

Task Force on Climate-related Financial Disclosures

We are committed to retaining our status as sustainability leader in the fenestration sector. Our unique recycling operation and focus on increasing the use of recycled PVC compound in the manufacture of co-extruded rigid profiles is at the heart of our climate strategy.

This year we have significantly enhanced our management of climate change through developing our ESG governance structures and expanding our ESG strategy. We have for the first time reported our full carbon footprint (including Scope 3 emissions using the GHG protocol) for 2022 and 2023. We have committed to a Net Zero target for 2045 and during 2024 will be developing a pathway, aligned to the Science Based Targets initiative (SBTi) framework for our operational emissions, to support us in achieving that aim. The pathway will provide ambitious near-term targets, including updated objectives for some of our ESG KPIs (e.g. greenhouse gas emissions and energy use) in line with our overall Net Zero goal.

However, to reach Net Zero, we continue to be dependent on viable low carbon alternatives to virgin PVC.

We will submit our targets to the SBTi for verification in 2024. We will also further enhance our KPIs, environmental data collection and reporting, enabling us to publish a Transition Plan once our targets have been approved.

We recognise that climate change poses significant risks and opportunities to our business and stakeholders. Our TCFD report demonstrates we incorporate climate-related risks and opportunities into the Group's risk management, strategic planning and decision-making processes, aligned to our Net Zero ambition.

This year we have enhanced the analysis of transition risks, and for our physical risks we have performed a detailed bottom-up site analysis using a geospatial climate hazard mapping tool. We expect to enhance our analysis with quantification of risks and opportunities in 2024, after the publication of our Transition plan.

The directors consider that the climate-related risks and opportunities of the company are integrated with those of Eurocell group, and that any climate-related impact on the company itself would originate in the operating businesses of the group. The assessment of the impact of climate change on the value of the Group is carried out at least annually, or when a triggering event occurs, and no impairment charge has resulted to date. The interests of the company's stakeholders within and outside the group are also considered as part of this assessment, when appropriate. The Board has noted the requirement for mandatory climate-related disclosures arising from the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, as well as FCA Listing Rule 9.8.6R(8). Below we have set out our climate-related financial disclosures, cross references in the table opposite, fully consistent and compliant with all of the 11 TCFD recommendations and recommended disclosures as detailed in 'Recommendations of the Task Force on Climate-related Financial Disclosures', 2017, with additional guidance from 'Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures', 2021.

Following third party and internal analyses of the Group's climate-related risks and opportunities, which are detailed in the Strategy section of this TCFD Report, our current view is that significant financial planning or budgetary change as a result of climate change is not likely to be required.

Detail on the 11 recommended disclosures can be found on the following pages:

Recommendation	Recommended disclosures	Reference	CA 414CB ¹
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities	Page 51	CA s414CB(a)
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 52	CA s414CB(a)
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Pages 54 to 60	CA s414CB(d)
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Pages 54 to 60	CA s414CB(e)
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 54 to 60	CA s414CB(f)
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 53	CA s414CB(b)
	b) Describe the organisation's processes for managing climate related risks	Page 53	CA s414CB(b)
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Page 53	CA s414CB(c)
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process	Pages 60 to 61	CA s414CB(h)
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Pages 42 to 43	–
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 61	CA s414CB(g)

1 Companies Act 2006, s414CB(2a)-(2h).

Governance

Board oversight of climate-related risks and opportunities

At Eurocell, the Board reviews and is ultimately accountable for all ESG matters, including climate-related issues and progress against climate related targets. Board expertise on climate change, and ESG more broadly, is provided by Alison Littlely (Non-executive Director), Chair of the Social Values and ESG Committee. The Committee was set up in late 2022 to provide formal and transparent oversight of the Group's ESG programme, specifically including climate change and responsibility for ensuring progress against climate-related targets.

The Committee includes four independent Non-executive Directors, including Alison Littlely (Chair). The Chief Executive, Chief Financial Officer, Chief Operating Officer, Head of Safety, Health and Environment and our new People Director, are also members. It meets three times per annum.

Alison Littlely updates the Board on the activities of the Committee at Board meetings which typically follow within one day of the Committee meeting.

The Committee accesses specialist advice on carbon footprinting and other ESG matters which enables the sharing of best practice and ideas across the Group. During 2023, the Committee oversaw the appointment of external sustainability consultants to support the development of our climate change strategy. In 2024, the Committee will oversee the introduction of a training schedule for Board members on climate-related issues.

Climate change will see further focus in 2024, as our Net Zero targets are established and pathways are identified. The Board, through the Social Values and ESG Committee, will oversee this process and subsequently monitor, and be accountable for, progress against the targets.

The Committee will in turn receive regular updates from Executive Committee members on the performance and progress against climate-related objectives.

The Board is also responsible for risk management, supported by the Audit and Risk Committee and informed by the Executive Management. The Board defines risk appetite and monitors the management of significant risks, now including climate-related risks and opportunities. Climate-related risks are included in the Group risk register, which is reviewed and subsequently presented to the Audit and Risk Committee by Executive Management biannually. Responsibility for each risk on the Group risk register is allocated to a member of Executive management, with responsibility for sustainability and climate change risk allocated to Darren Waters, our Chief Executive.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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Management's role in assessing and managing climate-related risks and opportunities

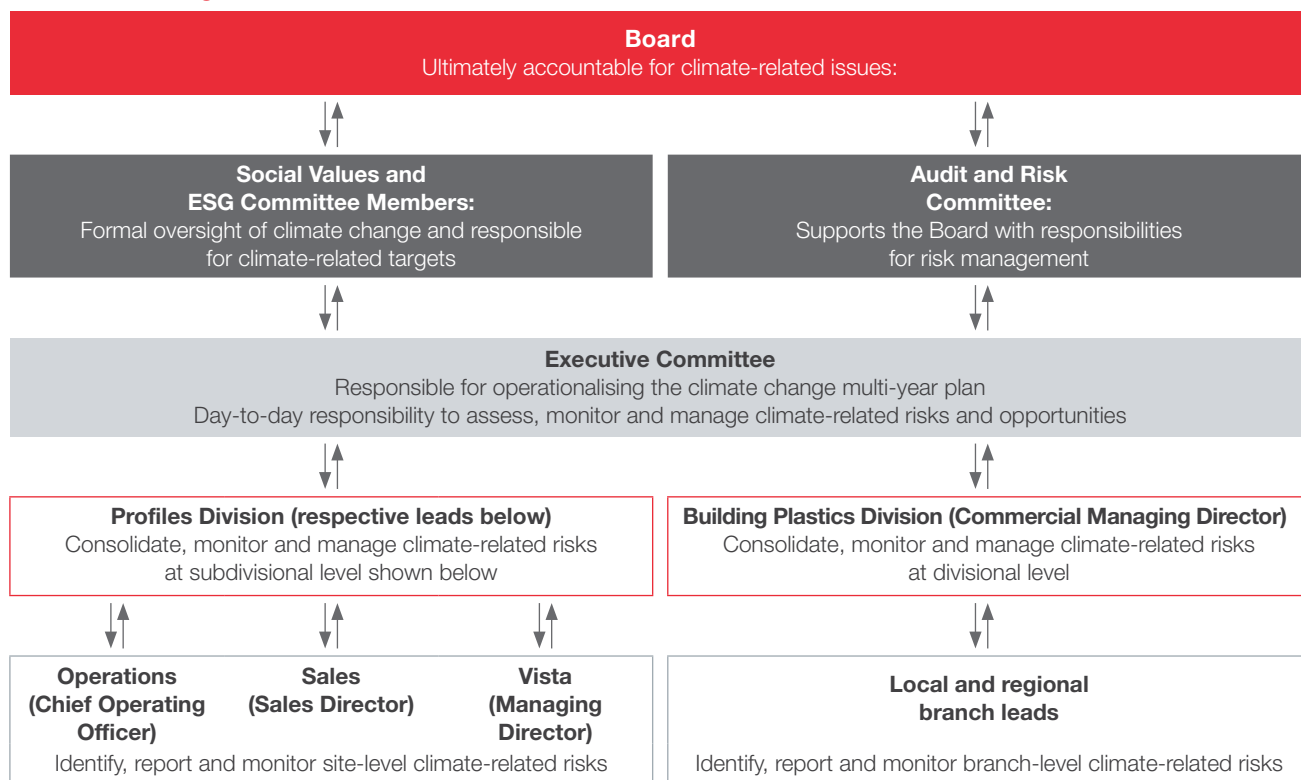
The Executive Committee, led by our Chief Executive, is responsible for the implementation of our climate change strategy. This includes management of our carbon emissions and improving the climate credentials of our products, particularly with our focus on the use of recycled material in manufacturing processes. Additionally, initiatives such as R&D and efficiency improvements are closely monitored.

Our Chief Operating Officer is primarily responsible for the delivery of our climate change objectives and now reports progress to the Social Values and ESG Committee.

Once our targets have been approved by the SBTi, our intention is that the Executive Committee will cascade the Net Zero transition plans to each division, thus ensuring that there is accountability throughout the organisation. The Committee will review the carbon reduction plans to deliver revised emissions targets in each business unit and monitor progress against key milestones.

The Executive Committee has day-to-day responsibility for identifying, assessing, monitoring and managing risks. The Committee meets monthly, with risk management now introduced as a standing agenda item to facilitate the discussion and management of any emerging and increasing risks, including climate-related risks (both physical risks at site level, and transitional risks). Our Chief Operating Officer, as well as the commercial leaders in each division, now consider any climate-related risks within their respective business units through their discussions with site managers and local and regional branch managers. As noted above, the Executive Committee consolidates these discussions with a full risk register review every six months, with the results reported to the Audit and Risk Committee.

Climate-related governance framework



Risk management

Our processes to identify, assess and monitor climate-related risks

Climate change and associated regulatory response risks are now included as part of our overall risk management framework and are considered as part of our Group risk management processes. Our risk assessment considers existing and emerging risks and all risk categories outlined in the TCFD recommendations in relation to our operations. Climate-related risk identification is performed both bottom-up, through a detailed assessment at operational site level, as well as top-down, through an assessment of strategic and market risks.

Site-level environmental risks, including climate-related risks, are identified as part of our operational risk assessments. Our Head of Estates & Facilities Management is responsible for identifying and assessing the environmental risks of existing and potential sites. Any risks identified will be escalated to the relevant Executive Committee member, who consolidates risks within their own area of responsibility and reports to the monthly Executive Committee meeting. In most cases, the relevant Executive Committee member is either the Commercial Managing Director (for the branch network) or the Chief Operating Officer (for all other sites).

Identifying and assessing environmental risks at our branch sites is largely via environmental surveys. Our branches are typically leased on individual ten-year contracts, with five-year break clauses that can be exercised if a risk becomes unacceptable.

Environmental risks at our operational sites are managed through the local business continuity plans, held by our operational managers for extrusion, warehousing and secondary operations sites respectively. The business continuity plans are tested periodically and updated for any identified improvements. This year, we have enhanced our site-level assessment of physical climate-related risks using a physical risk analysis software tool, which has provided greater depth to our risk analysis.

Sustainability and Climate Change is deemed a principal risk for the Group and is therefore included on the strategic risk register.

Climate-related risks are assessed and prioritised in a similar way to all other risks on the Group's strategic risk register. Risks are assessed on a five-point scale for both the probability and impact of the risk occurring, providing an overall risk rating calculated by multiplying the probability by the impact.

The probability ranges from A (Almost Certain) to E (Rare), whilst we assess the impact on a scale of 1 (Very High) to 5 (Very Low). The impact rating is financial, measured in absolute terms or as a percentage of EBITDA per annum. However, for certain risks, the impact rating may also reflect the impact on the Group's reputation or on the environment, or whether the effect is localised or widespread. The resulting overall risk rating categories are: Negligible, Low, Medium, High or Critical.

It is important to note that our climate risks are currently assessed on a gross basis. However, once we have had our Net Zero targets approved and finalised for our transition plan, we expect to quantify our risks and mitigations to reflect their expected net impact on the business.

Risks on our strategic risk register are generally assessed on a three-year business planning cycle. Recognising the longer time horizon of many climate-related risks, however, the following timescales are applied:

Scale	Criteria
Short term	1 year (aligned to budgeting cycle)
Medium term	5 years (aligned to strategic planning cycle)
Long term	Over 5 years (aligned to our Net Zero target, the useful life of our facilities and encompassing long-term policy and industry trends)

This year, with the help of external sustainability consultants, we have conducted a comprehensive assessment of climate-related risks and opportunities across the Group, through a combination of interviews with key stakeholders, including several internal functions, and desktop research including analysis of industry trends and peers. The identification and assessment of climate-related risks and opportunities will be reviewed each year in preparation for our TCFD reporting requirements.

Managing and integrating climate into wider risk management

As described above, risk management, including climate change, is now a standing agenda for the monthly meetings of the Executive Committee. This includes consideration of divisional level risks and the status of ongoing mitigating actions, as well as a review of any emerging or increasing risks. Every six months, each division will conduct a review of its risks with the Group Risk Management team in advance of the Executive Committee's in-depth risk register review.

The Audit and Risk Committee assists the Board in assessing and monitoring risk management across the Group. As a result, the relative materiality and the prioritisation of climate-related risks is considered alongside other Group risks within the existing Group risk management framework.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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Strategy

Our approach to climate scenario analysis

In 2023, we undertook a substantial qualitative analysis of the resilience of our business model and strategy under the guidance of an independent third-party consultant, CEN-ESG. Physical risks were analysed using four scenarios from the Intergovernmental Panel on Climate Change ('IPCC') embedded in the Munich Re software platform used to analyse physical risks of climate change:

- **RCP 2.6¹**: a climate-positive pathway, likely to keep global temperature rise below 2°C by 2100. CO₂ emissions start declining by 2020 and get to zero by 2100
- **RCP 4.5**: an intermediate and probably baseline scenario more likely than not to result in global temperature rise between 2°C and 3°C by 2100 with a mean sea level rise 35% higher than that of RCP 2.6. Many plant and animal species will be unable to adapt to the effects of RCP 4.5 and higher RCPs. Emissions peak around 2040, then decline
- **RCP 7.0**: a baseline outcome rather than a mitigation target and represents the medium-to-high end of the range of future emissions and warming resulting from no additional climate policy

- **RCP 8.5**: a bad case scenario where global temperatures rise between 4.1 and 4.8°C by 2100. This scenario is included for its extreme impacts on physical climate risks as the global response to mitigating climate change is limited.

For the transition risks and opportunities, we have used the following climate-related scenarios from the International Energy Agency, which are far more descriptive and useful for modelling more positive climate outcomes. The scenarios have been considered at a high level, whereby transition risks are generally greater (more likely and with greater impacts) in the lower carbon scenario compared to the higher carbon scenario.

- **Net Zero 2050 (NZE)²**: an ambitious scenario which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO₂ emissions by 2050. This meets the TCFD requirement of using a 'below 2°C' scenario and is included as it informs the decarbonisation pathways used by the Science Based Targets initiative (SBTi), which validates corporate net zero targets and ambition

- **Stated Policies Scenario (STEPS)²**: a scenario which represents the roll forward of already announced policy measures. This scenario outlines a combination of physical and transitions risk impacts as temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability. This scenario is included as it represents a base case pathway with a trajectory implied by today's policy settings.

Climate-related risks and opportunities

Seven climate-related risks and five climate-related opportunities that could have a material impact on the Group have been identified. These are discussed in greater detail below. Currently, the magnitude of our identified risks and opportunities are assessed on a gross basis; however, mitigation strategies are also identified. A more detailed analysis and quantification will be undertaken once our Net Zero target has been approved and our transition plan has been published, for inclusion in subsequent TCFD reports.

Key risks

Six transitional and one physical climate-related risks have been identified.

Operational exposure to carbon pricing mechanisms		TCFD Category: Transition (Policy and Legal)
<p><i>Own operations</i></p> <p><i>Higher costs associated with energy</i></p> <p><i>Medium term</i></p> <p><i>Gross risk rating: High</i></p> <p><i>Scope 1 and 2 emissions</i></p>	<p>Risk</p> <p>Increased operational costs as a result of exposure to carbon pricing mechanisms.</p> <p>Description</p> <p>The implementation of operational carbon pricing is one of the levers used by regulators to achieve decarbonisation of energy and industrial production, either through higher energy costs or direct carbon taxes applied to our gas and electricity used (Scope 1 and 2 emissions). We expect significant but gradual price increases in the medium term, with greater forecast price rises in the NZE Scenario.</p> <p>Mitigation</p> <p>The impact of the risk is expected to be moderated through our efforts to reduce Scope 1 and 2 emissions to minimal levels, as part of our 2045 Net Zero target. Key near-term actions consist of improvements in the energy efficiency of the extrusion lines, recycling and other manufacturing processes, such as the use of more efficient heat pumps, sub metering and closer monitoring of downtimes. These measures will contribute to the reduction of energy consumption and Scope 1 and 2 emissions.</p>	

1 IPCC (2014), Climate Change 2014: AR 5 Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

2 IEA (2022), Global Energy and Climate Model, IEA, Paris [iea.blob.core.windows.net/assets/3a51c827-2b4a-4251-87da-7f28d9c9549b/GlobalEnergyandClimateModel2022Documentation.pdf](https://www.iea.blob.core.windows.net/assets/3a51c827-2b4a-4251-87da-7f28d9c9549b/GlobalEnergyandClimateModel2022Documentation.pdf).

Carbon pricing in the value chain		TCFD Category: Transition (Policy and Legal)
<p><i>Upstream</i></p> <p><i>Increased cost of purchased goods and inbound transportation</i></p> <p><i>Medium term</i></p> <p><i>Gross risk rating: Critical</i></p> <p><i>Scope 3 emissions (Category 1)</i></p>	<p>Risk</p> <p>Increased costs throughout the supply chain due to carbon pricing pressure.</p> <p>Description</p> <p>Our ability to continue to reduce emissions, in line with our 2045 Net Zero target, will be influenced by some factors beyond our control, such as the decarbonisation of electricity grids, increased costs of raw materials as suppliers meet decarbonisation targets, and the development of zero emissions transportation. Investment in lower carbon processing, equipment and facilities impacts the cost of raw materials. New, lower emission processing methods and alternatives to oil derived hydrocarbon feedstock, such as new products like bio-attributable PVC resin, are still being developed for commercial use. The development of a low embodied carbon alternative to virgin resin at a commercial price is the most significant of these supply chain risks, and could lead to increased costs for Eurocell. The fossil fuel industry is exposed to global regulatory and policy decisions in the drive to reduce emissions, and these changing policies may also impact the reliability of our supply chain and the price of our key raw materials.</p> <p>Mitigation</p> <p>We engage closely with our major suppliers of virgin PVC to avoid unplanned fluctuations in price and supply. Where possible, our supply contracts are longer term to increase visibility. We closely monitor the availability, pricing, quality and carbon footprint of products that produce PVC from alternatives to fossil fuels, such as bio-based raw materials. We have an ongoing R&D programme to investigate lower carbon supply chain options, working closely with our key suppliers to identify opportunities.</p>	

Failure to achieve our recycling targets		TCFD Category: Transition (Market, Reputation)
<p><i>Own operations and upstream</i></p> <p><i>Higher costs, lower revenue</i></p> <p><i>Long term</i></p> <p><i>Gross risk rating: Critical</i></p> <p><i>Scope 3 emissions; % of recycled PVC used in production</i></p>	<p>Risk</p> <p>Failure to reduce carbon emissions through inability to increase the proportion of recycled PVC used in production up to our target level.</p> <p>Description</p> <p>The percentage of recycled PVC used in our production process has increased steadily in recent years up to 32% in 2023. Our new target is to increase this to 40% by 2030. The biggest risk to achieving our target is a failure to source sufficient feedstock at acceptable prices. We also require building standards and regulations to continue to support the use of recycled PVC.</p> <p>Mitigation</p> <p>Our supply chain includes the collection and processing of post-consumer (waste windows) and post-industrial (factory offcuts) scrap PVC. We estimate we currently collect approximately one-third of the relevant PVC (post-consumer and industrial) waste available in the UK, and achieve a 63% yield on production in our recycling plants.</p> <p>To source sufficient material, we will engage with existing and potential new suppliers, housing associations and fabricators to maintain and increase our supply of waste PVC, using longer-term contracts with larger suppliers where possible. We will continue to invest in research and development and tooling to increase the yield in our recycling plants. We will also engage with governmental and industry bodies to shape product and building standards to support increased use of recycled PVC in our products.</p>	

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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Key risks continued

Cost of capital and investor interest linked to sustainability criteria		TCFD Category: Transition (Market, Reputation)
<p><i>Own operations</i></p> <p><i>Higher cost of capital</i></p> <p><i>Medium term</i></p> <p><i>Gross risk rating: Medium</i></p> <p><i>Scope 1, 2 and 3 emissions; UK interest rates</i></p>	<p>Risk</p> <p>Increased cost of capital and/or decreased access to funding through failure to meet performance and disclosure requirements.</p> <p>Description</p> <p>Increased investor and lender expectations in relation to sustainability performance and disclosure, with providers of capital (investors and banks) incorporating sustainability into their assessments, creates risks on the availability and cost of capital. With an existing revolving credit facility of £75m extending to 2027, the funding risk is minimal in the short term. However, over the medium term, investors and banks are expected to be more stringent and withdraw funding or apply punitive charges if ongoing targets on emission reduction are not aligned to their own Net Zero targets.</p> <p>Mitigation</p> <p>We remain in continued dialogue with lenders, rating agencies, investors and sustainability experts to ensure our climate change disclosure is in line with the latest regulatory requirements. We have completed a materiality assessment to ensure we focus on priority ESG topics. We are measuring Scope 3 emissions and will in 2024 publish an SBTi-aligned Net Zero target, which will help to mitigate this risk.</p>	
Customer and consumer pressure		TCFD Category: Transition (Market, Reputation)
<p><i>Downstream</i></p> <p><i>Lost revenue</i></p> <p><i>Long term</i></p> <p><i>Gross risk rating: High</i></p> <p><i>Scope 3 emissions; thermal efficiency of products (U-value)</i></p>	<p>Risk</p> <p>Loss of customers and revenue through failure to meet customer standards and consumer preferences.</p> <p>Description</p> <p>Driven by industry standards and government regulation, large house builders require suppliers to be at the forefront of embodied carbon reduction and in the reduction of energy when their products are in use. If we do not meet the disclosure or regulatory requirements (typically disclosure of our own Net Zero plan and embodied carbon in the products we supply), we could over time lose customers and market share. In addition, consumer awareness of their own carbon footprint is continuing to increase and a growing desire for sustainable living is resulting in changes to demand patterns, with an increased preference for lower embedded carbon products. There is a medium-term risk that some product lines will no longer be of interest to customers aligning with Net Zero.</p> <p>Mitigation</p> <p>We engage with customers to ensure new products are designed to meet their changing requirements, and that our targets are aligned with theirs and meet internal and external environmental requirements. For example, we focus on energy efficient windows and improved insulation to enable housebuilders to achieve desired EPC ratings on their builds and meet the technical specifications they require for zero carbon homes. Our disclosure of Scope 3 emissions now enables us to calculate the embodied carbon in PVC profile.</p>	

Existing and emerging government standards and regulation		TCFD Category Transition (Policy and Legal)
<p><i>Own operations</i></p> <p><i>Higher costs/disruption of production</i></p> <p><i>Medium term</i></p> <p><i>Gross risk rating: Medium</i></p> <p><i>R&D expenditure to meet regulatory standards</i></p>	<p>Risk</p> <p>Increased costs of production and associated R&D to ensure products meet increasing government standards. Possible disruption to production as standards are implemented.</p> <p>Description</p> <p>The Group may be adversely affected by changes in government and other regulations (including changes to building regulations) relating to the manufacture and use of materials and resources; particularly energy use in homes and carbon commitments, as well as the use of plastics and polymers in our manufacturing process. This includes the risk that the government could limit the use of compounds which contain lead (in line with EU REACH regulation), which could restrict the use of recycled materials. The Future Homes Standard (FHS) regulation requires a 75-80% reduction in carbon emissions from new homes by 2025. These specifications must be adhered to when constructing, extending or renovating UK homes. The FHS introduces new standards for ventilation, minimum energy efficiency performance targets for buildings, airtightness requirements and improved minimum insulation standards. If Eurocell products do not align to these new standards, we will lose market share and suffer reputational damage.</p> <p>Mitigation</p> <p>We engage and consult regularly with regulators and participate in the Future Homes Hub to support the Future Homes Delivery Plan – a sector-wide plan to embed key environmental issues into housebuilding. We engage with customers and suppliers to meet future regulations. We have established an R&D programme and several of our products already meet these regulations. We are working on our Net Zero target and transition plan to prepare our business for regulatory changes.</p>	

Flood risk		TCFD Category: Physical (Chronic) – material under the RCP 8.5 scenario
<p><i>Own operations</i></p> <p><i>Higher costs/disruption of production</i></p> <p><i>Short, medium and long term</i></p> <p><i>Gross risk rating: Negligible</i></p> <p><i>Number of flooding incidents; costs of flood incidents</i></p>	<p>Risk</p> <p>Cost of damages, lost revenue (loss of sales and disruption to operations), and increased insurance premiums resulting from increasing flood events across operational and branch sites.</p> <p>Description</p> <p>Changing weather patterns and an increase in the number and severity of extreme weather events have caused issues relating to flooding across the United Kingdom. The Munich Re Location Risk Intelligence Tool was used to assess physical climate risk and we considered a cross section of branches and all the manufacturing and recycling plants. Of the 29 sites assessed, no material flood risks were identified. However, given the diverse location of the branches, the short lease terms (five to ten years) and the current flooding issues in the UK, we consider flood risk to be the most significant (though low) physical risk to the Group.</p> <p>Mitigation</p> <p>All divisions have business continuity and recovery plans which monitor risks to staff and premises from metrological events. Additionally, all sites have flood damage insurance cover with limits that reflect the magnitude of risk. The diversified locations, as well as flood risk assessment prior to lease contracts being signed, mean it is unlikely that more than several sites would flood at any given time, and hence the financial impact would be minimal.</p>	

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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Key opportunities

Five opportunities have been identified that could have an impact on our business, either through enhanced revenues or decreased costs and emissions. These opportunities will be an important contributor to the development of our Net Zero target and transition plan.

Increased recycling, process innovation and material efficiency		TCFD Category: Resource Efficiency
<p><i>Own operations/ downstream</i></p> <p><i>Decreased costs</i></p> <p><i>Medium/long term</i></p> <p><i>Rating: Medium</i></p> <p><i>Scope 3 emissions; revenues from energy efficient products</i></p>	<p>Opportunity Cost and emissions reductions through increased recycling, and production and material efficiency.</p> <p>Description The use of recycled PVC pellets typically has an embodied carbon footprint c.50% lower than virgin PVC pellets. The cost of producing recycled material is usually lower than the purchase cost of virgin material. Therefore, products manufactured through efficient processes with increased recycled material content can significantly lower our cost of production and reduce carbon emissions, and will be an important part of our transition to Net Zero.</p> <p>Strategy to realise opportunity In 2023 we used 32% recycled material in the manufacture of our products. We have a target to increase this to 40% by 2030 and will make plans to develop the feedstock supply chain to support this. The replacement cycle for our extrusion fleet allows us to capture production efficiency gains through use of the latest technology (we use an innovative dual material extrusion process to ensure fast, efficient use of PVC waste in manufacturing). We continue to invest to improve the efficiency of our existing extrusion and recycling plants and increase their production yield.</p>	

Product design – resource and thermal efficient products		TCFD Category: Product and services, Market
<p><i>Own operations/ downstream</i></p> <p><i>Increased sales</i></p> <p><i>Medium term</i></p> <p><i>Rating: Medium</i></p> <p><i>Scope 3 emissions; revenues from energy efficient products</i></p>	<p>Opportunity A growing market for thermally efficient products leading to increased revenue.</p> <p>Description Products which are thermally efficient will reduce consumer energy use, as well as help housebuilders achieve zero carbon homes and meet the Future Homes Standard (FHS). Consumer awareness of home improvement as a means of reducing heating bills is driving demand for earlier replacement of old windows and other products such as conservatory roofs. Innovative product design is key to continued revenue growth and also helps to maintain competitive positioning. We focus on improving airtightness, insulation and energy efficiency and expect the demand for these products to increase with the adoption of the FHS in 2025.</p> <p>Strategy to realise opportunity To maximise this opportunity, we will target R&D and marketing spend on low carbon products and collaborate with key customers to develop and sell best-in-class, resource and thermally efficient products. We have a dedicated technical centre focused on product enhancement and development of innovative new products is a key objective. For example, the Modus triple glazed window has a U value of 0.8 W/m² K (compared to the 2025 FHS requirement of 1.2 W/m² K), significantly reducing heat loss in houses due to its superior insulation. It also includes more than 50% recycled PVC. In addition, our flat rooflight (Luma) was launched in 2022, with strong thermal insulation characteristics. We expect products such as these to grow strongly as consumers and housebuilders focus on zero carbon homes.</p>	

Water and waste savings		TCFD Category: Resource Efficiency
<p><i>Own operations</i></p> <p><i>Decreased costs</i></p> <p><i>Medium term</i></p> <p><i>Rating: Low</i></p> <p><i>Water and waste costs per annum; Scope 1 and 2 emissions</i></p>	<p>Opportunity Operational cost savings through water and waste reduction.</p> <p>Water savings Description Various opportunities and initiatives exist to reduce water usage across the Group. Our main use of water is in the extrusion cooling process and in washing of scrap PVC to remove impurities before recycling.</p> <p>Strategy to realise opportunity Various initiatives are underway aimed at reusing factory water, including improvements to our closed loop recycling system, where the water is filtered, purified and neutralised to maintain its quality. This system significantly reduces the environmental impact of extrusion processes, by conserving water resources and reducing levels of contaminated water released into the environment, and also minimises consumption and disposal costs.</p> <p>Waste savings Description We aim to reduce and recycle general waste products and packaging wherever possible. Packaging accounts for c.5% of waste generated by Eurocell and there is potential to reduce it. There is also an opportunity to improve the processing of by-products from our recycling process (metal, rubber, wood) to enable greater recycling. We have a target to increase waste recycled by 2% per annum from our 2020 base level (resulting in 88% by 2025), and 1% per annum thereafter (resulting in 93% by 2030). In 2023, 76% of our waste was recycled (2022: 82%) We have also committed to a maximum of 5% of waste to landfill by 2025 and 1% by 2030.</p> <p>Strategy to realise opportunity To support achieving these targets we have a new waste management improvement plan for 2024. At third party sites, which act as a collection and delivery hub for post-consumer waste windows, we are implementing processes that allow for cleaner waste streams. We will continue to develop partnerships with waste services providers, to optimise end-to-end material recovery. We aim to reduce the environmental impact of our packaging through lowering the amount of packaging used, including thinner packaging, using packaging with more recycled content and eliminating packaging made from single use plastics.</p>	

Decreasing the amount of energy used and increasing the amount of renewable energy used		TCFD Category: Energy Source
<p><i>Own operations</i></p> <p><i>Reducing emissions</i></p> <p><i>Medium term</i></p> <p><i>Rating: Low</i></p> <p><i>Energy consumption; Scope 1 and 2 emissions</i></p>	<p>Opportunity Operational cost savings through reduced energy consumption and reduced emissions through using more renewable energy.</p> <p>Decreasing the amount of energy used Description The Group's near-term decarbonisation profile includes opportunities for energy efficiency and electricity savings. With our extrusion, foiling and recycling plants all currently running on electricity, our electricity consumption accounts for most of our energy use.</p> <p>Strategy to realise opportunity We continue to drive operational efficiencies, including reducing idle time and optimising temperatures on extrusion lines and chillers. We have also reviewed the usage of compressed air and smart energy metering, leading to actionable outcomes to reduce electricity usage. In addition, we are researching potential methods to reduce the energy intensive foiling process e.g. using a form of 3D digital printing. Although this requires additional capex, it does not use heat, and has the potential to significantly reduce emissions over the medium term. We have also appointed site champions, to drive reduced energy consumption at a local level.</p> <p>Increasing the amount of renewable energy used Description There is also an opportunity to further reduce emissions by transitioning to renewable energy contracts and reduce reliance on the grid through in-house renewable generation.</p> <p>Strategy to realise opportunity In 2023, 94% of the Group's electricity was purchased on renewable contracts. We are installing solar panels at one of our manufacturing plants to provide our own on-site renewable energy capacity.</p>	

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTINUED

Key opportunities continued

Transportation		TCFD Category: Resource Efficiency
<p><i>Own operations/ upstream/downstream</i></p> <p><i>Decreased costs</i></p> <p><i>Long term</i></p> <p><i>Rating: Low</i></p> <p><i>Scope 1 and 3 emissions (Upstream and Downstream Transportation and Distribution)</i></p>	<p>Opportunity Cost savings, decreased carbon emissions and decreased exposure to carbon prices through decarbonisation of fleet vehicles.</p> <p>Description Decarbonisation of our third-party distribution fleet and company vehicles is a significant opportunity to reduce emissions. This may require additional capex over the medium term to transition and upgrade these vehicles. Additionally, further technological development is required for zero emissions heavy goods vehicles to become viable, e.g. either via electric vehicles or the potential use of hydrogen as an alternative fuel source.</p> <p>Strategy to realise opportunity Company vehicles In 2024 we will continue to upgrade our warehouse material handling plant with electric alternatives, as existing plant lease agreements expire. In addition, we expect to instal a telemetric system in our branch network vehicles to improve the efficiency of route planning and load maximisation, thereby reducing associated emissions. We will continue to explore options to progressively convert other company vehicles to electric.</p> <p>Third-party distribution We will work with our third-party logistic supplier to use software to improve route efficiency. We will also engage with them to better understand the potential for decarbonisation of our commercial distribution fleet. Whilst this would further reduce our Scope 3 upstream and downstream transportation and distribution emissions, the bulk of this reduction would likely only take place in the medium term.</p>	

Our view currently is that significant financial planning or budgetary change as a result of climate change is not likely to be required. However, the transition to Net Zero will be incorporated into the Group's strategic planning with respect to operational and capital costs in 2024 and we will update our assessment once this work is done. We will also continue to develop our analysis as new data becomes available, both internally and externally, and we will continue to monitor our climate exposures and action plans through the Group's risk management framework.

Metrics and targets

During 2023, we conducted a full carbon footprinting exercise for 2022 and 2023 with the help of external sustainability consultants. This has allowed us to report our emissions in line with our financial year end and has expanded our Scope 3 reporting against all applicable categories.

We now report our full carbon footprint covering Scope 1, 2 and 3 greenhouse gas emissions. However, this work is based on a number of management estimates and we expect more variation in the coming years as we continue to refine our methodology.

Most of our emissions are represented by Scope 3 (94% of our market-based footprint for 2023). Of these 2023 Scope 3 emissions, 86% are from purchased goods and services, including virgin PVC resin, and 5% are from upstream transportations.

Additional environmental metrics we monitor include recycled materials used in production and emissions saved as a result, emissions intensity, energy and renewable energy use, and waste generation, as reported on page 35. Against our identified risks, we monitor each of the following metrics:

Risk	Metrics
Operational exposure to carbon pricing mechanisms	<ul style="list-style-type: none"> • Scope 1 and 2 emissions.
Carbon pricing in the value chain	<ul style="list-style-type: none"> • Scope 3 emissions (Category 1 – Purchased Goods & Services).
Failure to achieve our recycling targets	<ul style="list-style-type: none"> • % recycled PVC used in production • Scope 3 emissions (Category 1 – Purchased Goods & Services).
Cost of capital and investor interest linked to sustainability criteria	<ul style="list-style-type: none"> • Scope 1, 2 and 3 emissions • UK interest rates.
Customer and consumer pressure	<ul style="list-style-type: none"> • Scope 3 emissions • Thermal efficiency of products (U-value).
Existing and emerging government standards and regulation	<ul style="list-style-type: none"> • R&D expenditure to meet regulatory standards.
Flood risk	<ul style="list-style-type: none"> • Number of flooding incidents • Costs associated with flooding incidents.
Opportunity	Metrics
Process innovation and material efficiency	<ul style="list-style-type: none"> • Scope 3 emissions • Revenue from energy efficient products.
Product design – resource and thermal efficient products	<ul style="list-style-type: none"> • Scope 3 emissions • Revenue from energy efficient products.
Water and waste savings	<ul style="list-style-type: none"> • Annual water costs • Annual waste costs • Scope 1 and 2 emissions.
Decreasing the amount of energy used	<ul style="list-style-type: none"> • Total energy consumption • Scope 1 and 2 emissions.
Transportation	<ul style="list-style-type: none"> • Scope 1 emissions • Scope 3 emissions (Category 4 – Upstream Transportation & Distribution & Category 9 – Downstream Transportation & Distribution).

Climate-related targets

We are committed to being a responsible business and working to minimise our contribution to climate change. Over 2023 we have continued working towards reducing our Scope 1 and 2 greenhouse gas emissions, and currently source a high proportion of our electricity through renewable contracts (94% in 2023). By continuing to source renewable electricity, through the ongoing replacement cycle of our PVC extruder fleet and upgrading our mobile equipment to electric power, we are reducing our greenhouse gas emissions.

We also focus on increasing the proportion of recycled material used in our production processes. In 2023 this was up to 32% and we now have a target to increase to 40% by 2030, in order to reduce our Scope 3 emissions and save costs.

Having conducted a full carbon footprint for 2022 and 2023, we now have committed to achieve Net Zero on our emissions by 2045. We will work in 2024 to submit our targets to the SBTi, including updated objectives for some of our ESG KPIs such as greenhouse gas emissions and energy use intensity ratios, which will ensure we are aligned with the UK Government's Net Zero Strategy. Once approved, we will develop and publish a Net Zero Transition Plan outlining how the targets will be met, and any critical factors we are dependent on to achieve this, such as commercial low carbon alternatives to virgin PVC resin and new technologies.

Our current and future emissions and energy reduction targets have been adopted as the most relevant to our climate-related risk, particularly relating to carbon pricing risks, and in order to directly manage our contribution to global climate change. Progress against these targets will be monitored through our annual carbon footprint results and will be collated and presented to the Board through the governance structures described earlier in this TCFD report.