Grafton Group plc

Building a more sustainable future

Grafton Group plc
Sustainability Report 2022

In this year's report...

This report covers the financial year 2022 which runs from 1 January 2022 to 31 December 2022.

The scope of the report includes our distribution, retailing and manufacturing operations covered by our twelve business units. EY has completed a limited assurance engagement on three of our key targets and the assurance statement can be found on p34. Targets under the scope of this assurance are indicated throughout the document with a Δ. Where actions or data points refer to activity outside of the financial year these are highlighted by *.

Introduction

Introduction	2
2022 Highlights	3
Our Business	4

Strategy & Progress

Our Strategy	6
Planet	8
Customer and Product	13
People	17
Community	23
Ethics	26

Supporting Information

2021 Statements	31
Carbon Data	33
Assurance Statement	34
Sustainable Development Goals	35

Building progress together

"We are proud of the commitment that all of our businesses have shown to sustainability and the progress made against the strategy we set out in 2021."

Carbon

-11%

Reduction in Scope 1 & 2 tCO_2e relative to revenue vs 2021.

Communities

£1m

Invested in communities through monetary donations, volunteering and in kind donations.

Health & Safety

-21%

Reduction in Group Lost Time Injury Severity Rate vs 2021.

2022 saw the easing of Covid restrictions across our Group markets and the conflict in Ukraine. The resulting energy crisis, high inflation levels and cost of living crisis are likely to dominate 2023.

Grafton has managed to navigate these changes and challenges because of our strong balance sheet, diverse business portfolio and careful approach to risk management. Against this backdrop we are proud of the commitment that all of our businesses have shown to sustainability and the progress made against the strategy we set out in 2021.

Sustainability has remained a central part of the Group Board agenda as well as a key topic of conversation at the Senior Leadership Team. The Group was pleased to announce the recruitment of our new Group Head of Sustainability, Rosie Howells, who joined in September and will work with all business units to drive progress against our sustainability strategy.

EY has completed a limited assurance engagement on three key targets – carbon, gender diversity and community.

Our assessment of climate change risks has also been an important piece of work that has involved all of our business units.

Whilst rising energy costs are proving a challenge, we will continue to invest in renewable energy generation, building on the work already carried out across a number of our locations.

We also want to work in partnership with our suppliers to support the changes the industry needs to make.

2022 Highlights

Community investment
Over £1m invested in communities including over £250,000 donated to the Red Cross to support the Ukraine Appeal.

Customer engagement on sustainability
Chadwicks has ECO Centres in twelve of its branches, training colleagues to help customers understand how they can save energy in the home.

Carbon
3 per cent absolute reduction in tCO_2e vs 2021.
11 per cent reduction in Scope 1 and 2 tCO_2e relative to revenue vs 2021.

Circular business initiatives
Rental, refurbishment and recycling offers available in TG Lynes, Chadwicks, Isero and IKH.

THE UK'S 25 BEST BIG COMPANIES TO WORK FOR 2022 cert.b.co.uk

People Awards
Woodie's recognised as a Great Place to Work in Ireland and in Europe and a Best workplace for Women. Selco was 17th on the large companies list as part of the Best Companies Awards.

Renewable energy
Over 660 MWh generated from solar PV on our branches, distribution centres and other premises.

Health and safety
The Group Lost Time Injury Frequency Rate reduced by 8 per cent from the 2021 levels and the corresponding Group Lost Time Injury Severity Rate reduced by 21 per cent against the same time period.

Forests
Selco and CPI Mortars have invested in forests that will capture around 34,000 tonnes of carbon over their lifetime.*

Including five forests in total from 2021, 2022 and January 2023.

Energy Management
80 branches in UK and Ireland have remote energy management systems to control gas usage, seven also remotely manage electricity usage.

Climate Change Risk
Physical climate change risk assessments carried out across our property portfolio in partnership with Marsh.

New Group Head of Sustainability appointed
Rosie Howells joined in September and will work with all business units to drive progress against our sustainability strategy.

Our Business

We are an international distributor of building materials to trade customers with leading positions in the UK, Republic of Ireland, the Netherlands and Finland. Grafton is also the market leader in the DIY, Home and Garden market in Ireland and the largest manufacturer of dry mortar in the UK.

Our Purpose is Building Progress Together.

Our five strategic pillars are excellence in service, strong financial base, organic growth and acquisitions, a supportive organisational structure and management, and ethics and integrity.

Read more about our strategy and values in our annual report and accounts.

Distribution:

Number of branches

316

Number of colleagues

>7,300

Retailing:

Number of branches

35

Number of colleagues

>1,500

Manufacturing:

Number of factories

12

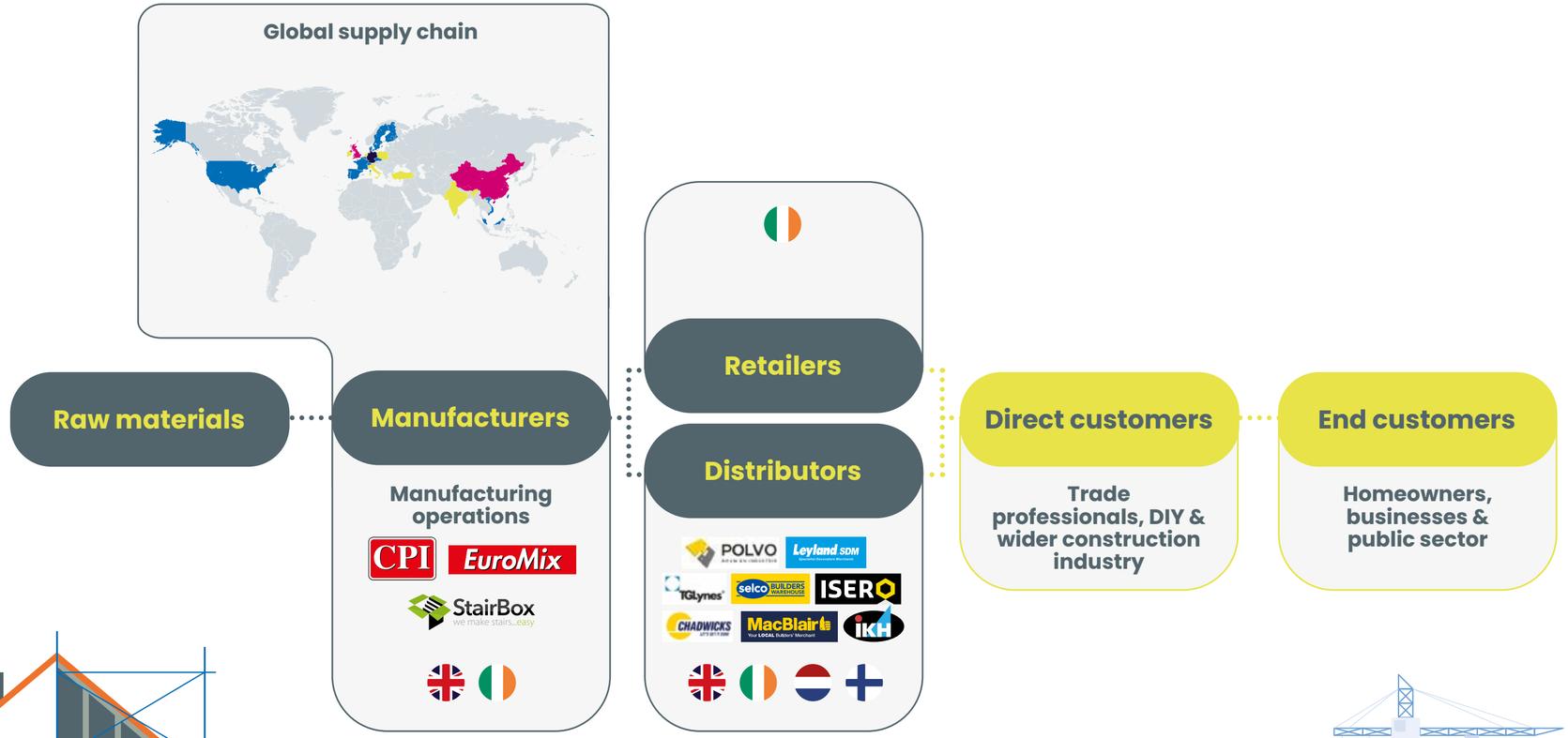
Number of colleagues

>350

Our role in the sector

We are a core part of the building materials and construction sectors, sourcing raw materials and products from Europe as well as through a global supply base and selling to a broad range of professional and residential customers.

We also interact with communities that we operate in around Europe and work to have a positive impact in those communities by providing great jobs and supporting wider society through our community programmes.



Building a more sustainable future

The building and construction sector has a big impact on the world. It provides people with homes to live in, gardens to enjoy, leisure facilities to relax in and much more. However, all these activities produce carbon emissions, can impact nature and can affect people's lives.

As a family of distributors, retail and manufacturers, we understand our role and want to play our part in building a more sustainable future for all.

That's why in 2021 we published our sustainability strategy outlining our priorities and targets across our environmental, social and governance agenda. This strategy is based on a materiality assessment carried out to identify material issues and map these against business impact and stakeholder importance.

Once the material issues were mapped (see matrix), they were grouped into five priority areas and assessed against the Sustainable Development Goals (SDGs). Finally, goals were set in each area.

In 2022, across our group of businesses we have been embedding these issues and goals into our plans, establishing a reporting framework and starting to deliver programmes against each of our priority areas. This report demonstrates the progress made in 2022.

Alongside this, we have also carried out a validation exercise to ensure that the material issues are still as relevant today as they were when the assessment was carried out. The major notable change is that climate change has increased in importance. It is a top sustainability priority for our stakeholders. This movement is indicated by the arrow on the matrix below.

In 2023 we plan to start the double materiality process set out in the Corporate Sustainability Reporting Directive.

Our materiality process

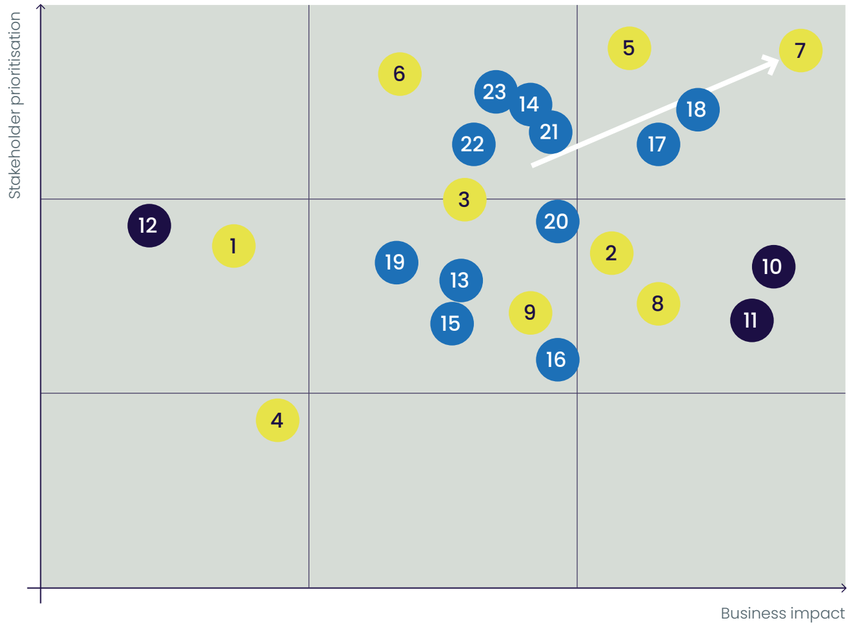
Map material issues (see matrix)

Group the issues

Assess against SDGs

Set commitments

Material issues map



Environment	
1	Sustainable customer choices
2	Eco product range
3	Pollution prevention and air quality
4	Water usage (within operations)
5	Raw material sourcing
6	Single use plastic reduction
7	Climate change
8	Waste management
9	Circular economy

Governance	
10	Business ethics (including Anti Bribery and Corruption)
11	Privacy and data security
12	Tax transparency

Social	
13	Community and charity
14	Diversity and inclusion
15	Training and development
16	Ethical supply chain (incl. modern slavery)
17	Health and wellbeing
18	Product safety and quality
19	Sustainable lifestyles
20	Traceability
21	Local and inclusive value creation
22	Healthy & sustainable living
23	Fair & equal behaviour

Our priority areas & issues

Our sustainability strategy has five priority areas and it addresses the material Environmental, Social and Governance (ESG) issues presented on p6. Here is a summary of our strategy and highlights the topics addressed in each area.

The strategy aligns with the eight Sustainable Development Goals that we can have the biggest impact on:

Page 35 provides a more detailed breakdown of the targets that our strategy is contributing to.

Building a more sustainable future

Ethics
Operating with integrity
- Strong governance
- Ethical business practices
- Supply chain management & procurement

Planet
Tackling climate change and waste
- Climate change
- Waste
- Plastics & packaging

Community
Making a positive contribution to the communities and customers we serve
- Volunteering & fundraising
- Contributing to the community

Customer and Product
Providing responsibly sourced products and more sustainable options to customers
- Product sustainability
- Circular economy
- Raw material sourcing

People
Creating the culture for people to thrive inside and outside our business
- Health, safety & wellbeing
- Diversity, inclusion & equity
- Training & development
- Sustainable living & working

Alignment with SDGs

Planet

Tackling climate change and managing waste

Why it's important

The climate crisis is one of the most important issues facing society and we are already seeing the impacts of rising carbon emissions around the world, from flooding events, to more regular and severe wildfires, to rising sea levels.

It's estimated that buildings account for 40 per cent of the energy usage across the EU and the construction sector accounts for over 10 per cent of global carbon emissions. As a result, all players in this sector have a responsibility to take action to reduce emissions.

Businesses need to calculate and monitor carbon emissions as well as actively take steps to reduce those emissions to avoid the most serious impacts of climate change, aligned with the latest scientific guidance.

Alongside and closely linked to the issue of climate change there is an underlying principle that as a society we need to make the most of the resources that we use, reduce waste and address the impact that plastics and packaging have on our local and global environments.

In addition, businesses need to assess the impact that our operations, supply chains and products may have on nature and take steps to protect biodiversity.

Our goals

2% — **Reduction in carbon emissions**
Annual 2 per cent reduction in tCO_2e per £m revenue using 2021 as the baseline year†

2024 — **Scope 3 emissions**
Calculate Scope 3 tCO_2e emissions and set Science Based Targets across our value chain

15% — **Reduction in operational waste**
15 per cent reduction in total operational waste tonnage per £m revenue using 2021 as the baseline year

† Note this target may be updated as we set our SBTI targets.

Planet continued

Our progress

Electricity generated from solar PV on our branches, distribution centres and other premises

>660 MWh

190,000 litres HVO used, saving over 450 tCO_2e compared to diesel

190,000 L

c. 80 branches in UK and Ireland have remote energy management systems to control gas usage†

80 branches

† Selco's energy management systems cover gas usage on the shop floor and Woodie's systems cover both gas and electricity.

In 2022 we have implemented a more robust carbon data management system for our Scope 1 and 2 carbon emissions. Most business units have started to report data quarterly which will enable us to monitor carbon emissions more effectively over time and identify trends across the year early and take mitigating actions as necessary.

In 2022 we achieved an absolute reduction in tCO_2e of 3 per cent. We exceeded our target of a 2 per cent tCO_2e emissions reduction for Scope 1 and 2 relative to revenue, achieving an 11 per cent reduction Δ. EY carried out a limited assurance engagement on this target. The assurance statement can be found on p34.

We reported to CDP (non-profit environmental disclosure organisation) for the second year and achieved a rating of C and are carrying out a detailed review to determine how to improve this score in the coming years.

We have progressed our Scope 3 emissions calculations. As a federated business with twelve different businesses one of our challenges is data collection. However, we have made strong progress and this is a top priority for 2023.

Across our Scope 1 and 2 carbon emissions, our teams have been embedding carbon management into our CapEx conversations, our property development and upgrade programmes and operational management.

We have continued to invest in renewable energy generation and alternative vehicle technology. We have invested in energy management systems to monitor energy usage and identify areas for action. Woodie's Limerick for example now uses 33 per cent less electricity than it did prior to adoption of the system.

Engaging our colleagues has also been an important area of focus, sharing data about energy use and waste generation and what they can do to help reduce our impact.

Total GHG emissions (tonnes CO_2e) % Change

−3%

Emissions per £m revenue % Change

−11%

Scope 1 GHG emissions (tonnes CO_2e)

Scope 2 GHG emissions (tonnes CO_2e)

2020 and 2021 data points have been recalculated following the availability of more accurate data for the period. 2020 data points have been restated to exclude the traditional merchanting business in Great Britain that was sold on 31 December 2021.

Planet continued

Waste management

We work with waste management companies to monitor our waste, manage it responsibly and look for opportunities to reduce it. Across the Group we have achieved a 9 per cent reduction in total waste tonnage and 17 per cent reduction relative to revenue.

Our teams have been looking for opportunities to replace plastic wrap that we use to distribute products with recycled alternatives as well as finding ways to remove it all together where possible by using collapsible boxes, moving to cages or testing strapping products together. However, all alternatives need to be carefully assessed with our colleagues' safety in mind as many of our products are heavy and safety is of the utmost importance.

Within our offices and branches our teams have been looking for opportunities to remove single use plastic and encourage reusable alternatives, by giving colleagues reusable bottles and ensuring that offices have crockery and cutlery available.

Waste in tonnes per £m revenue
% Change

–17%

Total recycling rate

58%

Total recovery rate

38%

Waste diversion from landfill

97%

Biodiversity

Biodiversity is an important and complex issue. The Group can impact biodiversity in our own operations, through our supply chains and in the use of our products. We have various initiatives in place across the Group that are designed to address biodiversity as well as other environmental issues. Our timber sourcing programme is promoting responsibly sourced timber including FSC and PEFC. We also have a commitment to work with our aggregate suppliers to ensure that all extraction sites are returned to sustainable use. CPI Mortars has engaged with all of its quarry suppliers to ensure they have biodiversity stewardship plans (see p15).

StairBox has been working with local schools to recycle waste timber from its operations into bug hotels to promote biodiversity at a local level and a number of Chadwicks' new or refurbished stores have introduced these too. This is just the start and we will continue to develop our biodiversity programme.

What's next?

An important priority for the coming year is to complete our Scope 3 tCO_2e baseline and look to set our targets across our value chain which will require us to strengthen our Scope 1 and 2 targets as well as set our Scope 3 targets. An important part of this will be to develop our transition plan for achieving those targets.

As part of this we will also need to continue to improve our data collection and start to work with our key suppliers to identify collaboration opportunities.

In addition, we will continue our focus on renewable energy, effective energy management and alternative fuelled vehicle trials within our own operations.

Our strategy in action

Solar Power

We are investing in solar power to secure supply of renewable energy across our branches. Our Chadwicks business in Ireland has installed panels on twelve of its branches, Selco Barking has completed a renovation project including the installation of 220 solar PV panels, TG Lynes has partnered with Amelio Solar Energy on its solar panels and is generating almost 40 per cent of its electricity and is able to utilise almost 70 per cent of the total PV supply. Isero uses heatpumps in combination with solar panels and has adapted and added five buildings in this way in 2022.

New buildings

StairBox opened its new manufacturing site which achieved a BREEAM Excellent rating and an EPC rating A. The site has been designed to be accessible, with solar PV panels on the roof, motion sensing and daylight harvesting LED lighting, nine new electric car charging stations with a total of 18 charging outlets, efficient Variable Refrigerant Flow heating and cooling in the office spaces and a biomass heating system to burn waste timber.

Energy Management

Woodie's has been working with an external energy management adviser since 2020 to better manage energy in its stores. Sub-metering, LED upgrades and remote heating controls combined with live energy usage alerts and regular reports have helped each store focus on the most impactful areas of usage. This system has helped Woodie's Limerick use 33 per cent less electricity when compared to two years ago. During 2022 Selco also completed the roll-out of remote heating controls to all locations to ensure gas usage is monitored and managed effectively.

Carbon reporting

Isero reports annually as part of the CO_2 performance ladder in the Netherlands. The ladder is an instrument that helps organisations reduce their carbon dioxide emissions. Isero achieved level 5 which is the highest level on the ladder demonstrating its commitment and progress on carbon calculation, transparency and reductions. Isero also publish information to colleagues about its carbon footprint, the action the company is taking and what they as colleagues can do.

HVO and CNG vehicles

Hydrotreated Vegetable Oil (HVO) provides significant reduction in carbon emissions and Compressed Natural Gas (CNG) minimises particulates released into the atmosphere, which is a significant issue in inner metropolitan city areas. TG Lynes introduced HVO vehicles to its fleet. Two of its 18 tonne lorries have been converted to run on HVO and the business has installed a 10,000 litre tank for easy on-site refuelling. Selco also introduced HVO and purchased over 130,000 litres in 2022. Selco has seven CNG vehicles currently in operation, with plans to introduce a further three.

Electric vehicles

In 2022 Selco trialled an electric commercial dropside van for the first time at its delivery hub in Birmingham. In addition 28 electrically powered counterbalance forklift trucks were added to Selco's fleet replacing diesel models. StairBox has three electric forklifts in operation. CPI Mortars has also invested in a lithium electric forklift.

Our strategy in action

Selco and CPI Mortars Forests

Selco and CPI Mortars work with an organisation called CarbonStore to invest in well managed forestry programmes in the UK. Since 2021 five forests have been committed to: four in Scotland and one in Wales. It is predicted that these forests will sequester over 34,000 tonnes of carbon over their lifetimes. The latest of these forests was committed to in January 2023.*

Waste management

Selco completed a waste management trial in five branches. An important part of this waste management process is to segregate timber including broken offcut timber, fence panels, MDF and chipboard from the general waste stream. Cardboard and plastic is returned to Selco's lightside distribution centre in Oxford for recycling. Specific plans for the recycling of pallets, electrical waste and hazardous waste have all been developed.

Awards

Selco won the Sustainability & Environmental Initiative of the Year award at the Builders' Merchants News awards for its sustainability programme. The judges were impressed by the fact that Selco is embracing alternative fuels and electric vehicles, focusing on energy efficiency in branches and demonstrating commitment through the Selco Forest Programme.

Alignment with SDGs

Customer and Product

Providing responsibly sourced and more sustainable options to our customers

Why it's important

As distribution and retail is such an important part of our business, we know that our biggest area of impact is through the supply chains of the products that we sell.

We sell to sole traders, small companies, large construction companies and house builders, to the public and private sector, and to DIY enthusiasts. In the current economic climate value for money is incredibly important, but this should not come at the expense of quality, traceability and responsible sourcing.

Customers are also increasingly interested in products that will help them use energy more efficiently so we need to consider how we can best support this as well as offering product options that extend the life of products by investigating rental and repair.

A large proportion of our customers are professionals who need to have confidence that if they introduce a new product, it will perform as well as their existing product, so it is important that we work closely with our customers to introduce, test and review new products.

Products are also a key focus for policy makers and therefore it is important that we stay close to policy developments.

Our goals

Product sustainability and circular economy

2025 Pilot circular business opportunities

2030 Promote products with sustainability attributes to customers

Raw material traceability

2025
- Establish a Group natural resources policy
- 100 per cent building timber products (by value) responsibly sourced as outlined in the Group Timber Sourcing Policy†
- Working with our suppliers into CPI Mortars to ensure that 100 per cent of extraction sites have restoration plans

† The Grafton Group Timber Policy defines responsible sourcing as products that are FSC or PEFC certified. Building Timber products include but are not limited to our major product categories including: Rough Timber, Planed Timber, Sheet Materials, Decking, Worktops, Mouldings, Cut Boards, Panel Boards, Cladding, Doors, Flooring

Product Sustainability and Circular Economy

We have developed a draft product sustainability framework. The attributes include responsibly sourced raw materials, low impact manufacture, reduction in fossil fuel consumption in use and more.

However, we plan to carry out further consultation internally and externally to determine how to apply these to our portfolio. It's important to ensure that we have a robust due diligence process and that we are clear on the scopes and thresholds to apply. Product sustainability is a complex area and businesses across sectors are rightly being challenged on the claims that they are making. Credibility is critical to any messaging so we will only publish data on product sustainability when we are confident that the claims are robust.

Our Scope 3 carbon emissions analysis involves a detailed assessment of the products we offer and this will help us to focus our activity on those categories that are most material.

A few specific examples of progress in this area include:

- Our mortar manufacturing business, CPI Mortars, publishing an Environmental Product Declaration (EPD) of its mortars (https://www.environdec.com/library/epd5419).
- Isero, stocking cradle to cradle accredited ironmongery products and ladders.
- Selco and StairBox's FSC and PEFC timber sourcing programmes achieving high percentage certification (see p15).
- Chadwicks publishing videos in partnership with key suppliers about the impact of the products and the steps they are taking to become more sustainable. They focused on important categories including timber, cement and paint.

In addition, in 2022 we carried out a review of circular business opportunities across the Group. What has been so positive about this process has been the deeper understanding of the offerings we already have in place:

- Machinery and tool rental and repair in TG Lynes, Chadwicks and IKH
- Sanitary wear renovation in the Netherlands
- Partnership with Gaia Circular to recycle workwear in the Netherlands

We hope to analyse these offerings in more detail and understand if they can be scaled up, replicated across other Group businesses or whether the learnings can be applied to new customer offerings.

Draft sustainability attribute framework

Production		In use			Circularity	Packaging
Raw material sourcing	**Lower impact manufacturing process**	**Reduces fossil fuel consumption**	**Reduces water consumption**	**Promotes biodiversity**	**Repairability, durability, recyclability**	**Recycled, recyclable or reusable**
Raw materials that are third party verified as responsibly sourced or recycled, or products that use an alternative material that has a demonstrated lower impact.	Products manufactured in premises with onsite generated renewables or demonstrated low carbon production techniques.	Products that support energy efficiency in buildings or that enable customers to generate renewable energy onsite.	Products designed to use less water or allow customers to harvest rainwater.	Plants and products that promote biodiversity and reduce harmful chemicals that can harm wildlife.	Products designed for durability, to extend the life of other products, for reusability, recyclability or compostability.	Supportive attribute encouraging suppliers to reduce reliance on single use plastics and seek recycled and reusable options

Customer and Product continued

Selco achieved over 98 per cent of its building timber certified FSC or PEFC

>98%

CPI Mortars has engaged all its quarry partners to ensure they have biodiversity stewardship plans

100%

Raw material traceability

Gaining greater traceability of our priority raw materials is an important focus for our businesses.

CPI Mortars has strong traceability of the sand, cement and additives used to make its mortars. It has long-standing relationships with its UK-based suppliers and works closely with them to ensure the extraction sites have restoration plans in place. One such example is Raymond Brown Quarry Products, a key supplier to CPI Mortars. This company has detailed management plans and ecological assessments reflecting its commitment to creating healthy functioning and diverse ecosystems through supporting existing habitats and creating new ones. All of its quarries have management plans designed to protect and restore biological systems by setting the standards for existing biodiversity and ongoing quarry restoration.

Timber is an important raw material for a number of our businesses.

We have a group timber policy which outlines the legal requirements, responsible sourcing and due diligence guidelines for all our businesses. Through our supplier due diligence and risk management system businesses can track the FSC and PEFC accreditations of the large timber suppliers they use. Business units build on this with due diligence and chain of custody programmes to trace the timber from forest to sale. The StairBox system incorporates QR codes to trace timber through the steps of production.

Selco has an extensive chain of custody programme in place for FSC and PEFC across its branches which requires an annual auditing programme. Selco is also a member of Timber Development UK through which it reports its annual due diligence progress against the UK Timber Regulations. Chadwicks also has FSC and PEFC programmes in place for its native rough timber and OSB sheets.

What's next?

We plan to review our draft product sustainability framework with external experts and our procurement specialists to determine detailed standards and due diligence requirements before starting to map our products against these categories.

We will continue to look for opportunities to scale up existing and identify new opportunities for circularity across our business units.

We will work with our suppliers to identify lower impact alternatives to our product portfolio and work to communicate the benefits effectively to our customers.

We are continuing to drive improvements in our timber and other priority raw material sourcing programmes. We are monitoring legislative changes in the UK and across Europe and will carry out a gap analysis to identify other priority raw materials and improvements that need to be made across our due diligence programmes.

Customer and Product continued

Our strategy in action

ECO Centres

Chadwicks has developed dedicated ECO Centres in twelve of its branches. These in-store hubs help customers understand how they can make their homes more energy efficient. The team has collated a range of products that Chadwicks sell showcasing insulation, windows, membranes and tapes to prevent drafts, energy efficient heating and cooling solutions and much more. Colleagues attend training sessions so that they can support customers to make the choices that are right for them.

Energy Savings Advice

To help customers save energy MacBlair published energy savings advice in partnership with the Energy Savings Trust as part of its autumn winter promotional campaign.

Sanitary wear circularity

Isero is conducting a pilot on circularity and reuse in partnership with a key housing corporation customer to reclaim, restore and refurbish toilet bowls, taps and sinks which will then be restocked for use by its Housing Foundation Partner.

Workwear and PPE recycling programme

Isero has also introduced a recycling programme with partner Gaia Circular. Through this partnership common workwear and PPE are collected. The products are then sorted providing social employment for disadvantaged people in the local area. Once sorted one of Gaia Circular's partners makes new products and any products that can't be re-used are sorted by composition and enter the relevant recycling stream. In 2022 over 2,000 kgs products were collected through this partnership.

Rental, hire and repair

TG Lynes, Chadwicks and IKH offer rental and hire services for a range of products across their portfolio including plant equipment, power tools and tractor parts. TG Lynes generated revenue of over £1m through its plant hire business and IKH had a revenue of over £500,000 through its rental business, and its spare parts business operated through all their stores generated over £10m in revenue

69%
respondents concerned about climate change

Customer research

Selco published the outputs of research into customer shopping preferences which showed that 7 in 10 UK tradespeople report that they are prepared to pay higher prices to purchase more environmentally friendly products, 69 per cent of the respondents confirmed they were worried about climate change and 60 per cent would be prepared to switch their builders' merchant of choice based on its green credentials.

Alignment with SDGs

People

Creating the culture for people to thrive inside and outside our business

Why it's important

Our People are central to our success as a business, they ensure we can get the right products and services to our customers at the right price, at the right time and with the right level of support. We want to attract, nurture, and keep great people and that is why the people pillar of our sustainability strategy is so important.

We are committed to offering a place of work where our people feel safe, and their wellbeing is looked after. We work hard to embed a culture that fosters diversity and inclusivity so our colleagues can be themselves at work. We offer training and help our people to grow and develop with us and we support them through a competitive benefits package, wellbeing support and help them to live more sustainable lives at work and at home.

Our goals

Diversity, Inclusion & Equity

↑ Year on year increase in percentage of colleagues that are female

2030 Top 100 in the FTSE 250 for Board Diversity

Training & Development

2022 Report hours of training and development across our businesses

Sustainable living & working

2023 100 per cent colleagues receive at least 1 per cent above the minimum wage

Health & Safety

2025 25 per cent reduction in total working days lost as a result of an injury at work by 2025 vs 2018 baseline

Our core values

Our five core values help ensure that everything we do as a business is aligned with what we stand for as a Group.

Value our people

Our people are our greatest asset. We treat people with respect. Integrity, diversity and inclusion are integral to how we operate. The safety of our people is a fundamental priority and our aim is to send everyone home safe and well at the end of the day. We want to make sure that people feel proud to work for Grafton because they are supported, recognised and valued for who they are individually and for what they do.

Ambitious

As a business, as individuals and as teams, we're ambitious for success. By striving to always do things better tomorrow than we did today we can provide the best service to our customers and provide a supportive, engaging environment for people who want a brilliant place to work. We want to be leaders in what we do. We want to be number one.

Sustainable, trustworthy and responsible

We believe there is a positive connection between sustainability and financial performance. Our sustainability strategy aims to address the bigger questions about what's right for our business, for society and for the environment.

Our businesses conduct surveys and review feedback from customers in order to drive improvements in the quality of our service proposition, our product offering and to ensure that customer expectations are met.

We aim to build strong lasting relationships with our trade and retail customers, to understand their needs and views and to listen to how we can improve our product offering and service.

Customers may also report concerns of any wrongdoing by the Group via SpeakUp, the contact details for which are available on the Group's website.

Be brilliant for our customers

Doing a brilliant job for our customers is what we are all about. We focus on building strong and long term relationships with our customers, listening to their needs, taking their feedback, getting them what they want, when they want it. We want to exceed our customers' expectations and send them home happy, time after time.

Entrepreneurial and empowering

Our decentralised structure means that management teams and colleagues are entrusted with the authority and autonomy to run their businesses in the way that they believe is best. It's about giving them the opportunities to flourish and be entrepreneurial within their own businesses. We trust our people to take ownership, and to play their part in improving performance, seizing opportunities and adding value.

People continued

Our progress

Diversity, inclusion and equity

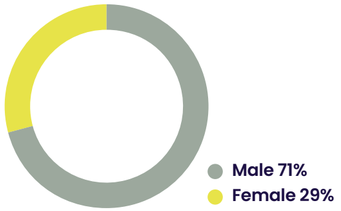
We believe that having a diverse workforce brings not only diversity of thought, but it also drives innovation. Ensuring that Grafton is a truly diverse and inclusive business is a top priority for the leadership. In recent years we have developed a our Diversity & Inclusion ('D&I') agenda that promotes diversity in the broadest sense.

Inclusion Networks have been established in the UK and Ireland to provide opportunities for colleagues to participate in our D&I agenda.

The Group has made significant progress on how it monitors and reports on diversity information. We are pleased to report that 90 per cent of our colleagues in the UK and Ireland have completed the voluntary diversity information questionnaire and 77 per cent have answered all the questions.

Senior Management

All colleagues



Our Diversity agenda is built around four key areas:

ABLE
disability and mental wellbeing

PRIDE
gender and sexual orientation

BALANCE
gender equality and working families

REACH
ethnicity

Unfortunately the percentage of our colleagues that are female has dropped slightly since 2021 from 30 per cent to 29 per cent Δ. This is primarily because the tight labour markets across all our geographies has meant that it has been increasingly challenging to select from a wider pool of diverse talent when recruiting new colleagues.

Gender pay

Monitoring pay rates between men and women is an important step to ensuring that all colleagues are fairly rewarded for their work and their contribution to our business. We constantly review ways in which we can address differences in pay and we work hard to support career development and progression for female colleagues.

In 2022 Woodie's and Chadwicks reported their gender pay statistics and published them on their websites. This is in addition to the established reporting at Selco and Leyland SDM.

Diversity and Inclusion in Woodie's & Selco

Woodie's is the first retailer to be accredited as a Gold Investor in Diversity by the Irish Centre for Diversity following a three-year partnership. The business has recently achieved gender balance and is now also reflective of national demographics on ethnicity, age and LGBTQI+ status. This follows a multi-year focus which included Conscious Inclusion training for all People Leaders, a new recruitment strategy, regular communications and education to colleagues on the importance of D&I, a D&I survey of Woodie's colleagues, the launch of policies and procedures to foster an inclusive working environment and celebration of events like Pride, Diversity Week and International Womens Day and International Mens Day.

The results have also been reflected in the Great Place to Work survey with colleague ratings on D&I performance growing from 74 per cent in 2014 to 93 per cent in 2022.

Selco has commissioned an external report into its careers site and applicant journey to assess what changes can be made to encourage a more diverse range of applicants for roles. As a result of this analysis Selco has redesigned the careers site, updated photography, amended job adverts and descriptions, re-trained all recruiting managers on diversity and introduced a competency matrix to support the interview and recruitment process.

People continued

Training and Development

Outstanding training and development is central to attracting and retaining great people so is a key area of focus for all our businesses. Our UK and ROI businesses have introduced a new reporting system to help record details of training carried out in the year. There is an e learning platform and each business tailors their training programmes in the way that works best for their colleagues. Selco's apprenticeship programmes and Chadwicks' Sales Academy are two great examples of this.

Sustainable Living and working

A number of our businesses have introduced Sustainable Living campaigns in 2022. These have included activities focused on energy efficiency at home and in the workplace, biodiversity, health and waste management. Effective colleague engagement is central to these campaigns.

In the UK and Ireland 97.5 per cent of our colleagues were paid at least 1 per cent above the national minimum wage, our other businesses operate in countries that have sector negotiated pay structures.

Health and safety

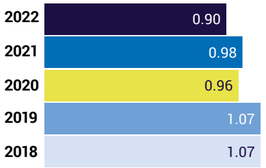
We are committed to creating a culture where everyone can thrive and be safe inside and outside our businesses. Our leadership of the health, safety and wellbeing agenda is most effective when it is integrated into routine business leadership behaviours, and we continue to drive this approach supported by our integrated Safety, Health and Environment (SHE) support teams in our business units. This federated approach has created autonomous local management teams who own their own health, safety and wellbeing agendas, with appropriate support at Group level.

We believe there is nothing we do that is so urgent that we cannot do it safely.

This belief is central to how we lead and integrate health, safety and wellbeing practices and initiatives across the Group.

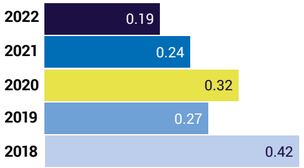
Group Lost Time – Injury Frequency Rate (LTIFR)

Year Lost time injuries per 100,000 hours worked



Group Lost Days – Severity Rate (LTISR)

Year Days Lost per 2,000 hours worked



All colleagues are encouraged to take an active part in helping us to maintain and develop their own health, safety and wellbeing at work by challenging anything they feel is contrary to our overarching belief and raising any concerns. This is achieved through a combination of day-to-day management, focus groups, team meetings, committee meetings and through the Group Risk Committee.

We remain committed to doing everything we can to ensure that our colleagues, customers and business partners return home safe and well at the end of each day. This commitment is central to how we manage health, safety and wellbeing across the Group. Each business is subject to regular health and safety audits including branch compliance checks by internal teams in the businesses and reviews by Group Internal Audit.

2022 was a year of consolidation with each business focusing on its strategy for safety, health and wellbeing improvement after the global disruption caused by the Covid pandemic. The activity in each business varied across distribution, retailing and manufacturing sectors. The key priorities in all businesses were centred around keeping pedestrians safe from moving vehicles, the safe handling and storage of products and ensuring safe customer deliveries.

The Group Lost Time Injury Frequency Rate reduced by 8 per cent from the 2021 levels and the corresponding Group Lost Time Injury Severity Rate reduced by 21per cent against the same period.

Wellness

All Group businesses have a wellness and wellbeing programme in place with initiatives running throughout the year to support colleagues to be healthier and more content both at work and at home.

All Group colleagues have access to a confidential professional advice service to provide assistance with any personal issues or difficulties. Helplines in each country are available 24 hours a day, 365 days a year.

Flexible working policies and practices have been rolled out across the Group where appropriate and we encourage our colleagues to embrace flexible working where possible.

Annual engagement surveys are carried out which allow colleagues to provide feedback to management. Action plans to address key issues arising from the surveys are developed and monitored. The Group has established local and national colleague forums in all countries, and developed wellness programmes for mental, physical and financial wellbeing.

What's next?

Our HR community will be sharing best practice across the Group and developing the role of our colleague committees in identifying important issues, sharing these with leadership and developing plans to drive improvements. Wellness and sustainable living plans will continue to be a focus for our teams.

On Diversity, Inclusion and Equity our businesses will be working with and developing our colleagues to encourage allyship. We will build on the good work carried out in 2022 in achieving recognition as a diverse employer and a Great Place to Work. We will also review our careers websites to encourage more diverse candidates and support more robust applicant tracking.

People continued

Our strategy in action

Colleague Committees

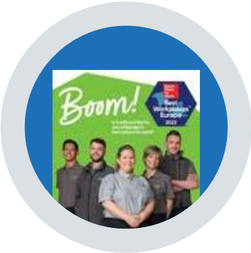
Colleague committees made up of colleagues from each of our businesses in Ireland, the UK and the Netherlands provide the opportunity for our people to engage with Non-Executive Directors and for their views to be heard at management and Board level.

Chadwicks Sales Academy

Chadwicks were delighted to see the return of its 12-month Sales Academy and they also relaunched its Leadership Development Programme where 23 applicants will complete a range of leadership modules over the next 18 months in a programme run by the Irish Management Institute.

Selco apprenticeship programme

Selco offers numerous career development opportunities to its staff with several hundred benefitting from apprenticeship programmes, including the introduction of a Driver Academy to offer employees the chance to retrain to become HGV drivers.



Colleague engagement surveys

Annual engagement surveys are carried out which allow colleagues to provide feedback to management. Action plans to address key issues arising from the surveys are developed and monitored.

Based on the survey results during the year, Selco were proud to finish 17th on the 'Big Companies' list as part of the 'Best Companies' awards, and they also featured in the top 25 of the retail category.

Woodie's was also very proud to be recognised as a Great Place to Work both in Ireland and in Europe, and a 'Best workplace for Women'. IKH was also recognised as a great place to work in Finland.

Cost of living support

Building on our established benefits packages which include discounts on products, a number of our Group businesses introduced incentives during the year to help with the increased cost of living. These included additional payments direct to colleagues, 'early pay' facilities so that colleagues can access accrued salary before scheduled pay date, and availability of free breakfast so our colleagues aren't starting the day on an empty stomach.

Colleague Recognition

The Group has colleague recognition programmes in place across a number of businesses. During 2022, Leyland SDM introduced milestone service awards with colleagues receiving tokens of appreciation for reaching service milestones.

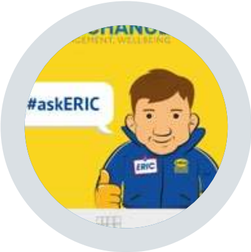
Woodie's held its fifth annual 'Woscars' ceremony to honour colleagues and teams from across the 35 stores and the support office.

CPI Mortars introduced a 'Colleagues Choice Awards' initiative during the year, asking colleagues to nominate a worthy fellow colleague for going the extra mile.

Chadwicks launched its inaugural Colleague Appreciation and Recognition Awards (CARAs) during the year with the awards ceremony held in January 2023.*

People continued

Our strategy in action



Safer Handling

Selco accelerated the roll out of its Safer Handling programme specifically tailored to providing hands-on training in branches and the dynamic assessment of all product handling operations. ERIC helps to demonstrate the importance of the hierarchy of controls and risk assessment throughout the training programme and throughout the Selco business.

Woodie's introduced pallet cages into central distribution warehouse to improve load security, reduce handling and slip/trip injuries and also significantly reduce the amount of packaging used to contain and secure the loads.

Isero's new Kardex Shuttles not only improve efficiency in the distribution centre they also allow safer handling techniques.

Traffic Management

Chadwicks continued its focus on vehicle movements in branches with proactive safety observations of forklift truck movements contributing to a significant reduction in the number of incidents. Recording the observations and any resulting actions on the Notify Safety Management System helped to focus attention and track all improvements introduced as a result.

MacBlair reviewed all local traffic management plans, revised stock levels in some locations to improve access and egress and introduced product stillages in yards to improve the stability and security of products in storage.

Alignment with SDGs

Community

Making a positive contribution to the communities and customers we serve

Why it's important

As a group of businesses we operate in a diverse range of communities across the UK, Ireland, the Netherlands and Finland and many of our colleagues come from these communities. It's incredibly important that we are a good neighbour and use our skills and experience to help those in need.

Our colleagues care deeply about supporting community programmes through volunteering, fundraising and donating and we are very proud of the impact that we have had throughout 2022. This support will be more important than ever as we enter 2023 as many people will be struggling due to facing cost of living increases.

Our goals

2025 Community investment and fundraising will be equivalent to at least one per cent of profit by 2025.

Our businesses contribute to their local communities which is an important part of the way they do business. Over the past year we have worked to formalise the data capture and reporting of these programmes.

Our contribution to communities can be broken down into:

Volunteering
In 2022 our colleagues have carried out individual volunteering programmes as well as team volunteering days.

Monetary donations
Our businesses donate to local and national charitable organisations and good causes and engage their colleagues and customers in selecting the organisations that mean the most to them.

In kind donations
Our businesses also support good causes through the donation of materials and paints for renovation projects or pay for services such as marketing and advertising.

We exceeded our target to invest over 0.2 per cent of profits in communities in 2022 Δ.

In addition, our colleagues and customers love to get involved in fundraising. Across our group of businesses our colleagues have cycled, climbed, baked and run raffles all in the name of good causes.

Social Entrepreneurship Performance Ladder

Polvo in the Netherlands is certified level 2 on the Social Entrepreneurship Performance Ladder. The ladder provides insight into the extent to which organisations engage in social entrepreneurship more than average aimed at the participation of vulnerable groups in the labour market.

What's next?

Each business is continuing to develop and progress their community programmes, reporting on the value donated as well as working to capture the impact that these programmes will have.

Community continued

Our strategy in action

'We love where we live'

Woodie's Community Programme is called 'We love where we live'. Woodie's heroes is the flagship programme and has been running for eight years, and in 2022 raised over £400,000 through customer and colleague fundraising. In 2022, the Woodie's Budding Gardeners programme helped children discover the joy of gardening by providing starter packs. In 2022 there were over 3,000 sign ups, 1,700 schools and 1,500 parents and guardians.

DIY SOS

Chadwicks provided support to the third TV series of DIY SOS: The Big Build Ireland. As the sole building materials supplier to the show Chadwicks helped facilitate the refubishment of eight properties. Products included plumbing materials such as underfloor heating, doors, accessories, insulation, plasterboard, paint supplies, steel, timber, hire equipment, hardwood and garden materials. In this programme the equivalent of £200,000 worth of products were donated and thousands of hours of volunteer time were contributed. Chadwicks also continued its support for the Irish Wheelchair Association.

£250k

Red Cross

In March 2022 the Group made a donation of over £250,000 to support the response of the Red Cross movement to the Ukraine crisis. Donations were made to the national societies across all the countries that the Group operates in. The money was donated to help provide food, water, medicine, warm clothing, and shelter to those whose lives have been torn apart by the conflict.

Recycling and charitable work

Isero introduced a new recycling initiative at the end of 2022. Customers can collect plastic bottles and bring them to Isero for recycling either in store or with one of our drivers. The money raised from collecting the bottles is transferred to the charity KWF to support research in fighting cancer. In the last quarter of 2022, over 2,500 plastic bottles were collected raising around £400.

Helping Hands

TG Lynes Helping Hands campaign where charities, community groups and sports groups close to the Enfield Headquarters can win a share of the £15,000 of product and labour to breathe fresh life into their buildings or facilities.

TG Lynes also supported Noah's Ark Children's Hospice in Barnet, culminating in a charity gala dinner which raised £14,000*.

Walking, running and cycling

The StairBox Team took on the Ultimate Peak District Challenge, walking a 20 mile loop around the Peak District to raise money for East Cheshire Hospice raising over £4,500.

Over 30 Selco colleagues walked 50km in a Day as part of the Thames Path Challenge in London and 20 Colleagues cycled the 26 miles between Selco's Chelmsford and Basildon branches and back again for Cancer Research UK, the businesses nominated charity for 2022.

Alignment with SDGs

Ethics

Operating with integrity

Why its important

To deliver our business and sustainability goals we need to underpin our strategy with robust governance processes, strong policies and procedures, effective training and awareness, responsible sourcing and responsive risk management.

Our goals

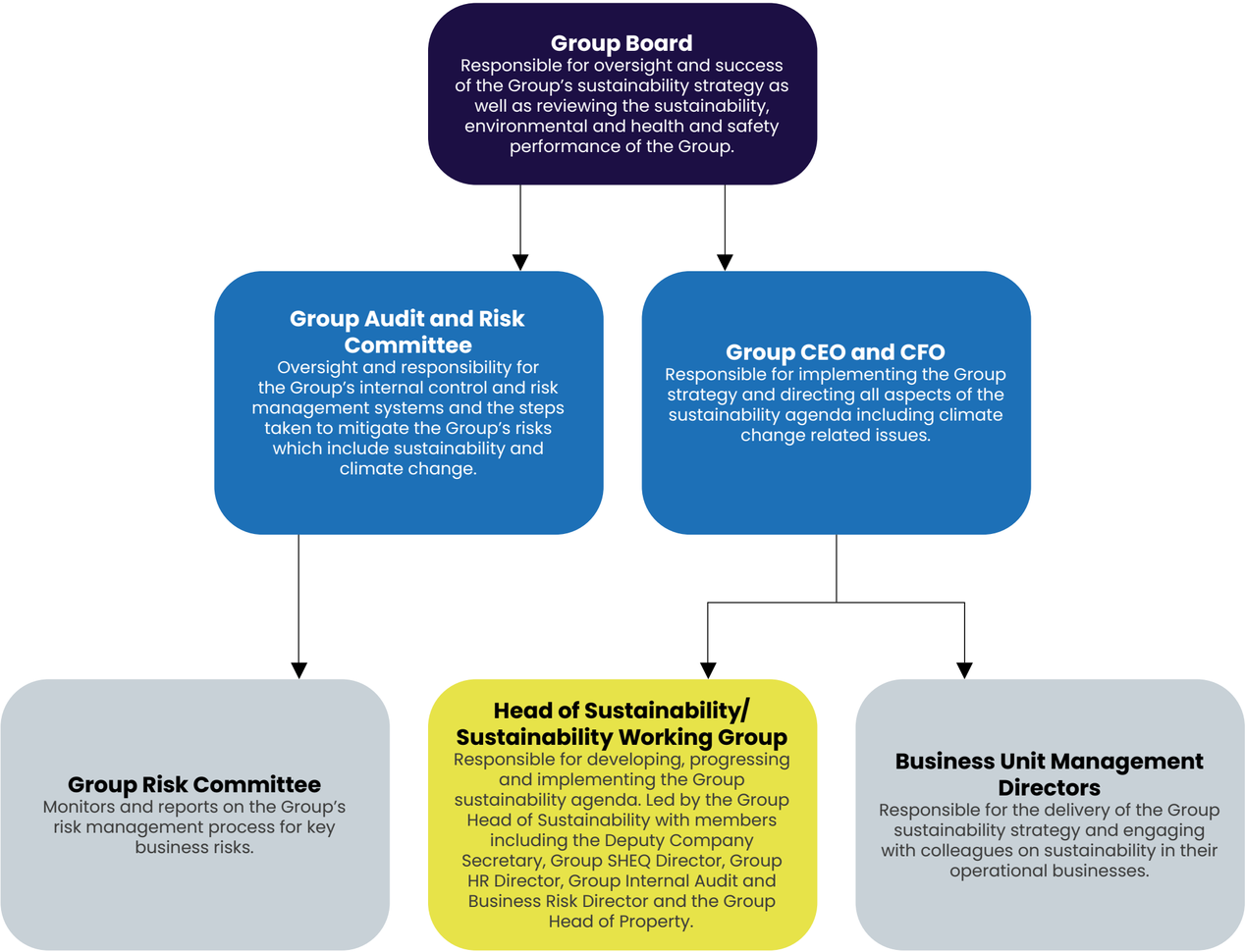
95%

Ethical business training

95 per cent of colleagues compliant with ethical business training programmes on business conduct and ethics, information security and regulatory compliance.

Ethics continued

Our governance framework



Strong governance

The Group Board has ultimate responsibility for the oversight of our sustainability strategy. In 2022 the Board received updates on sustainability at every meeting and discussed sustainability in depth at the June meeting. A further detailed session was held at the first 2023 Board meeting in January* with the new Group Head of Sustainability.

The Group Audit and Risk Committee has oversight and responsibility for the Group's internal control, risk management and mitigation plans. Climate Change and broader sustainability risks are part of this process.

The Group CEO and CFO are responsible for setting the strategy and ensuring that the business units are taking steps to deliver against this strategy.

The Sustainability working group is chaired by the new Group Head of Sustainability. The Group is made up of the Deputy Company Secretary, Group Safety, Health, Environment and Quality Director, Group HR Director, Group Internal Audit and Business Risk Director and the Group Head of Property. This Group meets each month to review strategy, programmes and progress.

Business Unit Senior Leadership Teams are responsible for the integration and delivery of the sustainability strategy within their business unit ensuring that their activity contributes to the achievement of the Group Strategy.

Safety, Health, Environment and Quality Director, provides strategic direction in the safety, health and environmental field, establishing Group key priorities, supporting business units and monitoring overall performance.

In addition, a number of cross-business network forums have been established which discuss specific sustainability topics including property, people and transport.

Ethics continued

Ethical business practices

The Group has a Code of Business Conduct and Ethics which reflects our responsibility to uphold high standards of ethics and integrity, and it sets the standard of behaviour which colleagues, contractors, agents and businesses are expected to follow. The Code is available on the Group website and made available to colleagues in each business in the local language.

The Code and associated policies are the subject of mandatory training courses which are accessed by colleagues through the Group's online learning management system. Completion rates are recorded and reported to the Group Risk Committee and Group Internal Audit who perform testing to confirm compliance with key aspects of the Code and Group policies as part of annual reviews.

The mandatory training courses are expected to be completed by colleagues within the first three months of joining the Group, and then retaken on a regular basis (either annually or every two years depending on the course).

The data in the table demonstrates compliance rates at 31 December 2022 based on absolute number of employees.

Business conduct & ethics

92%

Information security awareness

84%

Regulatory compliance

92%

NB Compliance data excludes MacBlair as this business is transitioning to the new learning system.

The compliance rates are slightly lower than the 95 per cent target as changes were made to the learning systems used. In addition, the courses needed to be translated into different languages which delayed some progress.

We continued our focus on policy awareness with the commitment to review and update policy documents at least every two years. We have also developed a number of short awareness videos which accompany the policies and help build colleagues' understanding of the key requirements.

SpeakUp

Colleagues are encouraged to report any concerns they have to their line manager including anything of an ethical business nature. In addition, the Group has an established whistleblowing process which has been rolled out across businesses in the UK, Ireland, Finland, and the Netherlands. SpeakUp, which allows colleagues to report concerns confidentially to an independent party with safeguards in place to ensure cases are investigated fully and prevent retaliation to reporters. Awareness of the process is through colleague training, business communications and posters in each site. A link to the reporting website is also included on the Group and individual business unit websites. In 2022 reports were investigated and resolved covering issues including fraud/theft, HR and employee relations, operational issues and health and safety.

Risk management

The Group has an established risk management process, which is closely aligned with the overall strategic development of the Group, to ensure effective and timely identification, reporting and management of risk events that could materially impact upon the achievement of Grafton's strategic objectives and financial targets.

The Group Risk Committee ('GRC') is an internal committee comprised of representatives of the Group's businesses and Group office functions. The GRC and executive management are responsible for the oversight of risk management in the Group. The committee is chaired by the Group CFO and reports to the Audit and Risk Committee.

The GRC meets quarterly to review the risk management processes in the businesses and to oversee the Corporate Risk Register ('CRR') which records the Group's material risks, their root causes and key risk indicators, and the actions and controls in place and requirements to manage each to an acceptable level of risk consistent with the Group's risk appetite. Each business maintains its own business risk register ('BRR') which it reviews at least quarterly and submits to Group to inform the CRR. Each business is responsible for managing the risks on their register with support from Group where required. Risk registers have also been developed at both Group and business level to identify, evaluate and manage the specific risks of fraud and climate change.

The GRC perform an annual horizon scanning exercise to identify any new or emerging risks which may impact the Group, the results of this are shared with business to inform their BRRs. In addition, the GRC perform deep dive reviews of specific risk areas and commission actions to mitigate risks where necessary.

To read more please see the Risk Management section of our Annual Report

Ethics continued

Privacy and Data Protection

In 2022 we continued to build on the progress of previous years in respect of our process improvements and investment in information technology to detect and protect our data and systems. Both data protection and information security are key areas of focus, underpinned by comprehensive policies and ongoing awareness campaigns to ensure that all colleagues play their part in keeping information safe and secure. Each business has a cyber-attack incident plan setting out the steps to react to and recover from a cyber incident, and regular assessments are carried out to identify and resolve vulnerabilities. During 2022 the Group has focused efforts on continual improvement for cyber security controls, and several key control areas were upgraded to strengthen the Group's security posture.

Anti-Bribery and Corruption

The Group Anti-Bribery and Corruption Policy sets out the Group's zero tolerance approach to all forms of bribery and corruption, and the standards expected of all colleagues. It includes thresholds and approval requirements for the offering and receiving of gifts and hospitality to and from third parties by colleagues, and requires that a declaration of independence be signed annually by senior management and other individuals who are considered to be exposed to a higher risk of conflicts of interest, including colleagues who have responsibility for contract negotiations with customers and suppliers.

Colleagues are made aware of the policy requirements through mandatory training and awareness videos.

Compliance with the policy and the management of potential conflicts of interest is reviewed and tested by Group Internal Audit through annual compliance audits.

Task force on Climate Related Disclosure

We have continued to strengthen our risk assessment and reporting on climate related risks and the detailed report can be found in our Annual Report and Accounts.

Supply Chain management and procurement

In 2022 we rolled out our supply chain management system in partnership with an expert risk management company, Exiger. Sending out questionnaires to all our large suppliers (over £100,00 worth of business) and requesting due diligence information covering countries of operation, manufacture, sustainability policies, procedures and standards.

In 2021 we reported that we had shared the questionnaires with 80 per cent of our supply base by value. In 2022 this has increased to over 90 per cent of the supply base by value and we now have the data of the responses that we have received.

At year end 2022, 67 per cent of those suppliers we surveyed have provided responses to the questionnaires and our procurement teams are continuing to work with our suppliers to increase the response rate further.

We have been analysing these responses and using the information to map our goods for resale supply chains. Our analysis shows that the vast majority of our large suppliers are based in the UK and Ireland both in terms of supplier location and manufacturing location.

This programme is an important part of our human rights and modern slavery due diligence process to promote strong labour standards through our value chain. The Group's Modern Slavery statement is available on the Group website where more detail can be found.

Stakeholder engagement

Stakeholder engagement is a key part of our sustainability programme and will only increase in importance in 2023 and beyond. As a federated business we engage with stakeholders at a Group level as well as in individual markets and as individual business units. The table below outlines our key stakeholder groups and some of the ways we engage with them.

Our stakeholders	How we engage
Customers	Each of our business units manage engagement with its own customer base. Engagement includes satisfaction surveys, customer support, bespoke surveys on topics including sustainability as well as tracking sales data which can provide useful information into what drives customers. We know that customers are becoming more interested in sustainability, but price, quality and convenience are still the most important drivers of the purchasing decision.
Suppliers	The commercial teams in each of our business units manage the direct relationships with our suppliers through day to day contact as well as review meetings. Our supply chain risk management process provides an extra layer of engagement with suppliers to better understand their operations, policies and procedures (see p29). This is managed at a Group level.
Colleagues	Our HR teams across the Group run colleague engagement surveys annually to gain feedback from our teams. There is also the anonymous SpeakUp hotline as well as annual review processes and regular feedback with managers.
Communities	The teams in our stores and branches work hard to engage positively with the local communities. Some of our business units have very established community engagement programmes and others have been starting to develop their programmes in 2022 (see p23 for examples of our community engagement process).
Policy makers	As well as monitoring legislative developments, our leadership teams play an active role in engagement with policy makers in their respective markets. For example, the Chief Executive Officer of Chadwicks is a Director of the Irish Green Building Council, a member of the Cabinet in the Engineering and Built environment of TU Dublin, and also sits on the board of Ireland Skills Live.
Investors	The Group update investors through the annual reporting and results reporting cycle. Executive Directors also regularly engage with investors on key issues and developments. The Chair and the Senior Independent Director are available to meet with shareholders if they have concerns which have not been resolved through the normal channels of CEO or CFO or where such contacts are not appropriate. All shareholders are invited to attend the AGM.
NGOs	The business reports to CDP on its climate change programme and business units engage with NGOs on individual issues. A key part of our future plans is to engage with NGOs relevant to our group material issues.
Professional bodies	Our business units actively engage in industry groups including the Construction Products Association, Building Merchants Federation and others.

Commentary on 2021 statements

In 2021 we published a detailed list of statements. In a bid to focus on the most material issues we have prioritised those commitments in this report. However, a list of all statements and information about where the progress against each can be found.

	What we said	Disclosure reference
Planet	**Climate Change** • Scope 1 & 2 15 per cent reduction in carbon emissions intensity to revenue by 2025 compared to 2018 • CDP disclosure and performance • per cent energy procured for the group certified renewable • Incorporate appropriate sustainable heating/cooling, insulation, power and water management systems in all new-build properties by 2022 • 80 per cent new company cars ordered being alternative-fuelled by end of year 2021 • 100 per cent new cars ordered by business to be alternative fuels by 2025 • Trial of alternative fuelled goods vehicles by 2025 • 25 per cent goods vehicles alternative fuels by 2030 • 50 per cent locations with charging points by 2030 • Calculate value chain carbon emissions and commit to SBTIs before end 2024 • All businesses aligned to a Group Environmental Management Framework by 2025	Scope 1 & 2 update and data reported on p9
	Waste Management • 15 per cent reduction in total operational waste tonnage relative to revenue by 2025 and 30 per cent by 2030 • 95 per cent diversion from landfill by 2025 • 100 per cent diversion from landfill by 2030 • 75 per cent reduction in paper usage by 2030	Operational waste data p10
	Plastics and Packaging • 25 per cent reduction in SUP packaging film used on deliveries and storage by 2025 • 50 per cent reduction in SUP packaging film used on deliveries and storage by 2030 • Eliminate SUP in carrier bags, catering and office supplies by end 2022 • Identify all other SUP baseline usage for GNFR by 2022	Plastics and packaging data p10
Customer and Product	**Product Sustainability & circularity** • Establish a sustainable products rating system in collaboration with suppliers and relevant stakeholders by 2022 • Promote products with 3rd party certified sustainability credentials by 2030 • Assess circular business opportunities by 2022 • Circular business pilot projects by 2025 • Launched scaled circular offerings by 2030	Product sustainability and circularity p14
	Raw material sourcing • 100 per cent traceability on priority natural resources by 2025 • All timber products to be FSC or PEFC certified by 2025 • Group Natural Resources Policy by 2025	Raw material sourcing p15

Commentary on 2021 statements continued

	What we said	Disclosure reference
People	**Health, Safety & wellbeing** • 25 per cent reduction in total working days lost from injuries at work vs 2018 baseline by 2025 • 50 per cent reduction in total working days lost from injuries at work vs 2018 baseline by 2030	Health & Safety p20
	Diversity, Inclusion and Equality • Year on year increase in number of females working in the group • Review accessibility at office sites in 2022, 50 per cent upgrades made by 2025 and 100 per cent sites assessed as requiring improvement to have received accessibility upgrades	Diversity, Inclusion and Equity p19
	Sustainable Living and Working • 100 per cent colleagues to receive at least one percent above minimum wage by 2023 • Every business to have a sustainable living and working campaign for colleagues by 2022 • Define criteria to measure against well place to work standard by 2022	People p20
	Training & Development • Group wide reporting on hours trained by 2022 • Wellness training in induction and all staff trained by 2025	People p20
Community	• Introduce one paid volunteering day per colleague in 2022 • Each business has a commitment and action plan to improve social mobility in local communities by 2022 • By 2025 fundraising and community investment to target at least one percent of profit • Each business has community engagement strategy and programme to work with local schools by 2022 • Match funding for charities by 2025	Community investment p23
Ethics	**Governance** • Bonus remuneration linked to sustainability targets for Chief Executives of key business units • Improved TCFD disclosure in line with mandatory requirements in 2022	Annual report and accounts remuneration report Annual report and accounts TCFD reporting
	Ethical Business Practices • All colleagues have a channel available for feedback to Board and senior management • 95 per cent colleagues complete ethical business training within 3 months of joining the groups	Ethics p26
	Supply Chain Management and procurement • Sustainability added the due diligence process for acquisitions • Suppliers engaged on 3rd party due diligence system • 100 per cent Tier 1 suppliers compliant with sustainability code by 2025	Ethics p29

Carbon Data

Reporting Boundary

All Grafton Group subsidiaries are included within the scope of the greenhouse gas (GHG) emissions data (Scope 1 and 2 as per the Greenhouse Gas Protocol). New acquisitions are included from the date of completion and divestments are included up to the date of disposal. Prior year comparatives are not updated to reflect acquisitions in the current period.

The Grafton Group defines its GHG footprint as the amount of GHGs (reported as tCO_2e) emitted as a result of its direct, financially controllable operations i.e. those emissions where it has financial control of the company and pays for the fuel/electricity associated with those emissions.

These Grafton Group GHG Reporting Criteria set out in detail the scope and sources included in the Grafton Group GHG footprint as follows:

- The energy sources where the Grafton Group is the counter party to the contract to supply.
- Use of electricity and fuels to heat, light, operate buildings and run manufacturing processes.
- Fuels used to operate company owned vehicles, plant and machinery.
- Fuels purchased with a company fuel card. An assumption of 2/3 of fuel use is for business use is adopted where exact mileage is unknown.
- Expensed mileage claims from company owned vehicles.

Emission Source Classification

Scope 1

Direct: On site fuel use

Fuels purchased and consumed for heating or process activities – such as oil, gas, kerosene, LPG, etc.

Direct: Company Transport

Petrol, diesel and other fuels paid for directly to run trucks, vans, cars, loaders, shunters, forklift trucks or similar transport. This could be via fuel cards, credits cards, onsite tanks with regular deliveries or other direct payment routes.

Scope 2

Indirect: Electricity

Electricity paid for directly to run buildings, for manufacturing processes and electric forklift trucks, including owned and leased sites. This includes electricity that is paid for by the Grafton Group.

Indirect: District Heating

District heating paid for directly to heat buildings that is paid for by the Grafton Group.

Energy Data

The Grafton Group measures and reports its GHG emissions based on activity data during the reporting period multiplied by publicly available emissions factors. Activity is measured using actual consumption of electricity, natural gas or other fuel where readily available, although the following data sources are acceptable:

Energy use Data sources Electricity and Heating

- Meter readings (automatic)
- Invoices from utility suppliers (based on meter readings where readily available, otherwise based on supplier estimates)

Vehicles, Plant and Machinery

- On site fuel tank readings
- Invoices for delivery to onsite tanks
- Fuel card invoices
- Invoices for fuel supply. If consumption data is not available purchase data is used (e.g. heating oil with no tank gauge)

When data is missing and efforts to obtain actual data from a 3rd party have failed, usage is estimated rather than omitted, based on data from the previous reporting cycle. Significant estimates are replaced with real data when received.

Conversion Factors

Conversion factors used in the Ecometrica platform (https://ecometrica.com/) are taken from the relevant published data from each jurisdiction. The following list are the organisations and government departments that are the source for the relevant emission factors:

- United Nations
- IPCC
- Sustainable Energy Authority of Ireland (SEIA)
- Department for Business, Energy and Industrial Strategy (BEIS)
- Euroheat & Power (Finland)
- CE Delft (Netherlands)
- CO_2 emissiefactoren (Netherlands)

Scope 1 and 2 greenhouse gas emissions calculation:
GHG emissions = activity data x emission conversion factor

Carbon Metrics

- Total Scope 1 and Scope 2 greenhouse gas emissions intensity (tCO_2e per £m revenue)
- Scope 1 greenhouse gas emissions (tCO_2e)
- Scope 2 greenhouse gas emissions (tCO_2e)

Total Scope 1 and Scope 2 greenhouse gas emissions intensity (tCO_2e per production) location-based.

All sites where the Grafton Group has direct financial control.

Methodology:

1. Data collection: Data is collated by the Grafton Group on a quarterly basis for majority of business units. Some business units collate data monthly for some activities. Business units based in the Netherlands report on a half yearly basis.
2. Location-based emissions intensity ratio = Total Scope 1 and location-based Scope 2 (t CO_2e) / £m Revenue
3. Market-based calculations will be investigated during 2023

Carbon Emissions Target

Currently a 2 per cent reduction in tCO_2e emission per million of revenue from continuing operations of the Group from the 100 per cent baseline of 24.5 tCO_2e per £m in 2021. (Minimum 2 per cent in 2022 and cumulative 2 per cent each subsequent year subject to change when SBTi is completed.)

Unit		2020	2021	2022
tCO_2e	Scope 1 & 2	42,819 †	51,611 †	49,973
tCO_2e	Scope 1	31,749 †	38,490 †	37,215
tCO_2e	Scope 2	11,069 †	13,121 †	12,748
kwh	Electricity	38,330,650	46,961,410	50,379,138
tCO_2e		11,069	12,679	11,863
kwh	Gas	29,279,987	36,345,612	30,825,051
tCO_2e		5,560	6,810	5,761
kwh	District Heating	4,752	2,335,014	5,143,421
tCO_2e		0	438	851
tCO_2e	Company Cars	2,520	2,079	2,158
tCO_2e	Forklifts	2,923	3,841	2,097
tCO2e	Vans + Commercial	9,931	12,772	13,104
tCO_2e	Burning / Heating Oil	149	60	137
tCO_2e	Gas Oil		53	691
tCO_2e	LPG	10,667	12,879	13,312

2020 and 2021 data points have been recalculated following the availability of more accurate data for the period. See recalculated results marked with (†)

Assurance Statement
Management of Grafton Group plc

Scope
We have been engaged by Grafton Group plc ("Grafton") to perform a 'limited assurance engagement', as defined by International Standards on Assurance Engagements, hereafter referred to as the engagement, to report on Grafton's selected performance data and statements (together the "Subject Matter") for the years ended 31 December 2021 and 31 December 2022 in Grafton's 2022 Sustainability Report (the "Report").

The Subject Matter includes the following selected performance data, which are also marked with a Δ symbol in the Report:
- 2021 and 2022 performance: Scope 1 and 2 CO_2e emissions per million of revenue from continuing operations of the Group
- 2021 and 2022 performance: Percentage of female employees in continuing operations of the Group, of the total employees
- 2022 target: At least 0.2% investment and/or sustainability related fundraising (including colleague time for paid volunteering and corporate fundraising and donations, excluding colleague and customer fundraising) as a percentage of adjusted operating profit for the Group.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Grafton
In preparing the Subject Matter, Grafton applied Grafton's publicly disclosed criteria (the "Criteria") that is available on the Grafton website and, for Scope 1 & 2 carbon emissions on p33. Such Criteria were specifically designed by Grafton to guide the measurement and reporting of the Subject Matter. As a result, the subject matter information may not be suitable for another purpose.

Grafton's responsibilities
Grafton's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records, and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities
Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000') and International Standard for Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410'), and the terms of reference for this engagement as agreed with Grafton on 1 December 2022.Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control
We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed
Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The greenhouse gas (GHG) quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures. Our procedures included:
- Conducted interviews with personnel to understand the business and reporting process, as well as the process for collecting, collating, and reporting the Subject Matter during the reporting period
- Checked that the calculation methodologies have been correctly applied in accordance with the Criteria
- Undertook analytical review procedures to support the reasonableness of the data
- Identified and tested assumptions supporting calculations
- Tested, on a sample basis, underlying source information to check the accuracy of the data.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion
Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 1 March 2023 for the years ended 31 December 2021 and 31 December 2022, in order for it to be in accordance with the Criteria.

Use of our assurance statement
We disclaim any assumption of responsibility for any reliance on this assurance statement or its conclusions to any persons other than Grafton, or for any purpose other than that for which it was prepared.

Accordingly, we accept no liability whatsoever, whether in contract, tort or otherwise, to any third party for any consequences of the use or misuse of this assurance statement or its conclusions.

Ernst & Young
1 March 2023 Dublin, Ireland

Sustainable Development Goals and Targets

Our strategy

Planet

Customer and Product

Community

People

Ethics

SDG Goal	SDG Target	Description	Strategic pillar
3 Good Health and Well-being	3.4	By 2030 reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and wellbeing	
	3.9	By 2030 substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	
5 Gender equality	5.1	End all forms of discrimination against all women and girls everywhere	
	5.5	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	
8 Decent work and economic growth	8.5	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	
	8.6	By 2020, substantially reduce the proportion of youth not in employment, education or training	
	8.8	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	
10 Reduced inequalities	10.2	By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	
	10.3	Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard	
11 Sustainable cities and communities	11.1	By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums	

Sustainable Development Goals and Targets continued

Our strategy

Planet

Customer and Product

Community

People

Ethics

SDG Goal	SDG Target	Description	Strategic pillar
12 Responsible consumption and production	12.2	By 2030, achieve the sustainable management and efficient use of natural resources	
	12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	
	12.6	Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	
	12.8	By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	
13 Climate Action	13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	
	13.3	Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	
15 Life on Land	15.2	By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally	