

Karndean Evolve™

Sustainability Report 2024

Welcome

More than five decades ago, our family-owned business was founded on innovation, bold action and a pioneering spirit. Those same ideals still guide us forward today.

We have always aimed to be the market leader in luxury vinyl flooring, focusing on product design and quality, as well as taking care of our customers and our employees. As the focus extends ever more towards sustainability, we have started taking significant steps to reduce our negative environmental impacts and identify ways that we can create value in social, environmental, and financial ways for our stakeholders. This includes our own operations, our supply chains, our products, and through our people.

When we design product, we design with our customers, our colleagues and our communities in mind. We call it designing for life and this ethos sits at the heart of everything we do. As part of this design ethos, we have rolled out a comprehensive environmental, social and governance (ESG) programme. This consists of six focus areas that will influence how we operate as a company from the very top of the organisation: confronting climate change, individual health and wellbeing, sustainable resource use, inclusion and diversity, supply chain transparency and education.



"2024 was a significant year in our sustainability maturity - we now have fully approved Science Based Targets and have used the Sedex community to audit our product suppliers on their sustainability performance. This sets the benchmark for further significant progress in 2025."

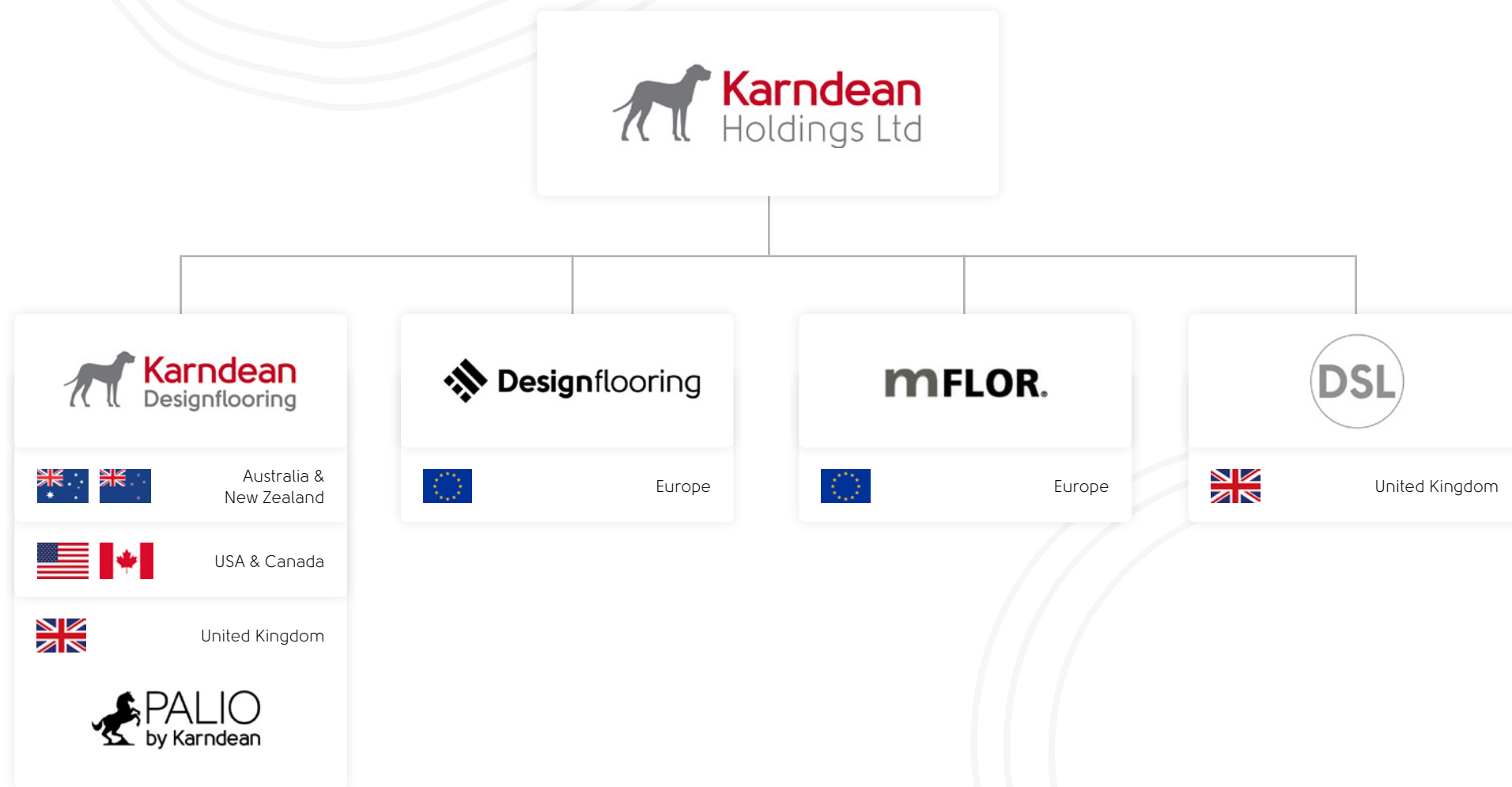
Ed Perrin, Group CEO

"We have taken significant steps in 2024 to embed sustainability thinking across what we do - our product suppliers are now assessed on their sustainability performance across a range of indicators, our employees are better informed about climate change, and we have taken significant actions to reduce our absolute emissions. I'm excited to go even further in 2025!"

Jamie Shaw, Group Sustainability Director



Corporate structure



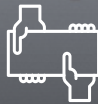
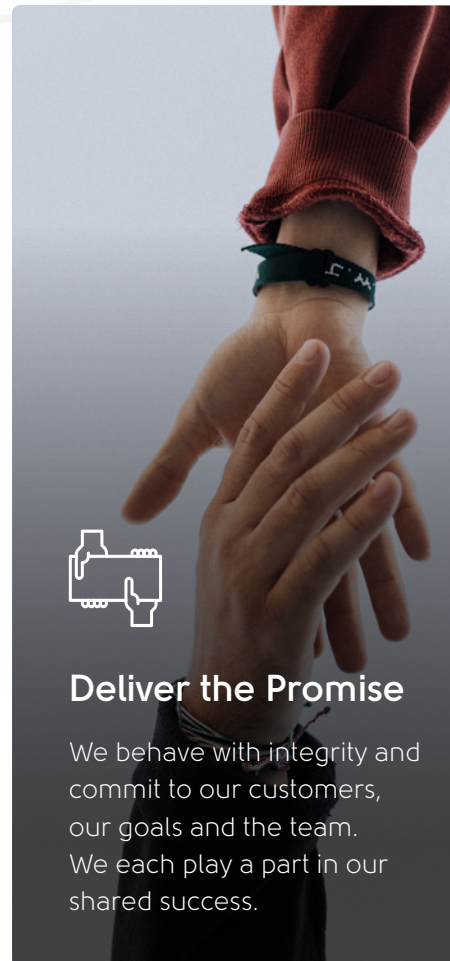
Our core values

Core values guide our actions. They neatly summarise expected behaviours and demonstrate how we should interact with each other as employees, as well as with customers and suppliers.




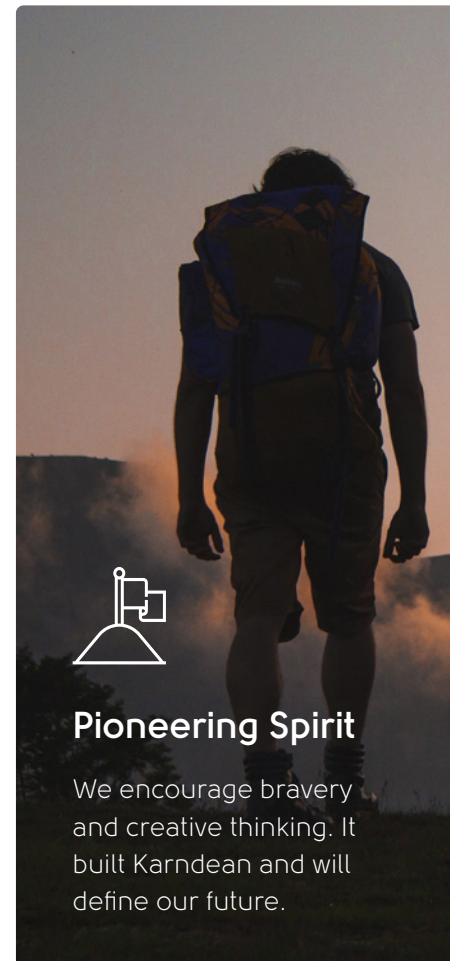
People matter

Empowered people are at the heart of Karndeans. We trust each other and recognise achievement.




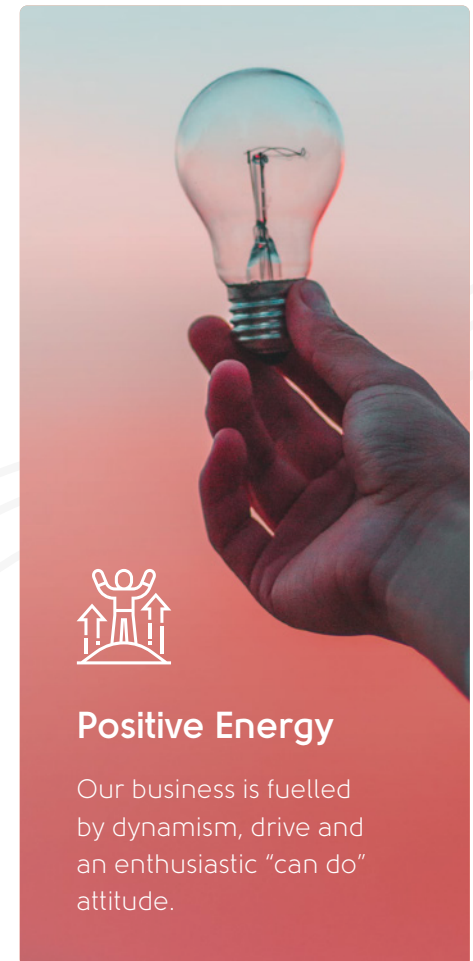
Deliver the Promise

We behave with integrity and commit to our customers, our goals and the team. We each play a part in our shared success.



Pioneering Spirit

We encourage bravery and creative thinking. It built Karndeans and will define our future.



Positive Energy

Our business is fuelled by dynamism, drive and an enthusiastic "can do" attitude.

The story so far

Significant improvement in sustainable performance is not achieved overnight and we're taking a long-term view of improving our performance. We are making good progress since launching Karndean Evolve, our sustainability programme, in July 2023. We have:

Global

- Established approved targets to reduce our greenhouse gas emissions footprint through the Science Based Targets initiative.
- Engaged our most senior directors in multiple interactive education sessions on equity, diversity, and inclusion.
- Embedded a comprehensive maturity model approach to improving sustainability performance in our own operations and our product suppliers.
- Started the renewal process for Environment Product Declarations across our global product portfolio.
- Emissions audited against ISO 14064.

Regional Businesses

- Educated our employees on climate change with more than 80% completing the programme.
- Developed plans and started implementation of on-site renewable energy generation projects in our three biggest territories.
- Extended our UK collection scheme to recycle waste offcuts to new house builds and have helped to launch the Resiloop scheme in Australia to collect waste offcuts and turn them into a new product sold through a local retailer.

Supply Chain

- Audited our product suppliers as part of the Sedex community on business ethics, labour conditions, social performance and environmental performance.
- Seen a 54.5% decrease in the number of improvement opportunities identified between the 2023 and 2024 supplier audits demonstrating an improving sustainability focused culture and performance in those suppliers.
- Used our innovative sustainability maturity model to assess the performance of our product suppliers across the 6 elements of Karndean Evolve.

2025

To build on our successes with Karndean Evolve so far, in 2025 we plan on:

- Embedding sustainability in business as usual across all parts of the organisation.
- Working with our suppliers to move their performance up our maturity model.
- Refining our equity, diversity and inclusion approach and extending engagement across the organisation.
- Taking a longer term view of sustainability related risks potentially affecting the business, especially those risks relating to climate and nature.

Our key focus areas

Confront climate change



As part of our sustainability strategy, we are committed to absolute reduction of our emissions. We do not invest in or use carbon offsets. Any investment we make is to directly reduce our own emissions through the likes of energy efficient equipment, renewable energy generation and lower emission vehicles. To align with the strategy we also have science based targets approved by the Science Based Targets initiative (SBTi). The targets are:

	Target #	Type	Scope	Target	Progress
Scope 1 & 2	Target 1	Absolute Reduction	Scope 1 & 2	"Karndean commits to reduce absolute Scope 1 and 2 emissions by 42% by 2030 from a 2022 base year"	We have developed territory specific plans to reduce our scope 1 and 2 emissions to meet or exceed our 42% target. These plans include installation of renewable energy generation on site and replacing fleet vehicles with low emission/electrified versions in phases. This activity started in 2024 and will continue through 2025, 2026 and 2027.
	Target 2	Supplier Engagement	Purchased goods and services and upstream transportation & distribution.	"Karndean commits that 62% of suppliers by emissions covering purchased goods and services and upstream transportation & distribution will set science-based targets by 2028 "	All of the product factories that we use are fully engaged with our innovative sustainability maturity model. This is used to assess their performance annually and includes a requirement for each factory to set their own science based targets. The international shipping companies that we use have already set targets through the Science Based Targets initiative.
Scope 3	Target 3	Physical Intensity	End-of-Life Treatment of Sold Products	"Karndean commits to reduce Scope 3 end-of-life emissions by 51.6% per sold product by 2030 from a 2022 base year"	We have funded a research project to investigate pan industry solutions to recycling end of life product. Outputs from the research will be delivered to us in the first half of 2025. As part of our sustainability maturity model we have embedded requirements for each product factory to create products that are designed for recycling at end of use.

Regional Businesses

Australia

- Installed high efficiency, occupancy sensor based lighting in Knoxfield, Melbourne to further reduce our energy consumption.
- Our Australian sales team have started a transition to hybrid vehicles to reduce scope 1 emissions from fuel use.

UK

- Increased our generation of on-site renewable energy to more than 230,000 kilowatt hours through the solar panels installed across our three UK buildings in Evesham, UK.
- 412 panels installed on new UK warehouse providing in excess of 160,000 kilowatt hours and an expected 40% of the building's electrical energy consumption from day one of operation.
- New UK warehouse has achieved a Building EPC rating of A.

USA

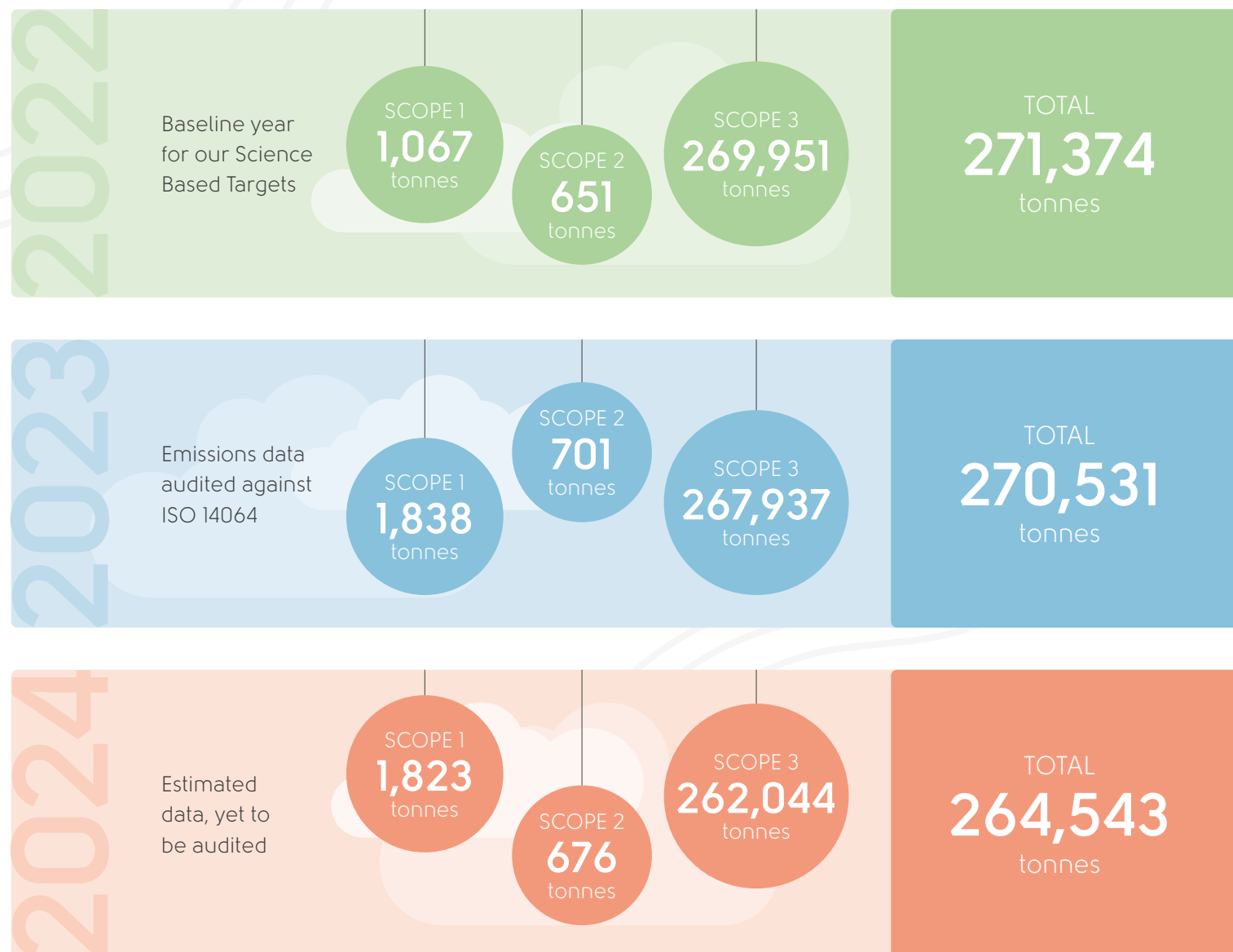
- The US team has created a detailed and documented proposal to install solar panels at our facility in Export. When installed, the system will generate more than 500,000 kilowatt hours helping to reduce our emissions footprint and our reliance on the local electricity grid.

Supply Chain

Our partner factories are minimising emissions through solar panel installations and the use of biomass to generate steam used in the production process and through the use of electric vehicles to transport products around the factories. Our factories are aiming to set their own science based targets to reduce greenhouse gas emissions.



Our emissions footprint by year in Tonnes CO₂e



We calculate our emissions footprint using the Greenhouse Gas Protocol enabling us to report our scope 1, scope 2 and scope 3 emissions across the Group. Our emissions for 2022, 2023, and 2024 are shown in the table.

Health & wellbeing



Sustainability is about more than protecting the planet – it's about people, too. As we continue manufacturing safe products that can be trusted in homes and commercial spaces, we are also focused on ensuring fair treatment and safe conditions for our own employees, the supply chain involved in producing the products, installers involved in fitting the flooring, and customers who live day in and day out with the products.

Our products are free from heavy metals and unsafe phthalates. They are certified to Eurofins Indoor Air Comfort (Gold) and FloorScore® for post-installation indoor air quality, with third-party testing rating them A+ for release of volatile organic compounds (VOC). Our adhesives are either water-based or solvent-free with very low VOC emissions.

Regional Businesses

Australia

- Comprehensive Wellbeing Program available for all staff including health checks, yoga, mental health, and gut health.
- Manual handling training to all sales and distribution staff.
- Wellbeing contribution program offering up to AU\$200 to all staff on the purchase of wellbeing products and services.
- Continued to provide paid wellbeing days to all staff.
- Established Women's Health Group.

UK

- The UK has provided on site yoga classes for the team, free fruit is provided every day as a healthy snack option, and mental health first aiders have been appointed and trained.

USA

- Significant improvements have been made to the air quality in the working environment in our Export facility through the installation of filtration systems in the sample production area.



Sustainable use of resources



We recognise the need to move to a more circular economy. The current linear models do not provide sufficient benefit from an environmental or social perspective.

However, there are significant technical, logistical, and practical challenges to moving instantaneously to a circular model. We are taking steps to move from linear to circular in many facets of what we do.

Our Australian business is proud to continue its role in the development of the **Resilooop** scheme. In 2024, the scheme achieved a significant milestone - unused offcuts from installation are now collected and processed at a facility near Melbourne where they are turned into a new garden edging product that is then sold through a well known DIY store in Australia. The industry collaboration is now working on extending this activity to include end of life resilient flooring.



Regional Businesses

Global

- Invested in dedicated research for potential solutions to help us recycle end of life products.

Australia

- In our Melbourne operations, we have now installed different bins in all of our amenities areas to separate recyclable materials from non-recyclable waste prior to disposal.

UK

- In our UK operations, we send up to 300 tonnes of unused product offcuts for recycling every year. The material is reused for distinct items of street furniture.
- Through the efforts of our customers more than 26,000 samples were returned rather than disposed of.

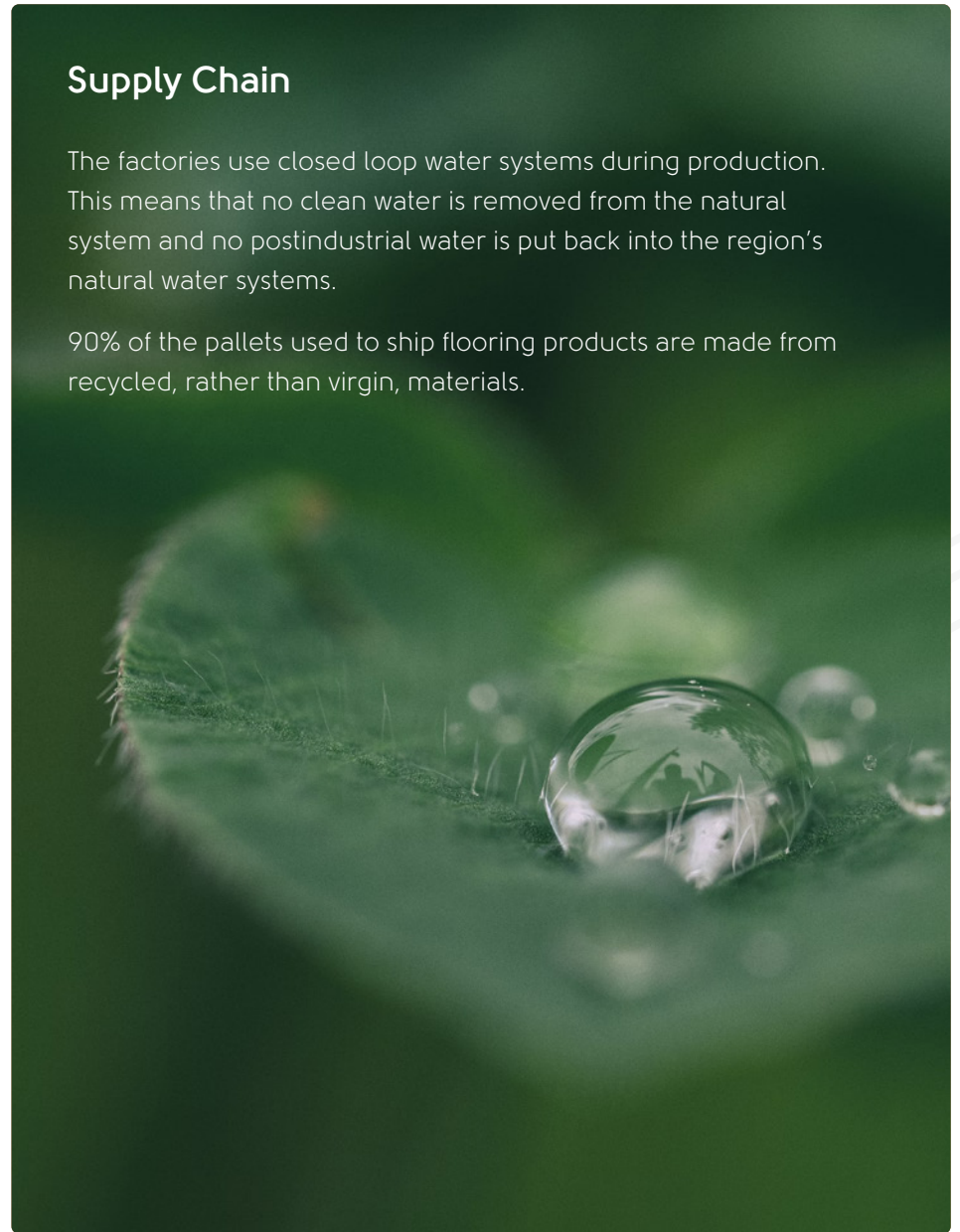
USA

- In our USA operations, approximately 130,000 lbs (about 59 tonnes) of flooring product is collected and sent for recycling every year. This includes offcuts from our own cutting operations and damaged flooring that cannot be used.

Supply Chain

The factories use closed loop water systems during production. This means that no clean water is removed from the natural system and no postindustrial water is put back into the region's natural water systems.

90% of the pallets used to ship flooring products are made from recycled, rather than virgin, materials.



Inclusion & diversity



We are committed to making our workplace fair, welcoming, and diverse through continuous engagement and education. Like many businesses, we are not as rich in diversity as we could be and therefore can't be as inclusive as we would want to be. We have recognised the need to embrace diversity and inclusion across the organisation and positive change is happening.

At Karndean we celebrate our individuality and want everyone to feel included and so Equity, Diversity, and Inclusion (EDI) is something we are embedding throughout every aspect of our culture.

Regional Businesses

Australia

- Power of Belonging training provided for employees.
- International Food Day and Pride Day events.
- Proposal developed for an elevator to be installed at head office.
- Whistleblower training completed by all employees.
- Cross-functional engagement programme for all employees.

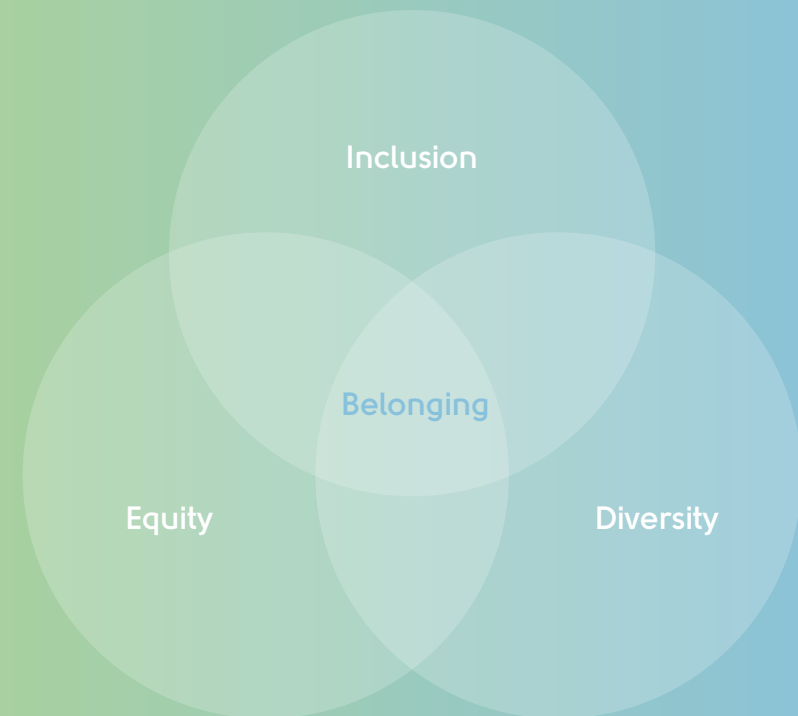
UK

- The UK business is a member of INclusive Worcestershire which involves a pledge to improve and promote inclusivity in Worcestershire's workforce. We work to a framework with the movement which will support us to be even more inclusive and employ from a wider candidate pool.
- Through employee fundraising and donations more than £36,000 was given to charity.

USA

- Our US business has started reporting on Gender Pay Gap. The data, looking at pay discrepancies between male and female employees, is split at business level and individual team and function level to provide real insight to the team. This data is then reviewed regularly by the US executive team to allow them to address any significant issues.

In 2024 we ran specifically designed sessions to engage and educate five of our most senior team on EDI. The sessions explained key terminology, uncovered some of the myths related to EDI, challenged the team to think differently, and provided the tools and basis for training for KHL board.



Supply chain transparency



We are committed to ensuring that what we do and how we do it is as transparent as possible. And with a growing factory supply chain that includes operations in China, Vietnam, Taiwan, and South Korea we want to ensure that our performance across that supply chain is independently checked and verified.

In 2024 we audited 100% of our current product suppliers using the 4 pillar audit framework within the Sedex community. We are a Sedex A Member and our product suppliers are all Sedex B Members. The audits focus on business ethics, social performance, environmental performance and working conditions.

We review progress of each product supplier against the improvement actions identified during their audit to ensure that they implement the necessary improvements as quickly as possible. The actions taken are also reviewed by the independent auditors and closed where they deem a suitable improvement to have been implemented.

The audit results also form an important part of our annual sustainability performance assessment of our product suppliers. We plan to reaudit the suppliers using the Sedex framework every 2 years.




In 2023 there were 88 improvement actions identified during the audit process and then successfully approved and closed. In 2024, we saw a significant improvement with 40 improvements identified. By the end of 2024 38 of these items had been approved and closed by the independent auditors.



Environment

We have continued to invest in the Environmental Product Declaration (EPD) process. Our first EPDs were established back in 2019 and all our products are covered by product specific, region specific documentation. This is to allow designers, specifiers, and end users to see the environmental impact of the products across their entire lifetime before they choose which product they will purchase. In 2024, we started the renewal process for our EPD portfolio.

The EPDs exist for:

-  Gluedown
-  Loose lay
-  Rigid core (EPC & SPC)

All factories supplying products are certified to ISO 14001, the international standard for environmental management.

Governance

- Each business within the group has a sustainability lead to implement our strategy, engage with our teams, and improve our sustainability performance.
- Sustainability and diversity continue to be standing agenda items at board level and risk committee meetings.
- We audit our product suppliers on their sustainability performance through independent auditors and assess their overall sustainability performance through our innovative maturity model approach.
- We are committed to producing an annual report on our sustainability performance. This is our second annual sustainability report.

We are proud through our UK business to be the first flooring company to sign up to the Anti-Greenwash Charter.

This helps to demonstrate our commitment to transparency in any claims that we make and ensuring that our communications go through a robust process prior to publication.

And our US business is the first signatory in any industry to also sign the Charter meaning that any communications in North America will also go through a robust process to ensure validity, transparency and clarity prior to publication.



Education



We believe that one of the best ways to create a more sustainable future for all is through engagement and education. That is why education is one of our six focus areas within Karndean Evolve™. As we learn and progress on our own sustainability programme we are keen to share that insight with our own employees, our suppliers, our customers, and anyone who can potentially benefit from our insight.

We now provide our our first dedicated Karndean Evolve™ sustainability training to all new starters that join the business. This detailed course looks at climate change and explains the reasons behind human impact on the climate and what we need to do differently to drive our emissions down, both as a business and as individuals.

As well as a focus on climate change, we have provided training to senior members of the business on modern slavery. Executives in our UK, Australian, and Global teams have so far completed the online training course 'Responding to the Modern Slavery Act' through the Supply Chain Sustainability School.

Regional Businesses

- Our first dedicated Karndean Evolve™ sustainability training course has seen more than 80% of employees successfully complete the course on climate change.
- We have provided anti-greenwash training for marketing and product teams in Australia.
- Through our European business we ran dedicated sessions in Poland to educate architects, designers and specifiers on the intricacies and importance of robust Environmental Product Declarations.
- We have continued to provide panel expertise on the Embodied Carbon Master classes with the Green Building Council of Australia (GBCA).

Memberships & accreditations

An important part of any sustainability programme is third party verification. We are proud to work with the following bodies and partners to ensure all our sustainability initiatives are transparent, verified and accountable.



