we have an offering that meets the changing demands of customers. To this end, we will continue to focus on increasing our technical capability, as well as adapting and optimising our product offering.</p> |

Increased severity and frequency of extreme weather events.

Category

Physical risk

| Description | Impact | Mitigation/realisation actions |
|---|---|--|
| <p>The severity and frequency of extreme events with the capability to cause damage is increasing. These events include intense rainfall, flooding, heatwaves and droughts.</p> | <ul style="list-style-type: none">• Damage or disruption to our production facilities may reduce our ability to fulfil customer demand.• Disruption to global supply chains may reduce our ability to move product and materials.• Extreme heat may necessitate changes to working practices to maintain worker welfare, which may impact on productivity or cost.• Prolonged periods of heat may create drought conditions, reducing access to water in our operations. | <p>All facilities have reactionary processes in place to adapt to acute events.</p> <p>Proactive defences (such as fire prevention or flood defences) are regularly assessed for adequacy.</p> <p>Production volume can be flexed across the Group if specific facilities have issues.</p> <p>Many inputs are sourced from multiple suppliers across different regions, reducing the risk if specific supply routes are disrupted.</p> |

Sustainability metrics table

The below table shows our wider set of sustainability metrics, referring to Sustainability Accounting Standards Board ("SASB") metrics where relevant. These SASB metrics have been taken from a range of sectors relevant to Stelrad.

| | | Unit of measure | SASB reference | 2022 | 2021 | Change |
|--|---|---------------------------|----------------|-----------|------------|----------|
| Driving better environmental performance | Energy and carbon | | | | | |
| | Total energy consumed | GJ | CG-BF-130a.1 | 269,335 | 344,685 | (21.9)% |
| | Grid energy | % | CG-BF-130a.1 | 47.8% | 91.0% | (43.2)pp |
| | Renewable energy | % | CG-BF-130a.1 | 52.2% | 9.0% | 43.2pp |
| | Gross global Scope 1 emissions | kgCO ₂ e | EM-IS-110a.1 | 6,630,712 | 8,913,102 | (25.6)% |
| | Gross global Scope 2 emissions | kgCO ₂ e | n/a | 81,643 | 15,389,811 | (99.5)% |
| | Total market-based Scope 1 and 2 emissions intensity | kgCO ₂ e/tonne | n/a | 0.06 | 0.17 | (61.2)% |
| | Water and waste | | | | | |
| | Total water withdrawn | m ³ | EM-IS-140a.1 | 62,227 | 77,863 | (20.1)% |
| | Water usage in areas of water stress | % | EM-IS-140a.1 | 64.5% | 63.9% | 0.7pp |
| | Water intensity | l/tonne | n/a | 595 | 530 | 12.3% |
| | Total waste generated | tonnes | EM-IS-150a.1 | 6,596 | 7,911 | (16.6)% |
| | Waste intensity | kg/tonne | n/a | 63.0 | 53.8 | 17.2% |
| | Waste sent to landfill | % | n/a | 0.00% | 0.03% | (0.03)pp |
| | Materials | | | | | |
| | Low-gauge steel purchased | % | n/a | 17.6% | 16.5% | 1.1pp |
| | Packaging material used | tonnes | n/a | 3,017 | 3,832 | (21.3)% |
| | Plastic packaging material | % | n/a | 45.3% | 45.6% | (0.3)pp |
| | Plastic packaging intensity | kg/tonne | n/a | 13.1 | 11.9 | 9.9% |
| | Recycled content of packaging material used | % | n/a | 62.2% | 60.9% | 1.3pp |
| Enabling an exceptional workforce | Training and development | | | | | |
| | Training days per person | days | n/a | 3.1 | 2.1 | 51.3% |
| | Number of apprentices | FTE | n/a | 5 | 4 | 25.0% |
| | Labour practices | | | | | |
| | Employee turnover | % | n/a | 4.9% | 6.2% | (1.4)pp |
| | Absence rates | % | n/a | 8.1% | 5.9% | 2.2pp |
| | Gender diversity | | | | | |
| | Female | % | n/a | 9.2% | 8.3% | 0.9pp |
| | Male | % | n/a | 90.8% | 91.7% | (0.9)pp |
| | Not available | % | n/a | — | — | — |
| Conducting business responsibly | Health and safety | | | | | |
| | Lost time frequency rate | rate | n/a | 6.1 | 7.2 | (15.9)% |
| | Lost time severity rate | rate | n/a | 51.8 | 32.1 | 61.3% |
| | Total recordable incident rate | rate | EM-IS-320a.1 | 5.1 | 7.3 | (30.5)% |
| | Fatality rate | rate | EM-IS-320a.1 | — | — | — |
| | Business ethics | | | | | |
| | Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption | £m | RT-EE-510a.2 | — | — | — |
| | Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behaviour regulations | £m | RT-EE-510a.3 | — | — | — |



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