

Environmental, Social & Governance Report 2022

Protecting what matters...

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01. From our CEO

Protecting what matters...



At Macfarlane Group we care about all the stakeholders in our business and the communities in which we operate. Throughout the past year we have continued to work towards creating a fairer and more sustainable future for our customers, colleagues and investors.

In order to measure our progress, we have set targets for the Group that are focused on reducing our carbon emissions, minimising our impact on the environment and supporting our customers to achieve their own sustainability objectives. In addition, we continue to work to improve our customer engagement, governance and provide support for our colleagues and the communities we serve.

During the last 12 months, we made headway in implementing our Environmental, Social and Governance (ESG) strategy incorporating a number of key achievements:

- Reduced our Scope 1 and 2 carbon footprint by 11% equivalent to 765 tonnes of emissions, (9% / 628 tonnes of this reduction was due to the sale of Macfarlane Labels Limited and its subsidiaries ('Labels') on 31 December 2021)
- Increased to 88% our energy consumption from renewable sources – up from 67% in 2021
- Made our first ever submission to the Carbon Disclosure Project (CDP)
- 263 hours of Macfarlane colleagues' time was donated to charitable causes
- Created a new charity partnership with Blue Cross – a charity that provides specialist care for pets and their owners

Customers are at the heart of everything we do. This is reflected in our Net Promotor Score increasing from 48 points to 50 in the past year. Macfarlane is also dedicated to helping customers make an informed choice about their packaging and reduce their carbon emissions, while controlling their costs and maximising efficiencies. The Packaging Optimiser and our Significant Six programme remain instrumental in helping customers do this.

We have also worked with our customers on key legislative changes like the Plastic Packaging Tax and updated our product portfolio to increase recycled content and recyclable protective packaging solutions alongside capturing environmental attribute data. Our experience in this area positions us well to prepare our customers for future regulatory requirements, such as Extended Producer Responsibility.

From a governance perspective, we have our first female Chair of the Macfarlane Board, following the appointment of Aleen Gulvanessian in October 2022. The recent addition of Laura Whyte as Remuneration Committee Chair now means that 33% of our Board directors are female.

We have made good progress in 2022 and our ESG strategy is at the forefront of our planning and actions. I am confident that in 2023 Macfarlane Group will make further progress in our journey to protect what matters.

Peter Atkinson
Chief Executive Officer

02. From our Head of Sustainability

Protecting what matters...



Macfarlane Group is at an exciting point in rolling out its ESG agenda. As Head of Sustainability, I look forward to supporting the business as we build on the significant progress made to date and gain further momentum at this critical time.

We should be in no doubt that addressing the climate crisis and creating a more sustainable global economy will be the defining issue of our time. Transitioning to a net zero economy that properly accounts for the boundaries of the natural environment will require a transformational shift around how all businesses operate, the scale and speed of which have not been witnessed before. We shouldn't expect these changes to be easy or for them to be delivered without an unwavering commitment to doing the right thing, so we protect what matters.

It has become apparent to me very quickly that at the heart of the Macfarlane Group culture are the values of integrity, openness, and a tireless determination to always improve how business is done. It is those values that have driven the Group

to take necessary decisions to address the underlying causes of climate change, from introducing a fully electric truck to our delivery fleet (among the first on UK roads in the packaging distribution industry), investing significantly in renewable energy, through to improving the environmental credentials across the product portfolio.

Packaging solutions that are more sustainable will continue to be of increasing importance for businesses across the economy. As an independent distribution business with over 70 years' experience in the protective packaging industry, I believe here at Macfarlane that we are uniquely placed to provide customers with impartial and evidence-based advice that supports them not just to meet their sustainability requirements but also to achieve significant operational efficiencies. Our recent investments in our Innovation Labs and Packaging Optimiser tool have greatly enhanced our ability to offer bespoke packaging solutions that meet operational requirements and drive immediate environmental and financial benefits.

As the world accelerates its transformation towards net zero and a more sustainable way of doing business, I believe the need for this independent, expert advice will be increasingly important for our customers and that Macfarlane Group has a pivotal role to play in being their packaging partner of choice, for a more sustainable world.

While we continue on that journey, you can be assured that we will be working tirelessly to build on our successes to date. I hope you enjoy reading our ESG report for this year, and our story so far.

David Patton
Head of Sustainability

03. Highlights 2022



CO₂ reductions

11% reduction in our absolute carbon footprint, relative to the prior year. 9% of this reduction was due to the sale of Macfarlane Labels on 31 December 2021.

We have also seen a 33% improvement in carbon intensity, measured by sales, relative to our baseline year of 2019.



New electric truck

First new 16 tonne electric truck added to our commercial delivery fleet.



Investing in renewable energy

Continued investment in renewables with 88% of Group energy now coming from a renewable source.



Volunteer days launched

Macfarlane Group colleagues donated 263 hours of their time to charitable causes through their paid volunteer days in 2022.



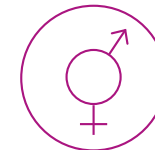
Waste diverted from landfill

99% of Macfarlane Group waste diverted from landfill during 2022 (2021: 99%).



Net Promotor Score

50 – our average Net Promotor score for 2022 (2021: 48).



Board diversification

33% of the Macfarlane Group board is now female.



Supporting our customers

Helping customers reduce waste and CO₂ through optimised packaging.



Sustainable products

77% of our products contain recycled content of 30% or higher and 89% of our packaging products are recyclable.

04. Protecting what matters...

How we manage Environmental, Social and Governance (ESG)

At Macfarlane Group, we manage ESG through our ESG committee. This is chaired by our Head of Sustainability. The committee meets monthly and reports directly to the Board. Macfarlane's ESG committee is guided by our values and has clear objectives that drive our ESG strategy.

Our ESG committee objectives



To improve the awareness of ESG across the Group.



To develop and implement action plans that support the Group's ESG strategy.



To ensure that ESG is an integral part of daily operational activities.



To monitor and report on ESG performance, using agreed key performance indicators.

This report will provide an insight into our ESG focus areas, highlighting the targets and initiatives we are implementing. The report is set out into three key sections: Environmental; Social; and Governance.



Environment



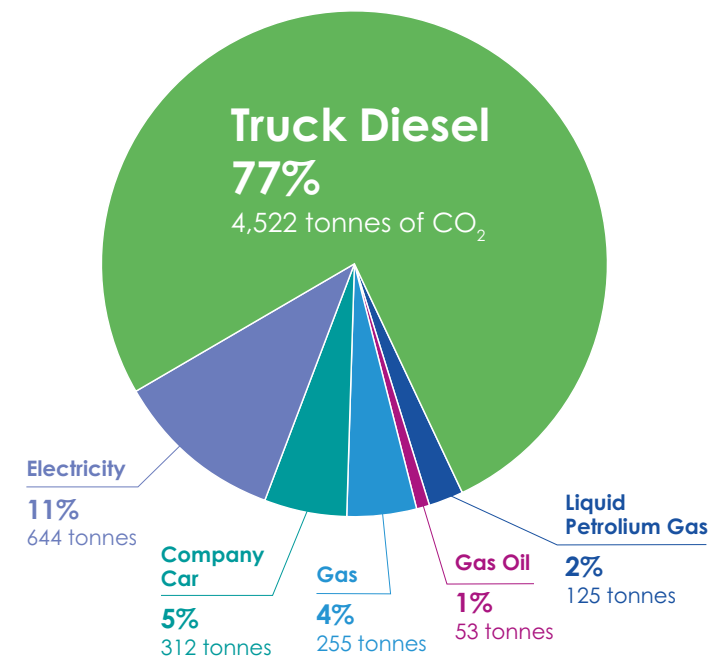
05.

Tackling carbon emissions and climate change

What we are doing about it

- In 2022, Macfarlane emitted 5,911 tonnes of carbon (2021: 6,676 tonnes).
- The major sources of our carbon emissions are fuel from our vehicle fleet (82%) and our electricity usage (11%).
- We are investing significantly in projects to improve the efficiency of our operations, with plans to deploy fully electric vehicles across our fleet and sourcing our energy from renewable sources where possible, as detailed below.
- We also recognise that a significant amount of the environmental impact of our products sits outside our direct control and within our value chain. As such, we will be undertaking a Scope 3 mapping process to baseline the full carbon impact of our business. This will accelerate our collaboration with suppliers and customers to reduce their emissions. We expect to conclude this process and set revised reduction targets during 2024.

Macfarlane Group Carbon Emission Sources 2022



By 2030, we will reduce our Scope 1 and 2 carbon emissions (CO₂e) by at least 30% per tonne of products sold, compared to the base year of 2019.



05. Tackling carbon emissions and climate change *(continued)*

Macfarlane Group initiatives to tackle carbon emissions and climate change

Initiative	Status	2022 Update
<p>Aiming to convert the delivery fleet to 50% electric vehicles by 2030.</p> <p>100% of vehicles of 3.5T or under will be electric by 2030. All new vehicles have zero emissions. Assuming technology develops, allowing greater range and payload, we would expect beyond 2030 to have the majority of our fleet converted to electric vehicles. This commitment to electric vehicles has been made despite a significant cost disadvantage over the existing fleet (Estimated tCO₂e* saving of 2,260 tonnes per year).</p>	On Track	<p>Our first 16 tonne electric truck joined our fleet in December 2022.</p> <p>Further 4 x 3.5T vehicles will be introduced in 2023.</p>
<p>Improving the fuel efficiency of our commercial delivery fleet.</p> <p>Through investment in driver training, logistics planning software, reporting and aligning incentives, we aim to significantly improve the efficiency of our existing diesel fleet and the associated environmental impact (Estimated tCO₂e* saving of between 226 – 452 tonnes per year).</p>	On Track	<p>New driver performance incentive scheme rolled out during the year, alongside improved reporting.</p>
<p>50% of company cars will be electric by 2026.</p> <p>Macfarlane Group commits to offering company car users more choice of electric vehicles. To support all employees using electric vehicles, 100% of Macfarlane Group sites will have electric vehicle charging points by 2030 (Estimated tCO₂e* saving of 156 tonnes per year).</p>	On Track	<p>As at 2022, 18% (2021: 13%) of company cars are electric with this expected to increase again in 2023.</p>
<p>Solar panels to be installed at one site per year, saving an average of 20 tonnes of CO₂e per site.</p> <p>We aim for solar panels to be installed in at least 10 sites by 2030 (Estimated tCO₂e* saving of 393 tonnes per year).</p>	On Track	<p>Solar panel capital expenditure at Grantham manufacturing site approved by the Board in December 2022 to be installed in 2023.</p>

* tCO₂e stands for tonnes of carbon dioxide equivalent. It is the global standard for quantifying the amount and therefore the associated impact of all greenhouse gases, including carbon, methane and nitrous oxide.

05. Tackling carbon emissions and climate change *(continued)*

Greenhouse Gas Reporting 2022

Macfarlane Group seeks to minimise the impact of our operations on the environment and is committed to reducing its greenhouse gas ('GHG') emissions.

The Group identified activities and facilities for which it is responsible, and ensured relevant data was recorded and reported in line with Scope 1 and 2 of the SECR (Streamlined Energy and Carbon Reporting) regulation, which applies to company financial years, starting on or after 1 April 2019.

Data was provided to an independent consultant, EcoAct. The validity, accuracy and completeness of the data was audited by EcoAct and then used to calculate the GHG emissions for Macfarlane Group. Calculations were completed in accordance with the main requirements of ISO-14064-1 standard, and deliver both absolute values and an intensity ratio for the Group's emissions.

	2022	2021
Total Gross Emission (tCO ₂ e)	5,911	6,676
Total Sales (£000)	290,431	285,685
Carbon Intensity (based on Sales £000, previous measure)	0.0204	0.0234

Business Segment	Tonnes of CO ₂ e		Sales		tCO ₂ e/£000	
	2022	2021	2022	2021	2022	2021
Packaging Distribution	4,883	4,949	259,651	239,508	0.0188	0.0207
Manufacturing Operations	1,028	1,727	30,780	46,177	0.0333	0.0374
Total	5,911	6,676	290,431	285,685	0.0204	0.0234

The tables above include the Labels division data for 2021, but not 2022. The Labels division accounted for 628 tonnes of CO₂e in 2021. The Labels division was sold by Macfarlane Group on 31 December 2021.

CO ₂ e per annum	2022	2021	2020	2019
Total (absolute tonnes)	5,911	6,676	6,786	6,752
tCO ₂ e (intensity based on sales)	0.020	0.023	0.029	0.030

As the Group is a growing business, we believe it is important to measure our sustainability performance, specifically carbon reduction, in intensity terms as well as absolute terms. The high inflationary environment experienced recently has made our sales intensity ratio less meaningful, and we therefore plan to move to an intensity ratio based on volume of product sold. Work has been undertaken to increase the quality of our tonnage data and ensure that we have consistency across the Group. We expect to be in a position to start reporting on this from the 2023 financial year onwards.

Full in-depth reporting on the Group's GHG emissions can be found on page 39 of our 2022 annual report.

06.

Protecting natural resources



Macfarlane Group is taking a range of actions that aim to conserve natural resources for future generations.

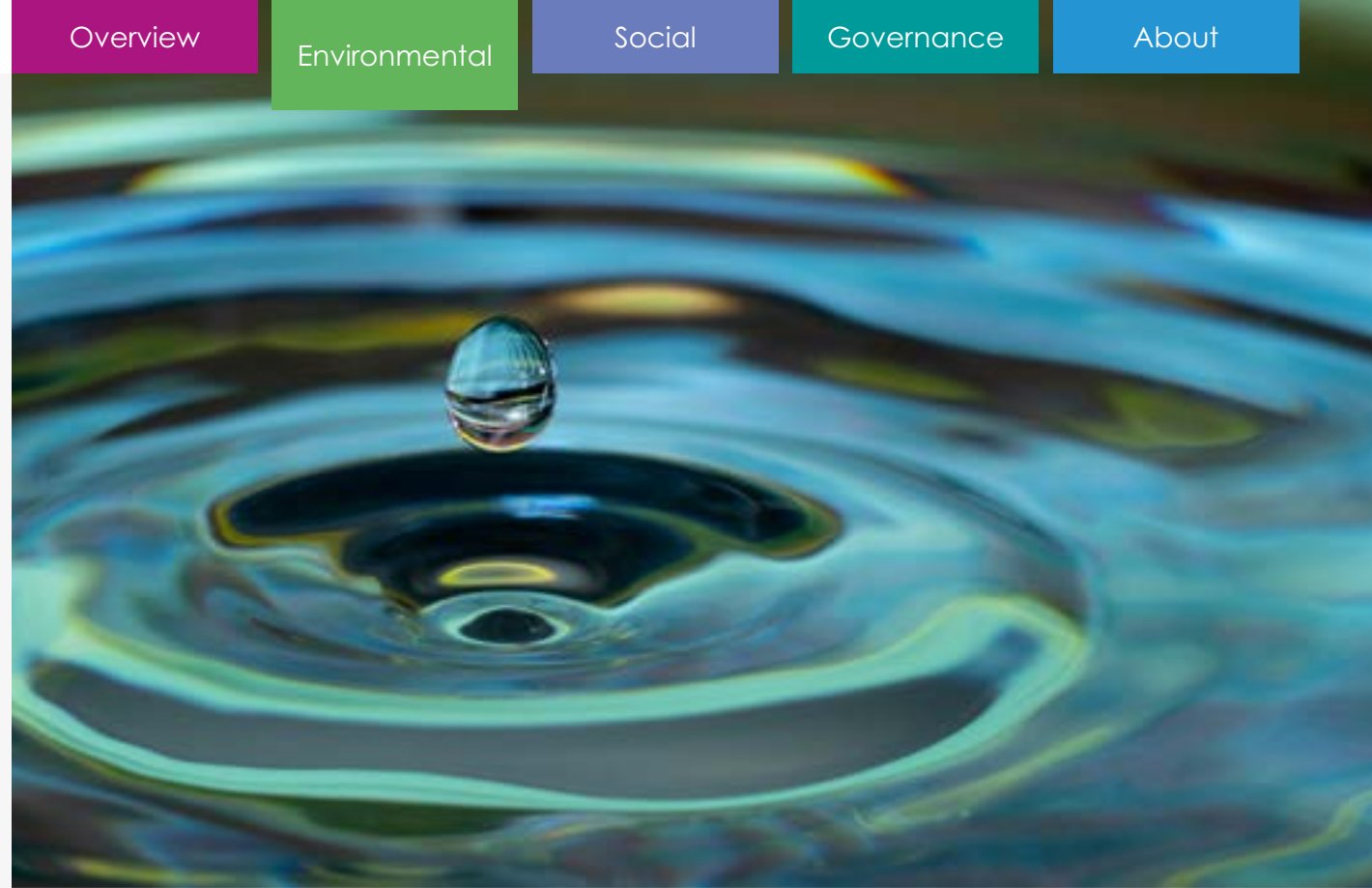
The key initiatives are as follows:

Initiative	Status	2022 Update
<p>100% of Group sites will be Forest Stewardship Council (FSC®) certified (FSC® – C149407) by the end of 2025.</p> <p>This gives us the ability to certify all paper and timber products from sustainably managed forestry. At the end of 2021, 80% of our sites were FSC certified.</p>	On Track	As at 31 December 2022 85% of sites were certified, increasing to 94% by the date of this report.
<p>We aim to have 100% of our energy coming from renewable sources by 2025.</p> <p>The Group purchases green energy via renewable tariffs certified through a REGO (Renewable Energy Guarantees of Origin) – we are committed to promoting green energy and reducing our overall energy usage.</p>	On Track	88% of our sites were on a “green” energy tariff as at 31 December 2022, compared to 67% at 31 December 2021.

06. Protecting natural resources *(continued)*

Water Management

As primarily a distribution business, we generally have low usage of water. In 2022, all sites were assessed for water stress, with no high-risk sites being identified. The Group's four manufacturing sites, which have higher water usage, have processes in place to reduce usage where possible. In light of the growth of the manufacturing division within the Group and therefore aggregate water use, the Group has committed to publicly disclosing water use going forward and plans to do so from 2024 onwards.

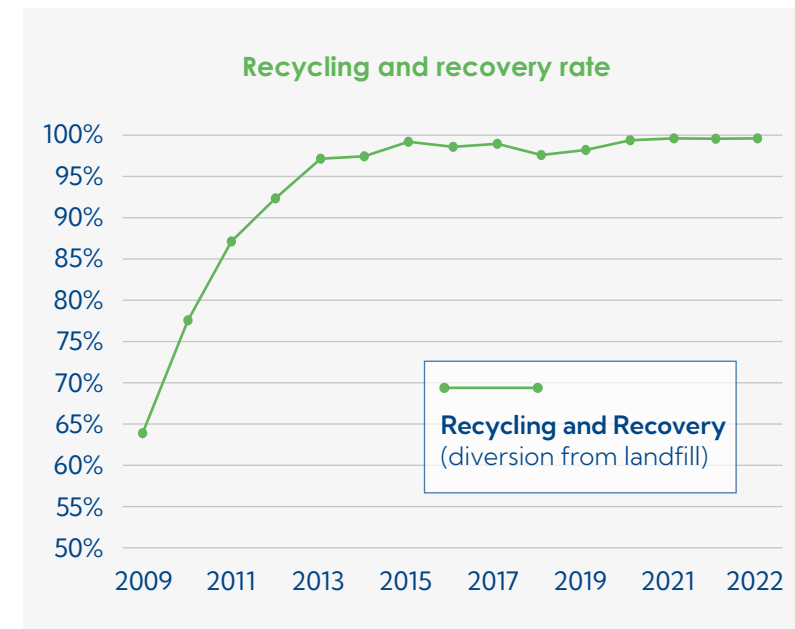




06. Protecting natural resources *(continued)*

Waste Management Reporting

The Group continues to manage waste generated through its activities in an environmentally responsible manner. We prioritise segregation of recyclable materials and minimise waste contamination. Waste generated at our sites is segregated into differing waste streams and the Group's manufacturing sites re-use material wherever possible. The overall waste volumes have increased in line with acquisitions and business growth, however we have still managed to maintain a high level of landfill avoidance during the year.



We aim for 100% landfill avoidance by 2030. Currently, over 99% of direct waste generated by Macfarlane Group avoids landfill and is re-used or recycled, contributing to a circular economy.

07.

Closing the loop through better design and sourcing

Packaging is an essential component in most supply chains, ensuring products arrive at their destination safely and intact. However, it is important that this packaging is designed, used and disposed of properly to minimise its impact on the environment – we call this optimised packaging.

Optimised packaging uses the minimum quantity of materials that contain as much recycled content as possible, whilst still performing its essential function to protect the products inside and ultimately being recyclable at the end of its life.

Macfarlane Group is committed to helping create a circular economy. We will do this by ensuring better packaging design and sourcing.

Our initiatives and goals include:

Initiative	Status	2022 Update
By 2025, at least 90% of products will contain recycled content.	On Track	77%* of products sold now contain recycled content of at least 30%
By 2025, at least 90% of products will be recyclable. We classify 'recyclable' using OPRL guidelines, including kerbside pickup, as well as supermarket recycling. We do not include other schemes, such as Terracycle.	On Track	Overall % of products sold that are recyclable is 89%*

*** This figure is based on analysis undertaken during 2022 of products sold by weight through our core sales system. We plan to continue to improve this coverage further as part of our data improvement agenda.**

This element of our ESG strategy is supported by our primary focus on corrugated paper products, which represent around two-thirds of the value of products sold in 2022 and are naturally environmentally friendly. They can be recycled up to seven times with actual recycling rates high across Europe.

We recognise our responsibility to lead sustainable change in packaging distribution through ethical and environmentally friendly procurement and sourcing. Packaging should be designed with consideration of its entire lifecycle to help reduce its impact on the planet.

We want to provide all our customers with clear and transparent information to make informed decisions about packaging and sustainability. As such, we have adopted and applied OPRL* recyclability labelling across our product catalogue, in addition to recycled content and reusability information.

We are investing in our circular design capability, through training for our procurement and Innovation Lab teams. In addition, we continue to be a member of Sedex, which provides independent verification of responsible operations and ethical sourcing. In 2022, we audited an additional three suppliers against our Sedex standards.

***OPRL stands for the On-Pack Recycling Label Scheme.**

08.

Leading sustainable change in protective packaging

Social



09.

Supporting our customers to build a sustainable future



Our success is dependent on us meeting the needs and aspirations of our customers and their customers. Packaging plays a key part in the sustainability goals for businesses, with many looking to reduce packaging use and minimise material waste.

What we are doing about it

The Group works in partnership with its customers and suppliers to ensure that we provide an expert, independent and tailored approach, which takes into consideration the impact that the products and services we provide have on the environment. To measure how we are supporting customers and continually improving our products and services, we have established the following goals and initiatives:

Net Promoter Score/Customer Satisfaction	2022	2021	2020
NPS	50	48	53
Annual customer satisfaction scores	92%	91%	91%

Commentary

Throughout 2022, Net Promoter Score engagement programmes have assisted colleagues in understanding the importance of world-class customer satisfaction. Despite challenging market conditions, customer satisfaction has increased.

60

By 2025, we aim for our Net Promoter Score (NPS), in the Distribution division, to be 60 (the average NPS score for B2B companies in 2022 was 35) to ensure we are providing world class customer satisfaction.



Macfarlane Group aims for customer satisfaction scores in our annual survey to remain above 90%, for all Group divisions. By 2025, we aim for this to be 95%.

The average NPS for B2B businesses is 35.

Source: [B2B International](#)



09. Supporting our customers to build a sustainable future *(continued)*

Throughout 2022, we have continued to work with our customers to build a sustainable future.

This has included:

- Helping customers with the introduction of the Plastic Packaging Tax. To date, 6,500 customers have transitioned away from 0% recycled content plastic packaging products to use products with at least 30% recycled content.
- Training of our Distribution division's external sales staff to use the Macfarlane **Packaging Optimiser**, so they can help customers make informed choices about sustainability and packaging.



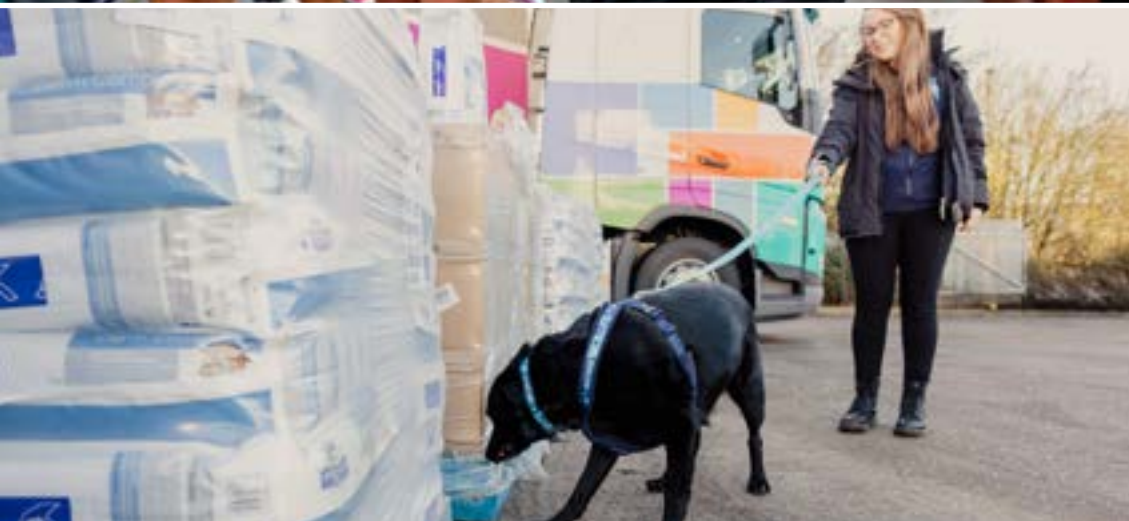


10.

Investing in the communities we serve

Macfarlane Group believes that understanding the communities within which we operate allows us to serve our people and stakeholders in these local areas better and more sustainably.

To support our approach, we launched our colleague Volunteer Day scheme during Summer 2022, giving our colleagues the opportunity to get involved in community projects, along with empowering them to pro-actively fundraise and support charity initiatives throughout the year.



Macfarlane Group has several initiatives aimed at supporting the communities we serve, including:



A strategic charity partnership with Blue Cross, an animal welfare charity, where Macfarlane provides vital logistics support, volunteering hours and fundraising support.



Supporting our colleagues in raising funds for charitable causes alongside our own pro-active fundraising.

Giving our colleagues the opportunity to spend at least one fully paid day per year volunteering through our community engagement scheme.

11.

Protecting our colleagues and culture

Our colleagues make the difference in our business. The value added by each individual ensures Macfarlane Group continues to grow and remain successful.

By enabling, encouraging and empowering our people whilst striving for an inclusive culture where colleagues have the confidence to be themselves, Macfarlane Group aims to create an environment where everyone can achieve their full potential.

11. Protecting our colleagues and culture *(continued)*

What we are doing about it



Macfarlane Group has a wide range of initiatives that help to protect and develop our colleagues and culture, so we evolve as our market does.



- **We protect our colleagues' well-being by providing an Employee Assistance Programme (EAP).** This includes access to independent specialised counselling, a 24/7 support line and online portal and our own fully qualified Mental Health First Aiders.

We also launched a dedicated Intranet page on mental health and well-being this year, with information, advice and top tips on mental, physical and financial health topics.

- **We aim to increase employee engagement and employee voice.** In 2022, we launched our Group colleague engagement survey, "You told us! We are taking action". Our Group survey was open to all colleagues across the organisation, including acquisitions, and received 57% participation.

Since the results were compiled and distributed, a group of managers and HR personnel have collaborated to identify key areas for improvement. This year, we communicated our action plans and commitments.

Additionally, we've launched our first site-specific 'Great Place to Work' (GPTW) listening group, which will allow for greater collaboration, the development of trust and respect, and improved communications.

- **We aim to increase awareness of Diversity, Equality and Inclusion (DEI).** Awareness is being facilitated through mandatory training for colleagues in leadership roles. To support our ambitions, we have designed a two-part DEI Training course in collaboration with ACAS. Part 1 – Overview of DEI, Part 2 consists of two sections: 'Managing Difficult Conversations' and 'Unconscious Bias'.

95% of our senior managers received DEI training in 2022.

In addition, we launched our new Diversity, Equality and Inclusion Policy and Guide to Discrimination, Bullying, Harassment, Sexual Harassment & Victimisation during 2022 to further embed DEI values in our culture.

The Group will also be looking to appoint DEI champions in 2023.



11. Protecting our colleagues and culture *(continued)*

Health & Safety

Macfarlane Group continues to adopt a risk-based approach to our Health & Safety programme. This ensures that resources are directed in the most efficient and effective way possible.

In 2022, we:

- **Embedded the Health & Safety Management System into the Group, including 2021 acquisitions** – this is to ensure all accidents, incidents, near misses and safety observations are captured and all investigation findings are identified and actioned. We are currently reviewing legacy Health & Safety reporting systems at the 2022 acquisition, PackMann, with a view to integrating them into the Group system.
- **Installed Automatic External Defibrillators (AEDs) at all UK and Ireland Group sites** – promoting the welfare of our people is of utmost importance to the Group.
- **Developed a Health & Safety Training Programme** – ensuring all our people understand why Health & Safety is important and the key role that they play in improving the safety of our sites.

- **Full Health & Safety Audit Schedule completed** – all Group sites, including 2021 and 2022 acquisitions, were audited against legislative and Macfarlane Group policies and standards.

Four reportable incidents occurred in 2022, compared to five in 2021. All reportable incidents are investigated thoroughly by our Health & Safety team and changes to working practices are implemented if required. We also ensure that training in a particular area, where incidents have arisen, is reinforced.

Slips, trips and falls are the highest cause of reportable incidents. We continue to review and improve our training and oversight of activities where these incidents present a risk, as part of our ongoing commitment to the safety of our people.

11. Protecting our colleagues and culture *(continued)*

Accident Frequency Rate

The Accident Frequency Rate ('AFR'), representing the number of reportable incidents per 100,000 person-hours worked, is shown below:

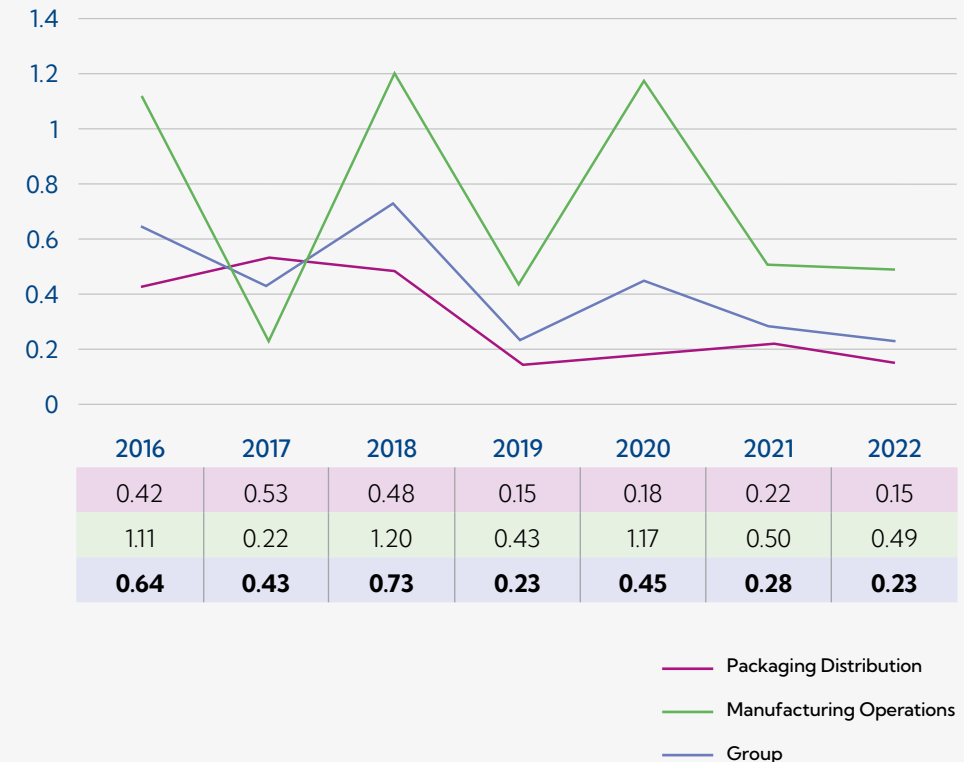
AFR	2016	2017	2018	2019	2020	2021	2022
Packaging Distribution	0.42	0.53	0.48	0.15	0.18	0.22	0.15
Manufacturing Operations	1.11	0.22	1.20	0.43	1.17	0.50	0.49
Group	0.64	0.43	0.73	0.23	0.45	0.28	0.23

Manufacturing Operations' statistics for 2016 to 2021 in the above AFR table include data for Macfarlane Labels, which was sold on 31 December 2021.

In 2023, our aims are continuous improvement in our positive safety culture and reduction in recorded accidents, ensuring all our sites are safe places of work for our colleagues and all stakeholders. Some of the actions we plan to complete include:

- Delivering Health & Safety awareness training to all Site Managers;
- Conducting HSQE (Health, Safety, Quality and Environment) Representative training, including accident/incident investigations;
- Detailed trend analysis to identify areas for further improvement and inform our Health & Safety strategy going forward.

Accident Frequency Rate (AFR)



Since 2016, Macfarlane Group has managed to significantly reduce its AFR across all operations. AFR remains higher in the Manufacturing division, due to the nature and inherent risk of those operations. This in turn drives the overall Group rate to be higher than the Distribution AFR.



11. Protecting our colleagues and culture *(continued)*

Employee development

Macfarlane Group believes that each employee should be provided with the opportunity to realise their potential. Through several mechanisms, including Career Development Plans, Apprenticeship Schemes and the Macfarlane Leadership Programme, we provide a platform for personal development and career enhancement whilst also ensuring, through structured training, that employees have the correct skills and knowledge to effectively fulfil their role.

The significant developments in technology within Macfarlane Group over the past two years have enabled us to enhance virtual training programmes, supporting our ability to engage all employees in their development, no matter where they are geographically located. The Group has provided an average of 15 hours of training per employee in 2022. This represents a decrease compared to 2021 (16 hours per employee) and is primarily due to the sale of the Macfarlane Labels division, which had higher training requirements, given the nature of the business (e.g. increased manual handling training needs).

Employee engagement

Our aim is to be an inclusive employer of choice. The successful engagement of our employees is not only critical to us achieving this aim but also in ensuring the overall success of the business.

Excellent colleague communication continues to be a key area of focus. We have a framework of internal communication channels which seek to inform, engage and inspire individuals on matters of potential interest to them, alongside wider business performance.

We encourage the engagement of every colleague to ensure the delivery of an outstanding service to our customers. This is achieved through a number of tools, including business update sessions run by our CEO, functional forums, regular structured meetings, focus groups, informal review meetings, anonymous feedback forms, company newsletters and colleague surveys. These methods, along with individual one-to-one discussions, provide opportunities for individuals to engage in two-way dialogue, covering topics such as the overall well-being of our employees, in addition to business and personal performance.

The Group-wide implementation of Microsoft Teams has improved the level of connectivity across the business. Platforms like this, including Viva Engage (formerly Yammer), will enable us to continue to widen our feedback and engagement channels.

11. Protecting our colleagues and culture *(continued)*

Employee wellbeing

Inspiring and enabling our colleagues to fulfil their potential starts with supporting their overall well-being. We are passionate about creating a culture where all our colleagues feel able to seek support and have access to helpful resources. Throughout the year, we raised awareness of mental health and encouraged all our colleagues to understand that it is an issue for everyone.

Guides, support tools and online training have been made available to all employees, with the aim of creating a healthy, supportive working environment. A full Employee Assistance Programme (EAP) is available 24/7 to all our colleagues, with Mental Health First Aiders available for support in the workplace. In 2022, we also launched our international EAP service for our colleagues in Ireland, the Netherlands and Germany.

As a Group, we understand how important a healthy home life is to an individual's well-being. Flexible working practices, including hybrid working, are adopted whenever possible to support the ability of employees to manage the demands of both work and home.

Diversity

Throughout Macfarlane Group, we continue to work to create a more diverse and inclusive culture. This will, in turn, improve our performance, better reflect the communities we operate within and enhance our employee engagement. In support of this aim, we plan to improve the quality of the diversity information we gather on our colleagues over the next 12 months.

The gender breakdown of Directors, Senior Managers and other Group employees at the year-end is shown in the table below:

	2022		2021*	
	Male	Female	Male	Female
Directors	5	2	6	1
Senior Managers	12	6	13	6
All other employees	616	327	597	333

* 2021 numbers have been restated to reflect the sale of the Labels business in December 2021.





11. Protecting our colleagues and culture *(continued)*

Gender Pay Gap

Macfarlane Group's Gender Pay Gap information in this report is for the snapshot date 5 April 2022.

Macfarlane Group UK Limited recorded a Mean Pay Gap figure of -0.03% in 2022, with one pence difference, favouring females. In 2021 a -3.2% difference, favouring females was reported. The movement in this figure is a direct result of a company-wide review of the traditionally lower paid positions. Logistics and Production areas saw an increase in the hourly rate paid for these roles, where males represent the majority, resulting in the positive impact on the 2022 figure.

Macfarlane Group is a progressive company operating in a traditionally male oriented sector. We continue to engage in initiatives that promote a career in Logistics and Production to those in under-represented groups. Our focus on this area will enable us to build towards a more diverse organisation in future years.

As part of our Diversity, Equity and Inclusion agenda key improvement actions are being implemented during 2023, including enhanced training, management

awareness, additional employee engagement feedback and targeted recruitment. The importance of attracting and retaining a diverse workforce, while promoting an inclusive culture, is the priority of every leader within our business.

[Macfarlane Group Gender Pay Gap information can be found on our website \(www.macfarlanegroup.com\).](http://www.macfarlanegroup.com)



11. Protecting our colleagues and culture *(continued)*



Human Rights

In 2022, Macfarlane Group launched a new Human Rights policy.

We also have other policies that reflect established human rights principles. These include:

- **Equality policy** – We are committed to providing equal opportunities to colleagues and potential colleagues.

This applies to recruitment, training, career development and promotion, regardless of physical ability, gender, sexual orientation or gender reassignment, pregnancy and maternity, race, religious beliefs, age, nationality or ethnic origin. Full and fair consideration is given to employment applications by people with disabilities, wherever suitable opportunities exist, having regard to their particular aptitudes and abilities.

Striving to ensure that the work environment is free of harassment and bullying, and that everyone is treated with dignity and respect, are important aspects of ensuring equal opportunities in employment. There is a specific Dignity at Work policy, which deals with these issues. Where an employee becomes disabled, every effort is made to ensure that their employment with the Group continues and that appropriate adjustments are made. Disabled employees receive equal opportunities, regarding selection for training, career development and promotion.

- **Engagement** – the Group recognises the importance of meaningful communication and consultation in maintaining good employee relations. This is achieved through formal and informal meetings across all business units.
- **Anti-bribery and Corruption policy** – the Group has an Anti-bribery and Corruption policy, which is supplemented by a gift register and an associated policy on accepting gifts.

- **Whistleblowing policy** – there is provision for employees to use an independent service if they are not comfortable speaking to anyone within the Group about any matters which give them concern. This service is promoted throughout the Group. This provision was extended during 2020 to include a specific support line linked to Covid-19 and the Health & Safety of every stakeholder.

- **Modern Slavery Act statement** – each year, the Group makes a statement under the Modern Slavery Act which is supported by internal procedures to ensure that the principles of the act are adhered to. The statement is available on the website (www.macfarlanegroup.com).

No material breaches of the above policies were noted during 2022, nor were any matters of significant concern reported through our whistleblowing service.

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12. Board

Background

The Board makes decisions in full consideration of their potential effect on the environment, employees and local communities. Since the end of 2021, ESG has been embedded as a standing item on the Board agenda, although prior to this, it was the subject of frequent Board discussion. It is clearly understood that only with a firm commitment to this agenda can the Group continue to grow and flourish.

Diversity

The Board is fully committed to diversity, on the basis that the best quality personnel from a range of backgrounds can enhance the overall quality of our business. This is also fully supported across the Group. The positive gender pay gap in the organisation is clear evidence of this positive approach, as is the appointment of our first female Chair of the Board, Aleen Gulvanessian, in 2022. In addition, 33% of Board directors are now female.

Executive Pay

Macfarlane Group take a prudent and transparent approach to Executive Remuneration. Further details on this can be found in our Directors' Remuneration Report on pages 54 to 64 of our 2022 annual report.

Tax

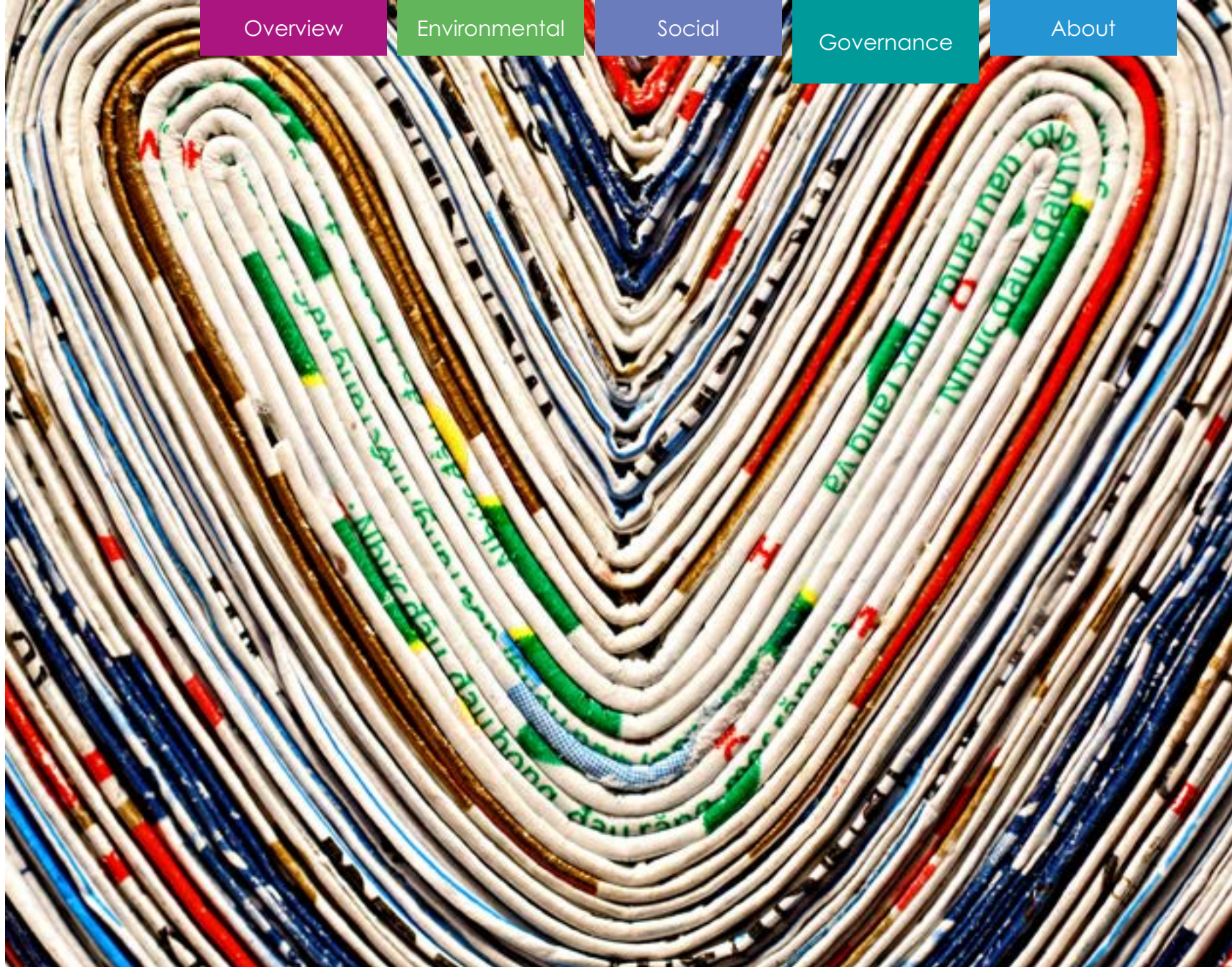
Macfarlane Group consistently meets its tax obligations, ensuring it pays the right amount of tax in a transparent manner. This includes no elaborate overseas schemes to avoid tax, with the appropriate tax paid in all the territories in which we operate.

13. Ethics

At the heart of how we operate is the underlying ethos of doing business in the right way so that we protect the environment, support our colleagues and benefit the communities within which we operate.

Macfarlane Group passionately believes in acting with integrity and operating ethically in everything that we do. These values are championed by our senior management and are deeply embedded within our businesses' processes.

They are further reinforced through our company policies, our approach to recruitment and developing our internal talent. Critically, acting ethically and with integrity is the cornerstone of our engagement with customers, allowing us to provide them with independent and expert advice that they can trust.



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14. About this report

How Macfarlane Group has measured carbon emissions for this report

To measure the carbon emissions, EcoAct has used the main requirements of the standard ISO 14064:2018 Greenhouse gases – Part 1 specifications, with guidance at the organisation level for the quantification and reporting of greenhouse gas emissions and removals.

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