

# PROCESS

Efficient businesses can reduce costs, improve profitability and generate lasting sustainable processes. A key focus of this pillar will be continuing to embed the continuous improvement mindset across the business to deliver these incremental improvements which together make us more efficient.



## INTRODUCTION

Medium-term targets	How we measure	FY24 performance	Progress made against target
<b>Reduce scrap by 60% by 2027</b>	Reduction in scrap (as a percentage of revenue) against 2023 baseline	<b>54%</b>	●
	Throughout the year we have seen significantly lower scrap costs, which has been supported by increased monitoring and tracking of scrap across our sites.		
<b>Reduce carbon emissions by 25% by 2028 (as a percentage of revenue)</b>	Reduction in scope 1 and 2 carbon emissions against 2023 baseline	<b>25%</b>	●
	Positively impacted by footprint optimisation activities. Changes made this year are expected to be fully realised in FY25 and support us on our net zero journey.		
<b>Improve revenue per sq ft by 50% by 2027</b>	Increase in revenue per sq ft against 2023 baseline	<b>17%</b>	●
	We closed the Cadillac warehouse during the year and have been preparing for the closure of Irvine in FY25.		
<b>Screen our top 40 suppliers against sustainability criteria by 2025</b>	Percentage of top 40 suppliers that have responded	<b>33%</b>	●
	During the year we launched our sustainability survey within Avon Protection suppliers. We plan to launch with Team Wendy later in the year.		

### YEAR AHEAD FOCUS AREAS

- Complete the closure of Irvine
- Reduce emissions and scrap through CI

## LINK TO UN SDGS



## 4 CONTINUOUS IMPROVEMENT

During 2024 we have been building continuous improvement into everyday culture and everything we do. This is a core element of our STAR strategy and key to the delivery of many of our targets including our GHG emissions target in the delivery of carbon emission reductions. Our aim is to empower every employee, across functions and at every grade, to consider small incremental or transformative improvements to their everyday. We plan to further encourage this behaviour through the STAR Academy, our learning and development programme and reward and recognition programme.

If we truly embed a CI enterprise we will nurture a culture where everyone is accountable for SQDIP. We can also generate benefits that will make our business stronger for the future and improve our CSR performance by:

- providing training opportunities linked to career development;
- increasing job satisfaction and employee engagement;
- ensuring a positive, safe work environment for all;
- reducing environmental impact through improved use of resources; and
- encouraging collaboration with suppliers and customers which generate improvements across our value chain.

### Net zero journey

In 2021 we committed to being net zero by 2045 by achieving an absolute reduction in scope 1 and 2 carbon emissions. We have since reaffirmed this commitment with a short-term target to reduce our scope 1 and 2 carbon emissions by 25% by 2028 (as a percentage of revenue) against a baseline of 2023. In 2024 we reviewed our carbon reduction plans in all our manufacturing sites to achieve our target and to align them with our five-year planning process.

Our strategy is to reduce our carbon emissions by improving efficiency. We plan on meeting our short-term carbon emissions target through the following activities:

- We will generate scope 1 and 2 reductions by reducing heating, cooling and lighting by optimising our footprint and consolidating sites. We also anticipate scope 3 reductions by reducing intercompany business travel and transportation.
- We will generate scope 1 and 2 emission improvements through facility and equipment upgrades that make them more efficient.
- We will promote a culture of continuous improvement and undertake regular Kaizens at each of our sites to help identify further opportunities to generate improvement through efficiencies.
- We will monitor the market for emerging technologies and related investment cases for renewable alternatives to support scope 1 and 2 emission reductions.

## CERTIFICATION

We use environmental management systems to monitor, control and continuously improve environmental performance across our sites.

During the year we commended our teams on sustaining ISO 14001 accreditation, something that we have achieved at three of our five sites. This achievement demonstrates that management and employees remain engaged on implementing and maintaining best environmental practices.

### Initiatives in 2024

During 2024 we have made excellent progress on our carbon emission target and achieved a 15% absolute reduction in scope 1 and 2 emissions (location) against 2023 by pursuing energy efficiencies across our business.

- 1) We have consolidated equipment from Irvine into Cleveland and Salem as we steadily wind down production in Irvine.
- 2) We have removed autoclaves associated with legacy business processes, which has resulted in reductions in natural gas use.
- 3) We have improved power factor correction capabilities to reduce load demand on power supply and increase efficiency.
- 4) We have purchased a hybrid company car and installed electric vehicle charging points, available for employees to use.
- 5) Kaizens have continued at all sites throughout the year which are likely to have resulted in additional energy consumption improvements by eliminating waste in all its forms.
- 6) We have completed LED lighting upgrades in Cleveland.
- 7) We have installed upgrades to heaters in our UK meeting rooms to reduce energy use while rooms are not in use.

### Energy use and carbon disclosures

A representative at each of our sites has responsibility for the reporting of energy use throughout the year. The monthly collection of data allows us to monitor and report on carbon emissions.

Our energy consumption in FY24 was 8,424 MWh; of this, the UK accounted for 38% of global energy use. This year we are reporting a 19% decrease in the Group's energy use.

In FY24, we reported that our carbon emissions amount to 5,928 tonnes CO<sub>2</sub>e (location-based); of this, the UK accounted for 28%. We achieved a 15% reduction in location-based scope 1 and 2 emissions. Our market-based scope 2 emissions reflect the impact of our sourcing decisions.

With a revenue of \$275m our emissions intensity figure has reduced by 25% from 28.7 tonnes CO<sub>2</sub>e per \$m of revenue (for scope 1 and 2 emissions) to 21.6 tonnes CO<sub>2</sub>e.

### Greenhouse gas emission data (Tonnes CO<sub>2</sub>e)

	FY24	FY23	FY22
<b>Scope 1</b>			
UK	793	942	905
Outside UK	1,172	1,418	1,120
<b>Total</b>	<b>1,965</b>	<b>2,360</b>	<b>2,025</b>
<b>Scope 2 (location)</b>			
UK	869	1,280	1,294
Outside UK	3,094	3,347	3,129
<b>Total</b>	<b>3,963</b>	<b>4,627</b>	<b>4,423</b>
<b>Scope 2 (market)<sup>1</sup></b>			
UK	1,099	1,366	1,465
Outside UK	2,716	3,173	3,139
<b>Total</b>	<b>3,815</b>	<b>4,539</b>	<b>4,604</b>
<b>Total gross scope 1 and 2 (location)</b>			
UK	1,662	2,221	2,199
Outside UK	4,266	4,765	4,249
<b>Total</b>	<b>5,928</b>	<b>6,986</b>	<b>6,448</b>
<b>Intensity measure</b>			
Tonnes CO <sub>2</sub> e (scope 1 and 2 location based) per £m of revenue	21.6	28.7	24.5
<b>Energy consumption scope 1 and 2 (MWh)</b>			
UK	8,424	11,393	11,648
Outside UK	13,472	15,665	13,764
<b>Total</b>	<b>21,896</b>	<b>27,058</b>	<b>25,412</b>

1. Market-based emission factors only include CO<sub>2</sub>.

**PROCESS CONTINUED**

**4 CONTINUOUS IMPROVEMENT CONTINUED**

**METHODOLOGY**

Data has been compiled according to the ‘operational control’ approach in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and aligns to Streamlined Energy and Carbon Reporting. Data covers a 12-month period in line with our financial reporting period from 1 October to 30 September.

Overall consumption has been calculated using invoice data for the reporting period. Estimated data is used where invoice data is not available within the timeline for consolidation of year end data. One small office uses estimated emissions based on Carbon Risk Real Estate Monitor data for heating and electricity consumption per square foot.

Emissions factors for most of scope 1 and 2 (UK only) have been calculated using 2022, 2023 and 2024 UK Government carbon Conversion Factors, and methodologies published by the Department for Business, Energy and Industrial Strategy. The most up-to-date EPA eGRID conversions are used for US electricity. For 2024 reporting the most recent electricity US factors are 2022.

We have applied the carbon protocol data hierarchy to the market-based method. We have obtained emissions factors for the relevant tariff and/or supplier for the applicable year. If sites consume carbon-free electricity this has been applied to the calculations. Where these are not available in the US, we use the US Green-e Energy Residual Mix Emissions Rate or location-based emission factors in the absence of contractual information.

The carbon-free generated energy is verified via emission-free energy certificates. The certificates are managed and cleared by third party PJM Environmental Information Services’ Generation Attribute Tracking System. They ensure veracity by creating standards which verify no double selling of the same certificate. Avon Technologies has purchased certificates to cover 100% load at one location which started in June 2023.

Scope 1 and 2 sources (location based) have been divided by the annual revenue to provide the intensity ratio (tCO<sub>2</sub>e per \$m).

**Scope 3 emissions**

In FY23, we assessed the most relevant and influenceable elements of our scope 3 emissions. We conducted a screening exercise, considering factors such as ability to influence, anticipated size, sector guidance and data accessibility, which identified several exclusions not relevant to our business model: category 14 franchises and category 15 investment. We identified categories which were not expected to significantly contribute to total scope 3 emissions, where reporting would be impractical and difficult to calculate: category 10 processing of sold products, category 11 use of sold products and category 12 end of life treatment of sold products.

Based on this work and the use of EEIO modelling, purchased goods are understood to be the largest contributor to our footprint. We will work towards improving our disclosure of material scope 3 categories and will disclose this in full by 2025.

In 2024, we have expanded the collection of a subset of scope 3 emissions to include emissions from waste generated in operations.

Category (tonnes CO <sub>2</sub> e)	2024	2023	2022
Fuel and energy-related activities <sup>1</sup>	1,533	1,768	1,766
Waste generated in operations <sup>2</sup>	144	-	-
Business travel <sup>3</sup>	910	1,207	382
<b>Total</b>	<b>2,587</b>	<b>2,975</b>	<b>2,148</b>

1. Fuel and energy-related activities (average data method) – calculated using natural gas, electricity and fuel consumption collected in scope.
2. Waste generated in operations (waste type-specific method) – using invoices and consignment notes for waste and water.
3. Business travel data (distance-based method) – calculated using distance and class reported by our travel management companies for air only.

➤ For more information, please see our methodology statement available on our website

**Environmental data**

During 2023 we centralised the reporting of water and waste, allowing us to report on Group totals for the period 1 October to 30 September. We are now able to report on total annual waste produced from all our manufacturing sites, starting with FY24. Each site is responsible for updating this information monthly.

	FY24	FY23
Water usage (m <sup>3</sup> ) <sup>3</sup>	15,174	22,452
Total waste (tonnes) <sup>4</sup>	941	578 <sup>1,2</sup>
Hazardous waste (tonnes)	36	37 <sup>1</sup>

1. Includes data from two manufacturing sites.
2. Restated to include weight from hazardous waste disposal in our UK facility.
3. This figure excludes our Salem facility where the data is not available but considered small.
4. Total waste includes the reported production and non-production-related hazardous and non-hazardous materials that are sent off site for disposal, treatment, reprocessing, recycling or reuse by others. Only solid waste is taken into consideration.

**Water usage**

We collect this information from invoices and meter readings for the supply of municipal and drinking water. Water usage is limited to mainly domestic use, for drinking, sanitary disposal and landscaping and this year we can report that across four manufacturing sites we used 15,174m<sup>3</sup> of water. We have reduced our water usage at several sites; at one site we reduced water usage through the introduction of a new irrigation line. In FY23 we identified a water leak at our Irvine facility through regular monitoring; after fixing this we have seen the water usage half.

Where water discharges do occur due to product testing, they are disposed of in line with local government procedures.

**Waste**

We monitor different waste streams by destination for all manufacturing sites. This year we can report across five manufacturing sites that we disposed of 941 tonnes of waste.

During the year continuous improvement has helped us to become more efficient with the resources we use and reduce waste in all its forms. Undertaking frequent Kaizens has helped us to improve our operational KPIs including to reduce scrap rate. It has also helped us to identify opportunities to reduce and reuse packaging.

We continue to work with our waste carriers to understand our waste disposal opportunities and improve our assessment of associated carbon emissions.

Any hazardous waste generated, as defined by the Control of Substances Hazardous to Health and US Environmental Protection Agency, is disposed of in line with local guidelines.

**14%**

Percentage of total electricity purchased during 2024 that was low emission

**32%**

Reduction in water usage

**7,280 m<sup>3</sup>**

Reduced water usage

**0**

Environmental incidents as defined by the UK or US environment agencies at any of our sites or in relation to our supply chain