



Sustainability Report 2023



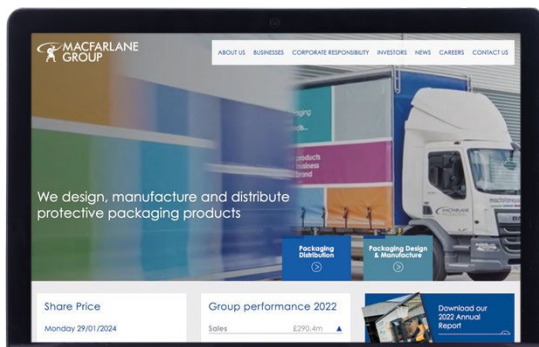
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How to use this report

This is a smart pdf with navigation functionality built into the document. To use, click on the contents list on this page or the section tab navigation on the far right of each page to navigate to the section you require. Alternatively you can click on the page forward/back arrows to move page by page, or the home icon to return to the content list.

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

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



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Our performance at a glance

<p>37%</p> <p>reduction in carbon emissions intensity since 2019</p>	<p>89%</p> <p>of electricity sourced from renewables during 2023</p>	<p>4</p> <p>onsite solar panel arrays in operation</p>	<p>22%</p> <p>reduction in absolute carbon emissions since 2019</p>
<p>11%</p> <p>driver efficiency improvement (MPG average 2023 vs 2022)</p>	<p>66%</p> <p>reduction in Accident Frequency Rate since 2016</p>	<p>200+</p> <p>customer engagements with our Innovation Lab team</p>	<p>60</p> <p>customer Net Promoter Score</p>
<p>750+</p> <p>hours volunteering</p>	<p>1/3</p> <p>of our senior leaders are women</p>	<p>200+</p> <p>deliveries made for our strategic charity partner</p>	<p>0%</p> <p>gender pay gap</p>

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Introducing our vision and strategy

Macfarlane Group and sustainability

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

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

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

Our Sustainability strategy

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



Within this Sustainability Report we will set out that strategy in more detail, sharing our progress to date, as well as our future plans. We will also present how our strategy supports the United Nations Sustainable Development Goals (SDGs); which set the global standards on sustainability; our independent accreditation partners that help hold us to account on progress and our overall approach to sustainability within the Group.

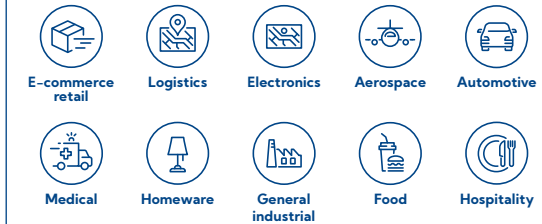
Our business model

Our purpose

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

What we do

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



How we do it

- Bespoke product and service range
- Value added proposition
- Depth of expertise in protective packaging
- Continual investment in innovation
- In-house design teams
- Growing manufacturing capacity
- Adopting a 'stock and serve' approach



Our commitment to sustainability



David Patton

You don't need to look too far these days to see the ever-growing impact of our changing climate. These changes are already having a profound impact upon our society and are increasingly affecting our economy too. These global challenges cannot be solved by individual companies or even countries alone and require collaboration on an unprecedented scale with businesses recognising and embracing their responsibility accordingly. I am proud that at Macfarlane we are continuing to play our role, not just by reducing our own impact but also working with our customers and increasingly our suppliers to reduce theirs.

Going further

We won't however simply stop there and are continuing to increase our efforts across our entire ESG agenda. Not just on addressing the environmental impacts of our business

but also by using our position to advance our social agenda; supporting our colleagues, creating a great place to work and being a force for good within the communities where we do business. Our new Sustainability Strategy helps us focus our efforts on those ESG challenges that are most relevant to our business and where we believe that we can play an important part in the broader transition that will be required. All of this will be underpinned by staying true to our values, being honest about our achievements as well as the challenges ahead and by holding ourselves to account through independent scrutiny and leading accreditations. We are pleased to take this opportunity to update you on our progress so far and our future plans – we hope you find it helpful.

David Patton
Head of Sustainability



Peter Atkinson

Sustainability is core to our business. Utilising the full scale and breadth of our Group, we believe that we are uniquely well placed to support our customers in delivering against their sustainability goals; providing independent and expert advice on the full impact of their packaging and identifying solutions that enable them to take positive action. During the year we have further extended the support we offer to our customers to find more sustainable packaging solutions – opening our second Innovation lab; investing in additional specialist resources and extending our sustainable packaging portfolio.

I am pleased to report that 2023 also marks a year of progress across many other aspects of our ESG agenda, from further electrification of our fleet and investment in renewables through to embracing diversity and scaling up our community initiatives.

Sustainability Strategy







Our new Sustainability Strategy is based around six strategic pillars, acting not just on our own environmental impact but also the impact of our suppliers and customers, caring for our colleagues and investing in the communities where we operate. All of which is supported by our strong governance foundations, doing business the right way, and acting with integrity in everything that we do. Our strategy will help ensure that we build on our progress to date while also extending our ambition to meet the scale of the challenges ahead.

The Board and I are committed to a progressive ESG agenda and we recognise its importance in the long-term success of our business.

Peter D. Atkinson
Chief Executive Officer



Headline progress summary against our six strategic pillars

Strategic pillar	Strategic goal	Headline progress	More information
Environment			
1. Reducing the environmental impact of our operations 	Transforming our operations to minimise the environmental impact for which we are directly responsible	<ul style="list-style-type: none"> • Five fully electric trucks are now operational with four more on order for 2024. • 22% reduction in overall carbon emissions relative to our 2019 baseline. • Solar panels installed at our Grantham manufacturing site. • 89% of our electricity sourced from renewables in 2023. • Driver performance programme embedded to improve fuel efficiency. 	See page 11
2. Supporting our customers 	Providing our customers with expert and independent advice that they can trust, enabling them to deliver against their own sustainability objectives	<ul style="list-style-type: none"> • Opened our new Northern Innovation Lab, expanding our capacity to support our customers reduce the environmental impact of their packaging. See case study on page 18. • Our range of sustainable packaging products extended. • Support provided to our customers on UK Government environmental packaging regulations. • Customer Net Promoter Score improved to 60 (2022: 50). 	See page 16
3. Partnering with suppliers 	Collaborating with our suppliers to reduce their environmental impact and, over time, pivoting our supply base towards those that can demonstrate the highest standards	<ul style="list-style-type: none"> • Scope 3 mapping exercise under way to baseline total carbon emissions across our value chain. • Committed to disclosing Scope 3 emissions during 2024 and setting associated reduction targets. • New Supplier Code of Conduct developed to set minimum ESG expectations across our supply chain. • Supplier audit and assurance arrangements strengthened. 	See page 19
Social			
4. Caring for our colleagues 	Prioritising the wellbeing of our colleagues, focusing on colleague development and engagement and striving to create a supportive, safe and inclusive culture	<ul style="list-style-type: none"> • 66% reduction in accident frequency rates, since 2016. • Diversity, Equality and Inclusion training programme rolled out across Group management. • Supporting staff through the cost-of-living crisis and made further progress on our gender pay gap. • Implemented our 'You said, we are taking action' initiative to address improvement areas highlighted by our employees. 	See page 21
5. Investing in the community 	As a business connected within local communities we will continue to invest in those communities and support our colleagues to do the same	<ul style="list-style-type: none"> • Supporting our strategic charity partner, Blue Cross, through fundraising, volunteering and logistics. • Over 750 volunteering hours were provided during the year to a wide range of local community initiatives. • Network of 23 Community Champions who are dedicated to supporting our colleagues and community initiatives at each of our local sites. 	See page 24
Governance			
6. Doing things the right way 	We will continue to be led by our core values, embracing best practice for an organisation of our size and maintaining the highest standards of governance	<ul style="list-style-type: none"> • ESG Committee well-established with senior business leaders and direct reporting line to the Board. • Chief Executive and majority of the senior management team have personal performance objectives on ESG. • Our second full disclosure to Carbon Disclosure Project ('CDP') completed with continued commitment to transparency. • Extending our consideration and disclosure of climate-related risks under the Task Force on Climate Related Disclosures ('TCFD'), framework. 	See page 27

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External initiatives and benchmarks

Alignment to Sustainable Development Goals

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


13 CLIMATE ACTION



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

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


12 RESPONSIBLE CONSUMPTION AND PRODUCTION



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

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


10 REDUCED INEQUALITIES



Focus
Reducing inequalities within and among countries.

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

8 DECENT WORK AND ECONOMIC GROWTH



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

Why is this important to Macfarlane?
We employ over 1,000 people, serve over 20,000 customers and work with more than 1,000 suppliers, many of whom are small and medium sized enterprises. We have strong growth ambitions and recognise that our growth needs to be achieved whilst reducing our environmental impact. We are committed to investing in innovation and new technology and being an employer of choice for our colleagues and see these as key growth enablers.

5 GENDER EQUALITY



Focus
Achieving gender equality and empowering all women and girls.

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



External initiatives and benchmarks (cont)

Alignment to the leading external standards on ESG

We are committed to being held accountable to the leading external standards on ESG, assuring ourselves and our stakeholders that we are continuing to make demonstrable progress.



EcoVadis is one of the world's most trusted sustainability ratings agencies, ranking organisations on their progress across environmental, social and governance agendas, through a consistent scoring methodology. Macfarlane has been a member of EcoVadis since 2014 and we remain committed to the scheme and to providing our stakeholders with further independent assurance. We currently have gold status, putting us in the top 10% of companies assessed globally.



We are committed to reporting our climate disclosures in line with the Task Force on Climate Related Financial Disclosures ('TCFD') framework. This supports the Group to embed climate related risks and opportunities further into its core risk management practices and provides further transparency to all stakeholders. Our 2023 disclosure is included within our annual report, available at [macfarlanegroup.com](https://www.macfarlanegroup.com)



CDP is an international not-for-profit charity that runs the leading global disclosure system on environmental impacts. CDP's primary purpose is to raise disclosure standards and increase transparency across all economic sectors – driving companies to make meaningful and demonstrable progress. We undertook our second full disclosure during 2023 and were awarded a C rating, which is equivalent to the global average. We are committed to continuing with these disclosures going forward and continuing to improve our score, maintaining the utmost transparency on our progress.



The Sustainable Development Goals adopted by the United Nations set out the global blueprint for a more sustainable future. They consist of 17 overarching goals that seek to address the primary sustainability challenges facing the world today, encompassing inequality, poverty and climate change. Macfarlane have set out how we believe we can support the delivery of these goals on [page 8](#).



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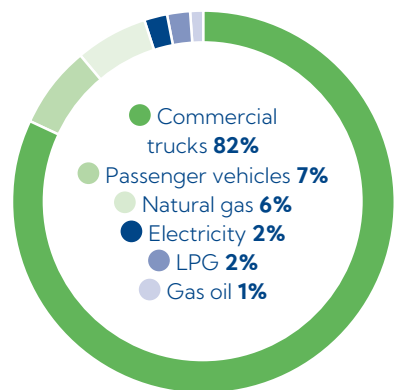
1. Reducing the environmental impact of our operations



Transforming our operations to minimise the environmental impact for which we are directly responsible.

Our primary environmental impact is in the carbon we produce through the fuel required for our national fleet of delivery trucks. Beyond fuel, our energy use is relatively low. However, we recognise that this has risen in significance over recent years due to the growth of our manufacturing operations – increasing the importance of efficiency measures and renewable sourcing. The chart below provides a breakdown of our internal carbon emissions for 2023.

Macfarlane’s carbon footprint



We are focused on three key areas to reduce our impact on the environment, namely: (i) transitioning our delivery fleet away from fossil fuels, (ii) ensuring 100% of the energy we use is from renewable sources and (iii) striving towards more efficient practices across our operations. We have set ourselves headline targets against each of these measures which are summarised, alongside our progress, on the next few pages.

	CO ₂ e tonnes	Percentage %
Commercial trucks	4,150	82%
Passenger vehicles	376	7%
Natural gas	275	6%
Electricity	114	2%
LPG	111	2%
Gas oil	57	1%
Total	5,083	100%

Progress summary

	Headline target	2023 update	Rating
Scope 1 and 2 emission source: Commercial vehicles 	50% of delivery fleet to be fully electric by 2030	Five fully electric vehicles are now operational with a further four contracted for 2024 delivery	On track
	Driver performance programme rolled out across the Group	Training and new incentive scheme rolled out across the majority of our sites, driving an 11% improvement in fuel efficiency	On track

Commercial vehicles

Our commercial vehicles are the biggest contributor to our Scope 1 and 2 footprint and action here is critical if we are to minimise our impact. Although significant uncertainty remains around the future viability and efficiency of electric commercial vehicles, we believe they offer the best current opportunity for us to decarbonise our commercial vehicle fleet. We have five fully electric trucks within the delivery fleet and we plan to add another four in 2024.

However, there are significant challenges to this transformation including: significant cost; maintaining operational capacity; and dealing with limitations to charging infrastructure, both at our sites and

nationally. We continue to learn as we roll out these vehicles across our delivery fleet and believe that, with sufficient Government support and increased economies of scale, these targets are stretching but achievable.

Another important element in reducing the impact of our delivery fleet will be to continue improving the efficiency of how we operate. There are several factors that drive the efficiency of logistics, from how well we plan routes and how well our vehicles are driven, through to how frequently our customers need deliveries.

[>> continued on page 13](#)



Improving the efficiency of how we deliver our products to customers



"We are delighted with the progress made on our driver performance programme during 2023 demonstrating that we can continue to deliver environmental benefits for ourselves and our customers while maintaining a great level of service. We intend to build on this progress further during 2024, rolling out the programme to more of our sites."

Tim Hylton, Logistics Director, Macfarlane Group

Reducing the impact of our operations

Across the Group we remain committed to reducing the impact of our operations upon the environment.

An important element of this is improving the efficiency of how we deliver our products, while maintaining excellent levels of customer service.

Increasing the focus on fuel efficiency

During 2023, we extended our driver performance programme to put an increased focus on fuel efficiency and align our driver training and incentive scheme to reward best practice.

This enabled us to deliver an average fuel saving of 11% across all 23 participating sites, saving 166,000 litres of fuel and therefore avoiding 417 tonnes of carbon emissions, representing 8% of our total footprint.

417 tonnes

of carbon emissions avoided through driving efficiencies

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1. Reducing the environmental impact of our operations (cont)

Commercial vehicles (cont)

Historically, we have invested significantly in industry-leading systems that allow data to be collected on route planning to ensure the most efficient delivery route possible is selected, minimising fuel consumption. We have added a further three sites to this system during the year, enabling further efficiencies.

We have also extended our driver performance programme, putting additional focus on fuel efficiency and aligning our driving training and incentive scheme to reward best practice. This enabled us to avoid 417 tonnes of carbon emissions during 2023. See case study on [page 12](#).

Finally, we have rolled out the first internal carbon report across the business to help our colleagues better understand what drives our emissions and identify opportunities to mitigate those. We plan to build on this further next year.

Company cars

We continue to increase the proportion of our company car fleet that is electric. Despite the barrier of the slowly developing charging infrastructure, we have encouraged participation through increasing the allowance we provide for these vehicles and by taking measures to improve staff awareness of the choices available. We plan to install more on-site charging points during 2024 and are in discussions with our leasing partner on further collaboration to accelerate uptake.



In addition to the full transition to electricity, we have increased the use of hybrid vehicles with 74% of our fleet now having some electric capability.

We have also set a CO₂ emissions cap on both company cars and the cars our staff can purchase through the car allowance scheme.

Nearly a third of the company car fleet is now fully electric.



Progress summary

	Headline target	2023 update	Rating
Scope 1 and 2 emission source: Company cars 	50% of company car fleet to be fully electric by 2026	32% of our company car fleet is now fully electric (2022: 18%)	Good progress but behind original schedule – considered recoverable 

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1. Reducing the environmental impact of our operations (cont)




Renewable energy

We have driven a step change in the amount of electricity that we source from renewables over recent years, resulting in 89% of Group electricity being generated from a certified renewable source during 2023.

We have installed solar panels at our Grantham manufacturing site during the year, taking the number of solar arrays across the Group to four. We plan to undertake further installations in coming years, both directly and in partnership with our landlords, where suitable.

At most of our sites our energy usage is relatively low, providing inherently less opportunity for further efficiencies. We use more energy within our manufacturing operations and during 2023 we have reduced our electricity demand through installation of light sensors at our Grantham manufacturing site. We have also undertaken an energy efficiency audit across the Group to help identify further material energy efficiency opportunities.

Progress summary

	Headline target	2023 update	Rating
Scope 1 and 2 emission source: Renewable energy 	100% of electricity we control to be sourced from renewables by 2025	89% of Group electricity was sourced from renewables during 2023. As of 31 December 2023, 91% of sites under Group control were procuring certified renewables (88%: 2022)	On track 
	Solar panels to be installed at one site per year	Solar panels installed at our Grantham manufacturing site in 2023, meaning we now have panels at four sites	On track 

Carbon reporting (market based)	2023	2019 (baseline)	Movement
Absolute carbon emissions (Scope 1 and 2) (tCO ₂ e)	5,083	6,503	-22%
Carbon intensity (carbon emissions over £m revenue)	18	29	-37%

CO ₂ per annum market based	2023	2022	2021
Packaging Distribution	4,210	4,626	4,867
Manufacturing Operations	873	878	1,254
Overall	5,083	5,504	6,121

Greenhouse Gas Reporting 2023

Despite significant business growth, the Group has made good progress in reducing its absolute carbon emissions across both its distribution and manufacturing divisions.

From our 2019 baseline, absolute emissions have reduced by 1,420 tonnes (22%). Over the same period revenues have grown by 25% meaning a 37% reduction in carbon intensity. This reduction has been driven through our investment in renewables, the sale of our Labels division in 2021 and other operational efficiencies.

Whilst the Group will continue to advance efficiency measures and invest in local solar arrays it remains reliant on the continuing decarbonisation of the National Grid to achieve its ambitions.

Strong progress so far has meant that the Group has already surpassed the initial carbon intensity reduction target it set itself for 2030 and this target will be reviewed in 2024 once our Scope 3 mapping exercise is complete.

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1. Reducing the environmental impact of our operations (cont)

Waste and use of natural resources

Waste management

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

During 2023 around 92% of our waste materials were segregated for recycling purposes, with the balance used to create energy from waste. As in prior years the Group continues to avoid sending waste to landfill.

In addition to managing our own waste we also operate a recycling division that collects waste on behalf of our customers and supports increased recycling more broadly. The Group offers this across a range of products including paper, card, flexible plastics and plastic foam. During 2023 the division recycled 7,332 tonnes of packaging waste on behalf of our customers, an increase of 292 tonnes on the prior year.

Water and other natural resources

Given the nature of the business our direct use of other natural resources is low across the Group. We do recognise however, that climate change will continue to accelerate water stress, particularly in certain areas of the country. We have therefore undertaken water stress audits across our sites during 2023 and identified no high-risk sites. The Group's manufacturing sites have higher water usage, with processes in place to reduce usage where possible. The Board approved capital investment during 2023 to install an on-site water treatment plant at our GWP manufacturing site, eliminating the future need for any transport of the used water by road, to an external processing facility.

During 2023 the Group used 4,475 m³ of fresh water within its manufacturing operations, equating to a water intensity of 0.13 m³ for every £1,000 of revenue.

During 2023 our recycling division recycled over 7,300 tonnes of packaging waste on behalf of our customers.



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2. Supporting our customers

Providing our customers with expert and independent advice that they can trust and enabling them to deliver against their sustainability objectives.

Supporting our customers to deliver on their sustainability objectives is fundamental to our approach. We support over 20,000 customers with different sustainability requirements and key to our success is being able to service these needs effectively. Our targeted approach, via our Packaging Optimiser, is available to our customers and offers the opportunity to drive both environmental and financial savings. This is achieved by removing materials that are not required, both reducing the volume of packaging used and minimising operational and logistics requirements whilst ensuring that their packaging fulfils its critical role of protecting the product it carries.

Progress through innovation

We opened our new Northern Innovation Lab this year, providing our customers with an industry-leading service, designed to consider all stages of the packaging life cycle. The environmental impact is considered at each of those stages; from initial design and manufacturing, all the way through to what happens at the end of the package's life.

We now have two state-of-the-art Innovation Labs and our team took part in over 200 sessions with customers during 2023, providing them with expert and tailored support to help make their packaging more sustainable whilst still meeting their other operational requirements. See our case study on [page 18](#) for a recent example.

As an independent provider of packaging solutions, we are not tied to specific suppliers or packaging materials. We can therefore source the best sustainable solutions for our customers across the entire market and provide them with expert advice that they can trust on the advantages and disadvantages of each approach.

Progress summary

	Headline target	2023 update	Rating
Product environmental impacts 	By 2025 at least 90% of products in our Distribution Division ¹ will have recycled content	86% of products across Packaging Distribution division now have recycled content (2022: 77%)	On track
	By 2025 at least 90% of products in our Distribution Division will be recyclable	88% of Packaging Distribution division products our now recyclable (2022: 89%)	On track

	Headline target	2023 update	Rating
Customer satisfaction 	To obtain a customer Net Promoter Score of 60 in our Packaging Distribution division by 2025	Net Promoter Score of 60 was achieved for 2023 – the average for a B2B business is currently 35	Delivered
	To achieve annual customer satisfaction scores of above 95% in all divisions by 2025	Overall customer satisfaction was 96% for 2023 with 71% of customers giving an excellent rating	Delivered

¹ The Group's Distribution Division represented 87% of overall revenue during 2023 and the majority of product by volume.





2. Supporting our customers (cont)

Sustainable products

We work hard to engage with the latest in packaging innovation and to provide our customers with the greatest possible choice of packaging options. In addition to all of our bespoke innovation with customers to reduce the packaging material that they need to use, we have also made several enhancements to our catalogue product range during the year.

We introduced several lines to our portfolio, including extending our paper-based consumables range, increasing the recycled content on a range of plastic products and also introduced reusable packaging products across the Group.

We also launched our most sustainable stock-box range yet, making it lighter and significantly increasing the use of recycled content, reducing our annual demand for virgin cardboard by approximately 1,700 tonnes a year.

Expertise in packaging

We have invested in additional skills across the business, including in sustainability, automation and in particular product areas like stretch film, all of which allows us to improve the products and services that we can provide our customers, enabling them to achieve more with less. We have rolled out training across our sales teams and our customers on upcoming environmental regulation that we believe will increasingly shape the market. Lastly, we have commenced the rollout of sustainability training across the business to improve climate literacy and further equip our colleagues to support our customers.

These and our other customer service improvement initiatives have helped us increase our annual customer satisfaction score to 96% (2022: 92%) and achieve a customer Net Promoter Score of 60 (2022: 50). Our customers will always be at the heart of everything we do and striving to continually serve them better remains deeply ingrained across all our operations.

We have launched our most sustainable stock-box range yet... saving 1,700 tonnes of virgin cardboard per year.



Supporting our customers to reduce their environmental impact



"When challenging Macfarlane to redesign our white goods packaging, the design team in the Innovation Lab reacted with great results. Not only have they improved the design, making it significantly more efficient to process, but they have also made a significant reduction on the costs – all in an incredibly short timeframe. This is almost unheard of to drive improvements in cost and efficiency whilst maintaining quality. Thank you for all the hard work."

Gareth Moxon, Operations Manager, Currys

Our new Innovation Lab in Heywood, near Manchester

Our Innovation Labs provide a dedicated space that allows us to bring all our resources and expertise together and offer industry-leading support to our customers, enabling them to minimise the environmental impact of their packaging.

Consideration of the full life-cycle environmental impact of packaging

Our approach allows us to consider the full life-cycle environmental impact of packaging, from material extraction and design, right through to end-of-life.

Currys is one of our customers that has recently benefited from visiting our Innovation Labs, where we have supported them in redesigning the packaging that they use within their repairs and refurbishment business, that directly supports a more circular economic model.

Through multiple optimisation projects we managed to completely remove 38 tonnes of plastic and 18 tonnes of cardboard from their packaging – saving the customer an estimated 133 tonnes of carbon annually.

133 tonnes
of carbon saved per year
through smarter packaging

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3. Partnering with suppliers

Collaborating with our suppliers to reduce their environmental impact and, over time, pivoting our supply base towards those that can demonstrate the highest standards.

As a distributor and specialist manufacturer of protective packaging, the majority of our environmental impact rests within our supply chain, where packaging materials are extracted, manufactured and transported through the early stages of their life cycle. As a business we have longstanding relationships with our strategic suppliers, many of whom are already taking transformational action to decarbonise their operations and reduce their environmental impact. Our sustainability strategy recognises that we can do more to work with our suppliers to ensure that collectively we are making the necessary progress.

We have therefore commenced a full Scope 3 mapping exercise to baseline the carbon emissions across our whole supply chain. We plan to conclude this during 2024 and then move towards setting reduction targets for both ourselves and our suppliers. We are committed to reporting on our Scope 3 footprint publicly within our 2024 Annual Report and regularly reporting on our progress thereafter.

During 2023 we have developed a new Code of Conduct for suppliers to set out clear expectations on key environmental, social and governance matters. The Code reaffirms our commitment to undertaking business in the right way: treating people with respect; reducing our environmental impact; and acting with integrity. We intend to build on these principles, particularly through working with our partners to reduce carbon in our industry.

We have strengthened our supplier on-boarding and ongoing audit processes to increase the assurance we have over their operations. These processes have been refined, allowing us to focus on the areas of highest risk within our supply chain. We are also now mandating that all our high risk, overseas suppliers must be members of Sedex and comply fully with its audit programme, providing us with a consistent approach through one of the industry's leading providers of supply chain assurance.

In addition to increasing the amount of recycled content within our products, we have increased our capacity to provide additional assurance to our customers on the sustainable sourcing of paper materials, through Forest Stewardship Council certification ('FSC'). 91% of our Group sites are now fully FSC certified and all of our stock catalogue products now have FSC certification as a default.



Progress summary

	Headline target	2023 update	Rating
<p>Sustainable sourcing</p>	100% of Group sites will be FSC certified by the end of 2025	91% of our sites are now fully FSC certified (85% in 2022)	On track ●



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4. Caring for our colleagues

Prioritising the wellbeing of our colleagues, focusing on colleague development and engagement and striving to create a supportive, safe and inclusive culture.

Health and Safety

Caring for our colleagues starts with keeping them safe from harm and that is why Health and Safety remains our number one priority across all our sites. We are pleased to have reduced our Accident Frequency Rate ('AFR') by 66% across the Group since our baseline year of 2016 – driving a step change improvement in performance across both our Distribution and Manufacturing divisions across this time.

This result is particularly pleasing against a backdrop of significant growth within the Group and also the challenge of integrating acquired businesses into a central system.

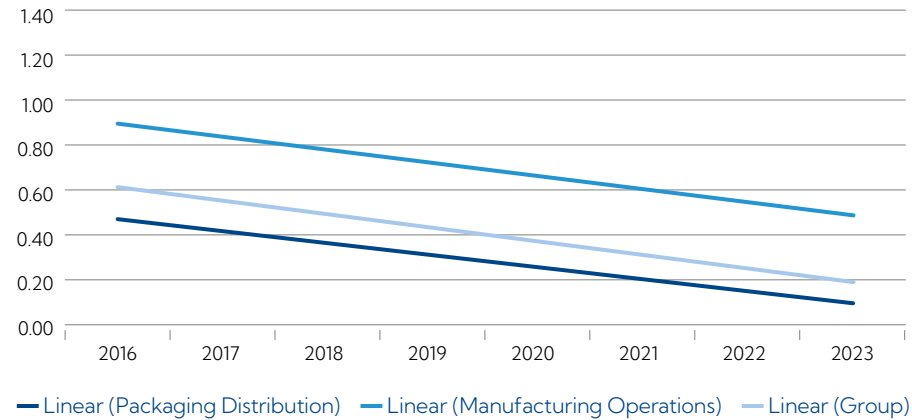
We have worked hard to create a strong Health and Safety culture across our operations. A risk-based approach is taken to the Group's Health and Safety Programme, ensuring that resources are directed in the most efficient and effective way possible. All reportable incidents are investigated thoroughly by our Health &

Safety team and changes to working practices implemented, if required. Additionally, we ensure that colleague training in any particular area where incidents have occurred is reinforced.

During 2023 we completed over 200 hours of Accident Reporting and Claims Management Training with our senior management, as well as developing our logistics inspections and introducing digital commercial vehicle checks. We also undertook detailed analysis of all lagging and leading indicators to spot trends and further promote best practice. As part of this we were pleased to see a significant improvement in our safety observations across the business, helping us to identify and manage emerging risks more proactively. This was all in addition to integrating further acquired businesses into our Health and Safety Management System.

We will not become complacent about our progress to date and, in 2024, our aim is to continue the journey towards zero harm by raising our standards and expectations further. This includes targeting areas of concern through trend analysis, enhancements to our Health and Safety IT system to improve local accountability and standardisation and further promotion of good working practices.

Accident Frequency Rate ('AFR') for Macfarlane Group



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

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





4. Caring for our colleagues (cont)

Colleague engagement

We understand that having an engaged workforce has positive impacts across our entire organisation, boosting productivity, reducing turnover costs, enhancing colleague and customer satisfaction, and contributing towards our goal to be an employer of choice.

We refreshed our Group Colleague Engagement Survey during 2022 to help us understand how staff were feeling and what we needed to do to improve their work experience further. During 2023 we have reflected on the results of that survey and taken a number of steps under our 'You said, we are taking action' initiative to address improvement areas. This included introducing a new internal recognition scheme, improving our internal communication forums and improving our corporate guides on a range of areas from line management through to employee benefits.

We ran a further Colleague Engagement Survey during 2023 and were pleased to see an improving trajectory across multiple areas, including line management, wellbeing, and general engagement levels. We also managed to maintain a good level of participation across the organisation, with 58% of colleagues taking part. The results

of the survey, alongside the staff focus groups that we have established, will help us shape our 2024 improvement priorities.

There is provision for employees to use an independent whistleblowing service if they are uncomfortable speaking to anyone within the Group about any matters which give them concern. This service is promoted throughout the Group.

Diversity, equality and inclusion

In collaboration with ACAS (the Advisory, Conciliation and Arbitration Service) we rolled out the second phase of our Diversity, Equality and Inclusion ('DEI') training programme during the year, providing our staff with the skills and tools required to have difficult conversations with employees and manage unconscious biases more effectively. 80% of managers across the organisation have now completed the course.

Additionally, we have improved our recruitment resources to raise awareness of DEI best practice and revised our induction and on-boarding toolkits to help colleagues from all backgrounds to feel included, from the very start of their Macfarlane careers.

We have also launched internal training on the importance of DEI across the business

and focused on celebrating more significant cultural events to help raise awareness and promote positive conversations.

We are committed to providing equality of opportunity to colleagues and prospective 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 and we have

a specific Dignity at Work Policy in place. 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.

We have strong female representation across our leadership and management teams and consistent with prior years, approximately one third of our senior managers and Board are female. Following a review and uplift to the wages of our lowest paid positions, we have supported staff who needed assistance most during the cost-of-living crisis, as well as making further progress on our gender pay gap. For the last reporting period we recorded a 0% mean average pay gap and a -9.4% median pay gap, in favour of women.

	2023		2022	
	Male	Female	Male	Female
Directors	5	2	5	2
Senior managers	11	6	12	6
All other employees	680	440	616	327





4. Caring for our colleagues (cont)

Colleague support

We have a wide range of benefits and initiatives in place to support our colleagues. We have formalised our hybrid working policy this year to provide our colleagues with more flexibility, adding to our range of flexible benefits which include an additional holiday purchase scheme, career breaks, shared parental leave and enhanced maternity and paternity pay.

We continue to provide all colleagues with full access to our employee assistance programme, providing them with confidential support and advice on a range of life challenges, 24 hours a day. We have extended this support further through enhancing our partnership with Mind, the national mental health charity and also through creating a network of mental health first aiders across the organisation, to act as a front line of support.

Colleague development

We remain committed to supporting our colleagues to learn and develop, enabling them to have flourishing careers and helping them to fulfil their potential. We have an established Apprenticeship Scheme and an in-house Leadership Development

Programme, which provides a structured and broad training curriculum and seeks to grow our employees within the organisation, preparing them for career progression.

We remain committed to learning and development across the organisation and have rolled out a variety of training programmes to staff, including Microsoft Dynamics Academy, Cyber Security Essentials, Extended Producer Responsibility and Health and Safety, amounting to over 9,500 hours of formal training time.

We have also designed a new Performance Development Toolkit, featuring learning and growth conversations and how to get more out of one-to-one line management meetings, which we intend to roll out across the organisation next year. This will be complemented by developing a formalised set of Group behaviours. We will seek to integrate these within our overarching approach to performance management, emphasising the importance of how people behave as well as what they deliver.

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



Scan this code to hear from our colleagues





5. Investing in the community

As a business connected within local communities we will continue to invest in those communities and support our colleagues to do the same.

In 2023, the Group continued its commitment to understanding and engaging with the communities we serve. We actively supported the idea that making a positive impact is not just a responsibility but also an opportunity. Our focus on community involvement was exemplified through various key achievements. Throughout the year, we have championed a sense of community and social responsibility among our colleagues, encouraging volunteering, and contributing to a wide range of important causes.

We were delighted to extend the support we provided to our first ever strategic charity partner, Blue Cross: a national animal welfare charity. During 2023 we raised awareness, vital funds and provided logistics support, which assisted the charity to achieve its goal of feeding 1 million pets. See more details on [page 25](#). We have also strengthened our partnership with Mind: the national mental health charity, providing it with direct support, raising funds and enabling our colleagues to access critical mental health support.

As a business embedded within our local communities, we have a long history of supporting a wide range of local initiatives. In addition to developing our strategic national partnerships this local engagement is something that we continue to nurture. We have therefore established a network of 23 Community Champions across the business who act as focal points for these local initiatives, raising awareness, supporting colleagues to get involved and helping to develop synergies with wider corporate initiatives. These colleagues will also play a key role in supporting our other social initiatives, including mental health and diversity, equality and inclusion.

Our commitment to community involvement also includes the introduction of volunteer days for all staff, with over 750 hours registered during 2023. This initiative empowers and supports our colleagues to volunteer their time and skills for community projects that have the most meaning to them and colleagues have been involved with a wide range of initiatives this year.

We are delighted to continue our charity partnerships with Blue Cross and Mind moving into 2024. In the past year, we have been committed to raising funds, deploying our business assets and dedicating our time to the invaluable causes championed by these

charities. Looking ahead, we are also pleased to announce our commitment to corporately match any individual fundraising efforts organised locally up to the value of £500 for each instance, reinforcing our continuous support for all our charity partners.

Our journey towards understanding and serving our communities is a continuous and evolving one. We remain committed to making a positive and lasting impact, with a strong foundation of achievements in 2023 and a clear roadmap for increasing engagement in the future.



Scan this code for the 2023 charity celebration video

- 1:** Our Glasgow Headquarters team who spent a day volunteering at a local Trussell Trust Foodbank.
- 2:** Our Human Resources team who spent the day supporting the Prevention of Cruelty to Animals in Coventry.
- 3:** Our Gloucester team who spent the day helping Blue Cross at one of their animal centres.



Providing local and national support to the communities where we operate



"Macfarlane has been instrumental in helping our charity to get vital suppliers of pet food to food banks and owners in need across the country. We're very grateful for their continued support of our project which is needed more than ever to keep families and their beloved pets together as people feel the pressure of the increasing cost of living."

Chris Burghes, Chief Executive, Blue Cross

Investing in our communities

As a business we are proud to provide tangible support to the communities where we operate both at a local and national level. During 2023 we were delighted to be able to extend our support to our first ever strategic charity partner, Blue Cross.

Support for pets and their owners

Blue Cross is a national animal welfare charity that provides specialist care, services and support for pets and their owners throughout their lives. It has been operating across the UK for over 125 years.

Like many charities Blue Cross found itself operating in extremely challenging circumstances during the cost-of-living crisis and alongside growing service demands, it faced particular issues with logistics to get food supplies to where they are needed most.

Macfarlane's logistics division therefore stepped in to play a key role, providing complimentary storage and transport solutions, in addition to raising awareness, funds and volunteering. All of which supported the charity to achieve its goal of feeding over 1 million pets.

Supporting Blue Cross to feed

1 million

pets across the UK

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6. Doing things the right way

We will continue to be led by our core values, embracing best practice for an organisation of our size and maintaining the highest standards of governance.

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

In January 2023, the Group welcomed our new Head of Sustainability who now oversees our ESG agenda across the Group, chairing our ESG committee comprising senior leaders across the business and reporting directly to the Board. We have developed a Sustainability Strategy during the year to help ensure that we are making sufficient progress in key areas where we can make the biggest difference.

ESG remains a key priority for the Group, continuing to be a standing item on the Board agenda and forms a critical part of our decision-making processes. We have set out in detail how we consider and manage climate-related risks within

the TCFD section of our annual report, available at [macfarlanegroup.com](https://www.macfarlanegroup.com).

Our Chief Executive and the majority of senior managers have explicit ESG goals within their personal performance objectives and we will seek to build on this further during 2024 by rolling these out across the broader management team.

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

- **Human Rights:** Macfarlane is committed to respecting everyone's human rights, ensuring that all individuals are treated with dignity and respect and will seek to identify and prevent adverse human rights impact caused by our business activities. Our Human Rights policy is available at [macfarlanegroup.com](https://www.macfarlanegroup.com).
- **Modern Slavery Act:** each year, the Group makes a public statement under the Modern Slavery Act which is supported by internal procedures to ensure that the principles of the act are adhered to. The statement is also available at [macfarlanegroup.com](https://www.macfarlanegroup.com).
- **Anti-bribery and corruption:** we have an anti-bribery and corruption policy, which is supplemented by a gift register and an associated policy on accepting gifts to mitigate the risk of any conflicts of interest. The Group provides an independent whistleblowing service, available both internally and externally, that is actively promoted.
- **Executive pay:** the Group has a prudent and transparent approach to executive remuneration, ensuring that a robust and evidenced-based process is followed, and that remuneration does not become excessive. Further details of this process can be found within the Directors Remuneration Report within our Annual Report.
- **Stakeholders:** The Group has a wide range of stakeholders including over 20,000 customers, more than 1,000 employees and 1,000 suppliers. We set out within the stakeholder engagement section of our Annual Report available at [macfarlanegroup.com](https://www.macfarlanegroup.com) how we actively engage with those stakeholders and strive to balance their different needs.
- **Tax:** the Group takes a conservative and prudent approach to meeting its tax obligations, ensuring it pays the right amount of tax in a transparent manner and avoids elaborate schemes that seek to distort economic reality and avoid tax that is rightly due. The Group's tax strategy is available at [macfarlanegroup.com](https://www.macfarlanegroup.com).



We take a fully transparent approach to how we manage ESG matters across our operations. We consider integrity and authenticity on this agenda as critical to enabling progress and this is why we continue to welcome external accreditation and associations, like CDP and EcoVadis.

It is also why we will continue to embrace the Task Force on Climate-related Financial Disclosures ('TCFD') reporting framework, providing transparency to all of our stakeholders.





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Data and methodology

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

Methodology

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

The Group applies a 'market based GHG Protocol' methodology for the calculation of carbon emissions as it considers this is best aligned to its carbon reduction strategy. The Group also reports on a location basis and an energy equivalence basis. This and a full breakdown of the Group's environmental reporting is included within the Group's Annual Report, available at [macfarlanegroup.com](https://www.macfarlanegroup.com).

Data and sourcing

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

The carbon footprint calculations use published emission factors and agreed formulae taken from the latest (2023) UK Government Conversion Factors for Company Reporting, provided by the Department for Business, Energy and Industrial Strategy (BEIS) and the International Energy Agency electricity emissions factors (2023).

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





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