

VACULUG SUSTAINABILITY REPORT 2022

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MESSAGE FROM THE CHAIRMAN

THE DECADE OF ACTION HAS BEGUN

Since publishing our first sustainability report in 2022, global economic growth forecasts have weakened, yet our commitment to building a sustainable future has not. In fact, the business, security, and moral case for the green transition has only become stronger.

The same fateful week when Russia invaded Ukraine in February 2022, the leading authority on climate change, the Intergovernmental Panel on Climate Change (IPCC), issued a stark warning to the global community. They demonstrated that the climate is changing faster than our capacity to adapt. Over a year later, with the publication of its latest report, the IPCC's alarm bells continue to ring, and the calls for the world to do more are only getting louder.

And while we at Vaculug believe passionately in the need to curb climate change, this is not the only part of sustainability that we focus on. Our #SustainableThinking campaign is about much more than climate change and the environment, which we believe is only one part of the equation. We believe it is important to support and sustain communities both in the developed and the developing world. Hence, we support wholeheartedly the efforts of the Zenises Foundation, our charitable arm, which has developed several programmes specifically for Vaculug to help the world become a better place.

We believe it is important to build a sustainable organisation built on family values that our children can be proud of. After all, it is the next generation that will eventually inherit these organisations, as well as the earth on which they will live for years to come.

We believe it is important to inspire other organisations to join our love of sustainability. We are only a small cog in the wheel. We join the global community working towards the Sustainable Development Goals (SDGs) established by the United Nations. In line with the SDGs, in 2022 we developed our first Sustainability Strategy, which outlines our goals and commitments for the coming years. To support us on this journey, over the past years we engaged sustainability experts to help us assess our impact, and to guide us on the design and implementation of our strategy. Without the support and partnership of our customers and suppliers we will not be able to achieve the goals that we set out to make the world a better place, for our children and their children.

We invite you to join us on our journey of sustainable thinking, as we cannot do this without your support.

God Bless all of you and your families. Waheguruji.



Haarjeev Kandhari
Vaculug, Chairman

ON A JOURNEY TO NET-ZERO



At **Vaculug**, we are strongly committed to become carbon neutral by 2030. This means that greenhouse gasses produced by our activities will be balanced by the amount removed from the atmosphere. By doing this, we recognise the importance of becoming more ecological every day.

2 SCOPE OF THE REPORT

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SCOPE OF THE REPORT

Our 2022 Sustainability Report is our second annual report, which follows our sustainability journey in 2022. In our first Sustainability Report, which was published in September 2022, we captured our activities up to the end of 2021 and we outlined our commitments for the next three years. In this 2022 edition, we outline our goals, initiatives and progress made over the past year, as well as introduce some new initiatives that we will be implementing throughout 2023 and beyond.

In 2022, with the support of sustainability experts, we developed our first Sustainability Strategy which serves as a Road Map that will guide our journey of sustainable transformation.

To achieve the ambitious goals that we set out in our strategy, we also enlisted the support of a third-party company to conduct a comprehensive carbon assessment.

The aim of the assessment, which will be completed in 2023, was to establish our carbon footprint baseline (based on the year 2021). Based on our 2021 activities it has become clear that where we can make the greatest impact is to reduce our carbon footprint, and specifically our Scope 2 carbon emissions.

The assessment will also inform us on the initiatives we need to focus on improving and implementing, as well as the steps we need to take to effectively track and measure our impact going forward.

In 2022, with the support of sustainability experts, we developed our first Sustainability Strategy which serves as a Road Map that will guide our journey of sustainable transformation.

In this report we share our progress, as well as our commitments that will enable us to achieve the ambitious targets we set in alignment with the UN SDGs, including becoming carbon net-zero by 2030.

At Vaculug we are committed to adopting a holistic approach to sustainability that supports our company's core values of family culture, sustainability, and innovation.

These values, combined with our Sustainable Thinking approach to business, are the foundation of our organisation. They are what guided us for the past 70 years, and they will continue to guide us into the future.



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THE VACULUG JOURNEY

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PEOPLE

- We continued to invest in educating the next generation!
- We launched Vaculug's Oneness Education Initiative and donated more than 200,000 textbooks to schools in India.
- Through our charity the Zenises Foundation we funded over 100 scholarships and educational opportunities to youth in India, South Africa, Spain, and the UK, including ten scholarships at the University of Oxford
- We fed more than 125 thousand people in need (an annual single-day event) through the Zenises Foundation
- In 2022, we employed 159 full-time employees across our company, and we continued to invest in fostering a safe and happy workplace for all our people!
- Committed to conducting external audit of our carbon assessment in 2023.
- Committed to submitting SBTi targets in 2023.
- Over 5026 tonnes of rubber recovered and reused in sports surfaces and children's playgrounds, and 1103 tonnes of steel was recycled from end-of-life tyres in 2022.

PROFIT & RESPONSIBLE GOVERNANCE

- Europe's largest independent retreader, celebrating 72 years of being a responsible and prosperous business.
- A responsible and growing business, with over 244,00 tyres processed per year (up 6.3% since 2021)
- Joined the UN Global Compact in 2021
- Committed to align with the Tire Sector SDG Roadmap

PLANET

- Committed to carbon net-zero (scopes 1 and 2) carbon emissions by 2030.
- Committed to conducting carbon assessment in 2023 (results to be presented in 2023 Sustainability Report)



PEOPLE



COMMITTED TO ACHIEVING CARBON NEUTRALITY BY 2030



At **Vaculug**, we are strongly committed to become carbon neutral by 2030. This means that greenhouse gasses produced by our activities will be balanced by the amount removed from the atmosphere. By doing this, we recognise the importance of becoming more ecological every day.

OUR SUSTAINABILITY IN MOTION ROAD MAP

We are the first independent retreader in the world to align with the wider Tire Sector SDG Roadmap, led by the Tire Industry Project*. As a smaller organisation, with the bold ESG goals and commitments we have defined for the next 3 years, we are positioning ourselves among the larger players across the industry who are committed to contributing to the global SDGs.

As we continue on this journey towards creating a better world, in alignment with the industry-wide agenda, we have developed our **Sustainability in Motion Road Map** which will lead the way forward - for our Vaculug family, our stakeholders and our business.

ENVIRONMENTAL



SOCIAL



GOVERNANCE



* Source: https://sustainabilitydriven.info/wp-content/uploads/2021/05/WBCSD_TIP_Sustainability-Driven-SDG-Tire-Sector-Roadmap.pdf, accessed June 2022.

OUR VISION We want to make the world more sustainable for the next generations.

OUR APPROACH We integrate #SustainableThinking into our every day core

decisions.

OUR CORE VALUES Family culture. Responsible business approach. Driven by innovation.

VALUE WE CREATE FOR PEOPLE, PLANET & PROFIT

PEOPLE

Taking care of our family **160** employees and growing



PLANET

Respecting the environment

Reduced our tyre carbon footprint by **20% over** the last two decades



PROFIT

Building a responsible business

Processed over 230,000 tyres in 2021, **up 6.5%** compared to 2018



OUR COMMITMENTS

- To be Carbon Net-Zero (scopes 1 and 2) by 2030
- Un Global Compact
- Align with Tire Sector SDGs Roadmap



CREATING VALUE WITH OUR STAKEHOLDERS

Committed to quality & excellence



OUR COMMUNITIES

We support several community initiatives through our charity, the Zenises Foundation, supporting several initiatives aimed at improving quality of life for people and communities, near and far. Over 100 scholarships funded, in the UK and India, and over 125,000 people fed (at a single day event)



THIS IS SUSTAINABILITY IN MOTION.

THIS IS THE VACULUG WAY.

VACULUG'S JOURNEY
OF SUSTAINABILITY IN MOTION

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ed more than 125 thousand people in need (an annual event) through our charity, We are Europe's largest independent retreading enterprise. Founded in 1950, Vaculug is longstanding private and multi-generational family run entity. Our company's headquarters are based in Grantham, United Kingdom, and is located on 12 acres of land. We also have offices in Leicester and London. Built on a circular business model, our company produces high-quality retreaded tyres for fleets across the UK and Europe. We also offer industry leading fleet management solutions for our customers.

Headquartered in Grantham, England, we at Vaculug are committed to sharing our passion for saving and preserving the environment for future generations.

Vaculug is also comprised of two additional divisions, Grumac and TEC (Tyre Equipment Company). Grumac is Vaculug's business unit that sells manufacturing equipment parts and supplies, and TEC is an e-commerce store where customers can buy retreading parts.

Each of Vaculug's business units contribute to the retreading industry's circular economy. In 2022 the company employed 159 people across the organisation, and processed over 244,000 tyres, up 6.3% compared to 2021. On the fleet management side of the business Vaculug manages over 500,000-wheel positions for vehicles belonging to over 200 fleet operators in the UK.

In July 2018, Vaculug's ownership transitioned and became a part of the multinational leading Zenises Group. The change in leadership marked the beginning of our journey towards sustainable

transformation. As we continue this journey, it is worth highlighting that in addition to being a responsible business, we are focused on being a prosperous one.

The important work that we do through the Zenises Foundation depends on it. More than this, growing a sustainable business at a time when the UK economy is slowing, and costs of living are rising - is truly challenging. Despite the challenges we decided to stay the course and stay true to our commitments and our plans. Guided by sustainable thinking and our core values, we remained steadfastly focused on our vision and long-term goals for the company.



We are proud of the fact that this past year, despite a slowing economy and the UK retread market falling 20% in 2022, our business grew by nearly 10%. We achieved this whilst not wavering from our sustainability strategy and commitments.

In fact, this past year we stepped up our efforts to execute the plans that we have mapped out for the next few years.

SUSTAINABLE THINKING AND
PURPOSE DRIVEN LEADERSHIP

At the heart of our business are our core values of family culture, sustainability, and innovation. Our company has been built on a foundation that values the connection we have with our people and surrounding communities. We believe that for the business to thrive, as an organisation we need to ensure the people and communities that surround us are also thriving. This belief is the driving force behind our social impact agenda and initiatives, which have been developed through our charity, the Zenises Foundation. We are in business for one single purpose - to fuel and serve the important work of the Zenises Foundation.

“Our company is committed to fostering a culture that respects our employees, partners, customers, and communities. We are also committed to building a sustainable business that respects the environment.”

Haarjeev Kandhari,
Vaculug Chairman

Our Vaculug family culture is key to our company's longstanding success. The health and well-being of our people is paramount, as seen through the various employee engagement initiatives and HR policies that have been put in place to ensure a safe and inclusive workplace for all.

This culture of family also extends to the relationships we have fostered with our partners, some of whom we have been in business with for more than six decades.

Strongly linked to our efforts to take care of our people and communities is our ongoing commitment to being a responsible and sustainable company. Through a sustainable thinking and innovation-driven approach to business, our leadership team is steadfastly focused on realising our company's vision, which is to make the world more sustainable for the next generation.

As we continue this path of sustainable transformation, it's become clear that the steps we took to define our goals was just the beginning of our journey. In many ways it was also the easiest part.

The more difficult part is implementing the strategy we have put in place. And while our goals are ambitious, our approach to reaching those goals can be likened to the well-known proverb which states, “there's only one way to eat an elephant: one bite at a time.”

#SustainableThinking is at the forefront of everything that we do. A key example of this is our aim to reach carbon neutrality by 2030.

With every decision and action we take as an organisation, we are progressing towards achieving the goals that we have set out - one meaningful step at a time. With the support and dedication of our Vaculug family and partners, we have no doubts that we will achieve the goals set out on this journey.

THE IMPORTANCE OF PURPOSE-DRIVEN LEADERSHIP

- Being **purpose-led** is defined as an organisation that places its organisational purpose at the core of everything it does and how it operates; using purpose as the compass to guide decision-making and deliver wider stakeholder value.
- A **study** by EY and Oxford University's Saïd Business School revealed that businesses that transform their organisations by putting people at the centre are 2.6 times more likely to succeed.
- Another **study**, by B Corp in the UK, highlighted that mission-led business are more likely to reduce the burden of the cost of living crisis for their employees, suppliers and local

Our sustainability strategy outlines specific goals and targets that we are committed to achieving in the coming years. Thanks to our purpose driven leadership team, and the longstanding relationships we have formed with our suppliers and customers over the years - we are committed to achieving the goals we have set out for the next three years.

UNITED NATIONS GLOBAL COMPACT

Since Vaculug joined the United Nations Global Compact in August 2019, which offers leadership guidelines envisaged to inspire advanced and innovative Sustainability Performance Management for business community, Vaculug continued to enhance its management capacity for the creation and maintenance of sustainable values.

Every year, the United Nations Global Compact proposes a series of initiatives to provide support in the definition of strategies and partnerships for the pursuit of Sustainable Development Goals launched in September 2015 in New York with the aim of accompanying the activities of sustainable

companies until 2030: The present Report reflects the integrated Sustainability model adopted by Vaculug in 2022 which is following the Ten Principles of the United Nations Global Compact (here in after "UNGC").

Ten Principles of the UNGC are the following:

HUMAN RIGHTS

Principle 1: states that Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2: requires Businesses to ensure that they are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour;

Principle 6: the elimination of discrimination in respect of employment and occupation.

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: requires Businesses to undertake initiatives to promote greater environmental responsibility;

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Principle 10: Businesses should take part in fight against corruption in all its forms, including extortion and bribery.

The above-mentioned principles are derived from: the Universal Declaration of Human Rights, the international Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption.

The foundations of corporate sustainability are laid by a company's value system and a principles-based approach to doing business. We adopt operating standards that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. By incorporating the Principles of the UNGC into strategies, policies and procedures, and establishing a culture of integrity Vaculug is not only upholding its basic responsibilities to people and planet, but also setting the stage for long-term success.

The Company's governance system is driven by the highest ethical values, hence we observe the principles of integrity, transparency, honesty and fairness on a daily basis in any relationship with our stakeholders. Pursuing the purpose of manufacturing a safe and high-performance product, we have, embraced not only the principle of excellence and competitiveness in the marketplace but also the principle of respecting gender equality, human rights, as well as the realization of sustainable product development that respects the environment and future generations, with a view to eco-friendly growth.

MEET OUR NEWLY APPOINTED CHIEF SUSTAINABILITY ADVISOR

We have made bold commitments for the next few years, and to achieve these goals we need strong governance. In 2022, we strengthened our governance structure and expertise. We partnered with a sustainability thought-leader, expert and scholar, Paolo Taticchi, Professor of Strategy and Sustainability at UCL School of Management (a top 10 global school).

Paolo guided us in the development of our Sustainability Strategy, and our first ever Sustainability Report, which we published in 2022.

To continue this important work, as of May 2023 we are excited to have Paolo Taticchi join Vaculug as our Chief Sustainability Advisor. Paolo's area of expertise and research is focused on the sustainable transformation of businesses. Passionate about helping businesses integrate sustainability across their operations, as our expert advisor Paolo will be supporting us with the design and implementation of our sustainability strategy.

The development of our new sustainability strategy has been a huge step forward for Vaculug and has enabled us to take the necessary steps in protecting the future of our business.

With Paolo's guidance and support, our leadership team remains steadfastly committed to achieving our ambitious goals and to growing a responsible, competitive, and prosperous business for the future.



Paolo Taticchi, OMRI.

Professor in Strategy and Sustainability & School Deputy Director (MBA, Global Engagement, Executive Education) at UCL School of Management, a Top 10 Global School, joins Vaculug as Chief Sustainability Advisor.



Paolo Taticchi, OMRI,
*Professor in Strategy and Sustainability
 & School Deputy Director (MBA, Global
 Engagement, Executive Education) at
 UCL School of Management, a Top 10
 Global School, joins Vaculug as Chief
 Sustainability Advisor.*

We are pleased to welcome Professor Paolo Taticchi as our Chief Sustainability Advisor, commencing May 2023.

Highly active in executive education, Paolo has trained thousands of managers and executives of Fortune Global 500 companies; and is a sought-after speaker regularly invited to give keynote talks at world-class academic, governmental and industry events.

Paolo's research on corporate sustainability and performance measurement is internationally recognized.

He has authored several white papers focusing on sustainability, including a recent white paper that about circular-economy target setting that provides an overview of industry guidance and examples of best-practices.

Paolo has also authored several books including "Corporate Sustainability in Practice", which was published in January 2021, and "Sustainable Transformation Strategy", published in May 2023.



Outside of the academy, Paolo has significant consultancy experience in the fields of strategy, education, and sustainability. He has worked in this capacity for firms of various sizes, and in a range of different industries.

Today, he advises (or serves in the advisory board) influential organisations and is one of the scientific advisors of the Ministry for the Ecological Transition in Italy.

He has received numerous awards for the impact of his work. His projects, quotes and opinions have been featured over 350 times in international media outlets. In 2021, Paolo was indicated by Italian's leading business daily Sole 24 Ore as the most influential Italian under the age of 40.



I am excited to join Vaculug as their Chief Sustainability Advisor. Vaculug is not only a leading retreading company in the UK and Europe, but it is a company that has made a real commitment to sustainability. The company has set ambitious objectives for the coming years, which really sets it apart from other organisations in the sector. I look forward to continuing to work with Vaculug as they continue to work towards their mission to change the world for better.



Paolo Taticchi,
*Professor of Strategy & Sustainability
 at UCL School of Management.*

We are serious about our ESG commitments and realising our vision to create a better world for future generations. With Paolo's guidance, we are committed to sharpening our focus, elevating our knowledge, and accelerating our efforts to achieve the ambitious goals we have mapped out for the next few years.



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OUR COMPANY VISION, MISSION & VALUES

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Our company is guided by our vision to make the world a better place. We are on a mission to realise this vision by embedding our core values and sustainable thinking into everything we do. Sustainable Thinking is our approach to building a responsible business. It embodies our approach to learning, upskilling, and sharing our knowledge with key stakeholders across the industry. As industry leaders, we are motivated to engage and inspire others to join us on this journey of sustainable transformation.

We value the power of education and embrace a growth mindset that will empower us to learn, grow and make informed decisions along the way. We have forged purposeful partnerships with sustainability experts, universities, and consulting firms with the goal of improving our sustainability performance.

We are also committed to elevating the knowledge and performance of our industry by sharing our Sustainable Thinking at various industry events we lead or participate in; as well as through the many thought-provoking articles we publish throughout the year. Every month, our Chairman publishes an article on sustainable thinking. Additionally, sustainable thinking is applied to every decision we make on this journey towards building a more sustainable world for all.

OUR VISION

We want to make the world more sustainable for the next generations.

OUR MISSION

Our mission is to build a responsible and prosperous business that creates shared value for our surrounding communities, near and far. We do so by respecting the planet, by supporting our communities, by innovating our offerings and services for our customers, and by fostering a family culture for our people.

Together, our vision and mission are driven by our commitment to supporting the vital work we are doing through our charity, the Zenises Foundation. By building a responsible and prosperous business, we are accelerating our efforts to make a positive impact for our surrounding communities, our people, and the planet.

This is
Sustainability
in Motion.



Together with our stakeholders, **we are on a mission to build a responsible business and sustainable future.**

As industry leaders, we aim to:

- Produce a first-class retread tyre range in a safe and efficient manner.
- Utilise VMS, our industry-leading tyre fleet management system, to manage any fleet, no matter how diverse, in a compliant, cost-effective, and comprehensive manner which meets all customer needs.
- Develop new products and processes to benefit operators in all sectors of the market.
- Work with our business partners to offer the most flexible and best value for money products and services.
- Promote the environmental benefits of retreading and reduce our impact on the environment in everything we do.

- Value and develop the skills of our people to ensure our goals are achieved.
- Apply #SustainableThinking to our everyday business decisions.

To achieve our ambitious goals, we know we cannot do this alone. We are committed to working with our stakeholders and to leading the way forward to a more sustainable world.

OUR CORE VALUES

Our business is built on a foundation of three core values:

- A FAMILY culture.
- A RESPONSIBLE approach to business.
- A past and future driven by INNOVATION.



Photo: March 2023. International Women's Day



Photo: December 2022. Employee's 50th Birthday Celebrations

A FAMILY culture

As a multigenerational family business that has been operating for more than 70 years, fostering a family culture has been the key to our success. We recognise that our people are our greatest asset. We believe that a business will only be as healthy and as prosperous as its people.

Key to our success is our commitment to investing, first and foremost, in the well-being of our people. Between the hustle and bustle of our day-to-day operations, over the course of this past year we took time to pause and celebrate our valued employees. We celebrated several special occasions such as retirements by our longest-serving employees, special milestone birthdays, festive holidays, and much more. With each initiative, we strive to create a positive working environment that fosters a safe, healthy, and inclusive workplace for all.

Our family values are the driving force behind the vital work that we do through our charity, the Zenises Foundation.

Supporting the work of the Zenises Foundation, which focuses on improving the quality of life in communities near and far, is the reason we are in business. This is what motivates us to build a prosperous business for generations to come.

Engaging our employees on this journey is vital to our goal of building a sustainable business for the future.

A **recent study** by McKinsey revealed that 63% of people surveyed said they want their employer to provide more opportunities for purpose in their day-to-day work.

Another **study**, by Gallup, confirmed purpose was the number one driver for employee engagement.

A RESPONSIBLE approach to business

At Vaculug, being a responsible business means doing the right thing for our people, surrounding communities, and the planet.

Over the past year we made strides towards improving our day-to-day operations to reduce our impact on the environment.

At the same time, we seized opportunities where we could make a positive impact in our surrounding communities. We recognise that to realise our vision of creating a better world for future generations, we are on a journey of continuous learning and improvement.

This journey begins with each one of us at Vaculug. To invest in the future of our business, we must first invest in our people through education, training, and well-being initiatives. We are committed to upskilling our people, systems, and processes with the aim of improving our products and services for our customers.

By working together with all our stakeholders, both internally and externally, we are committed to building a responsible business for future generations.

Our business model is circular by nature. Reducing, reusing, and recycling tyres is central to our operations, and to our efforts to reduce our impact on the environment. At the same time, we know we need to do more. In 2021, we joined the UN Global Compact to contribute to the global effort to address the many environmental, social, and economic challenges facing the world today.

To genuinely contribute to this effort, in 2022 we developed a sustainability strategy in alignment with the UN SDGs (Sustainable Development Goals), and we committed to becoming carbon net-zero by 2030.

As a company operating in a carbon intensive transportation industry, we believe it is our responsibility to do all that we can to minimise our impact and contribute to the global effort to create a more sustainable world.

More than this, through our sustainable thinking approach to business, we recognise we have an opportunity to lead and inspire others across the industry to join this mission.



Driven by INNOVATION

With a more than 70-year history in the tyre sector, innovation has always been at the hub of our company’s approach to business. Over the past seven decades we have built our business on a foundation of innovation, creativity, and ingenuity.

Our focus on innovation has aided various monumental industry developments, such as our A-Rated tyre - the KTo1.

We are proud to have imagined and engineered many industry firsts, such as our A-Rated tyre, the world’s first A-Rated retreader that was verified as having a lower coefficient of rolling resistance; and our 5-rib PROTEKT+ dual sidewall protection system, an innovative solution that provides the best defence against kerbing damage, extending the longevity of the tyre.

Committed to enhancing our products and services, in 2022 we explored new technologies, including potentially leveraging AI to optimise our management and finance systems.

Driven by a can-do mind-set and entrepreneurial spirit that stems from our leadership team, when faced with a challenge we look for the opportunity. Guided by a culture of innovation, our team of manufacturing experts are encouraged to push boundaries and lead the way towards greener manufacturing practices. At every step of the way, sustainable thinking is applied in the pursuit of new opportunities and innovative solutions for our customers.

Starting with our leadership team, sustainable thinking is in our DNA. It is what drives our day-to-day business decisions, and it is what motivates us to look at ways we can improve our processes and services every day.

THESE ARE OUR VACULUG CORE VALUES.



Guided by these values we are taking a holistic approach to sustainability - whereby sustainability is integrated into all aspects of our business. As we continue this journey of sustainable transformation, we are committed to living our values and engaging our stakeholders along the way.



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RETREADING: A CIRCULAR MODEL BY DEFINITION

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A report by the World Meteorological Organization published in May 2023 indicated that, for the first time ever, the world is on track to surpass the 1.5C global warming threshold that has been set for this decade¹. The reports states there is a 66% chance that the world will surpass this threshold for at least one year before the end of this decade. The need for the world to accelerate efforts to reduce GHG emissions has never been greater.

For its part, the transport industry accounts for approximately one quarter of global GHG emissions².

And while we are operating in a carbon intensive industry, our retreading business model, by definition, is a circular one.

A CIRCULAR BUSINESS MODEL

A circular business model is an economical and operational model that aims to decouple economic growth from resource consumption.

The concept of circularity embraces the idea of sustainability, which is defined by the UN as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” It is also closely linked to the global SDGs, namely SDG 8 (Decent Work & Economic Growth) and SDG 12 (Responsible Consumption and Production), which we aim to support with our sustainability strategy and commitments.

The retreading industry is by its very definition circular. The industry reduces costs for governments and municipalities by diverting tyres from landfill, provides employment opportunities for SMEs, and it contributes to the reduction of carbon emissions within the manufacturing sector.

According to an article by the Earthbound Report, the remanufacturing industry in the UK saves an estimated 10 million tonnes of CO₂ every year³.

At the centre of our circular approach is our retreading process, which can also be referred to as a remanufacturing process. Remanufacturing is defined as “a series of manufacturing steps acting on an end-of-life part or product in order to return it to like-new or better performance, with a warranty to match”⁴.

The practice aims to make a product ‘as new’, or in some cases better than new where standards and regulations are higher. In the UK, for instance, retreaded tyres must meet the exact same standards as new tyres⁵.



¹Source: https://library.wmo.int/doc_num.php?explnum_id=11611, accessed May 2023.

²Source: https://www.un.org/sites/un2.un.org/files/media_gsto/FACT_SHEET_Climate_Change.pdf, accessed May 2023.

³Source: <https://earthbound.report/2014/12/11/what-is-remanufacturing/>, accessed May 2023.

⁴Source: <https://earthbound.report/2014/12/11/what-is-remanufacturing/>, accessed May 2023.

⁵Source: <https://earthbound.report/2017/06/29/what-can-the-world-do-with-1-5-billion-waste-tyres/>, accessed May 2023.

OUR ECOLOGICAL TRANSFORMATION STARTS NOW



At **Vaculug**, we are strongly committed to become carbon neutral by 2030. This means that greenhouse gasses produced by our activities will be balanced by the amount removed from the atmosphere. By doing this, we recognise the importance of becoming more ecological every day.

By taking old tyres and making them like new, the practice of retreading is circular and comes with many environmental and economic upsides – benefiting people and planet alike.

As a company that operates on a circular business model, we strive to consider the impact our business has on people and the planet at the beginning, rather than at the end, of any given process.

We do this by applying sustainable thinking to our R&D and production processes, as well as our fleet management systems and processes.

Thinking about the quality and safety of materials we use to make a tyre, for instance, or how those materials can be recycled or repurposed are all factors we consider as part of our operations. As we continue our journey, we will look to expand our approach and identify more areas of where circular practices can be implemented, across our organisation as well as our value chain.

ENVIRONMENTAL BENEFITS

Retreading extends the life cycle of used tyres, giving tyres a second and third lease on life. The practice of retreading also prevents tyres from ending up in landfill sites, or on the sides of urban and rural streets.

Tyres that have reached the end of their safe usage at our manufacturing facility are sent to our recycling supplier, Murfitts Industries. Murfitts processes the used tyres into rubber crumbs which are then used to make products such as rubber mats for playgrounds.

Between our retreading and recycling efforts, we are proudly committed to being a zero-landfill business.

According to the British Tyre Manufacturing Association, each time a truck or bus tyre is retreaded, approximately 30kg of rubber, up to 20kg of steel and 60kgs of CO₂ are saved in the process⁶.

Considering that in 2022 alone Vaculug processed 244,442 tyres – the amount of rubber, steel, and CO₂ the company saved is significant.

Furthermore, Vaculug's premium retreaded truck tyres offer a total life expectancy of over 375,000 miles – the equivalent of 15 trips around the world⁷.

As part of our collective efforts to reduce carbon emissions, we believe the retreading industry should be given credit for the carbon emissions that are avoided altogether.

Avoided emissions refers to the positive impact of GHG (greenhouse gas) emissions, relative to the situation where a product or service does not exist⁸. In the case of the retreading industry, every retreaded tyre that goes back into circulation takes the place of a new higher-carbon emitting tyre.

⁶Source: <https://btmauk.com/retreading/>, accessed January 2023.

⁷Source: <https://btmauk.com/retreading/>, accessed January 2023.

⁸Source: https://ghgprotocol.org/sites/default/files/standards/18/WPCComparative-Emissions_final.pdf, accessed January 2023.

“

“No doubt tyre manufacturing, including the retreading sector, is a carbon intensive industry. At the same time, with every tyre that is retreaded in place of a new tyre, a significant amount of CO² is not being produced or emitted into the atmosphere. Currently the impact of avoided emissions on the part of the industry is not being considered by industry regulators, and it’s one I believe the industry should be credited for going forward.”

”

Haarjeev Kandhari,
Vaculug Chairman

While avoided emissions are not yet factored into standard reporting frameworks or practices, the topic is beginning to gain traction. The CDP, a not-for-profit charity that runs the global disclosure system, announced in 2021 that it was considering factoring in avoided emissions (also referred to as Scope 4 emissions), into sustainability reporting standards in the future⁹.

And while the change would be welcomed by many organisations, some industry experts caution that a clearer set of guidelines will be needed to mitigate greenwashing and misleading claims.

Although we have made progress in our efforts to reduce our impact on the environment, to achieve our carbon net-zero target (Scopes 1 and 2) by 2030, we know we need to do more. By working in collaboration with our stakeholders, we are confident we are on track to achieve the goals we have set-out in our strategy.

In addition to the many environmental benefits that come with retreading, there are also economic benefits to customers and end-users. Simply put, opting for retreaded tyres leads to significant savings, financially and in terms of carbon emissions.

ECONOMIC BENEFITS

Perhaps the most compelling reason for customers to reach for a retreaded tyre, in addition to the environmental benefits, is the financial benefit.

The cost of a retreaded tyre is 40% less than the cost of a new tyre.

Additionally, according to the British Tyre Manufacturing Association (BTMA), 85% of the used tyre is re-used in a retreaded tyre, significantly increasing resource productivity, and improving supply resilience¹⁰.

At a time when costs of living and inflation rates are rising in the UK and around the globe, these savings enable Vaculug to offer its customers exceptional value and savings over time.

⁹Source: <https://www.eco-business.com/news/explainer-avoided-emissions-and-how-not-to-overclaim-them/>, accessed January 2023.

¹⁰Source: <https://btmauk.com/tyres-and-the-environment/resource-efficiency/#1589453319635-7478031e-1ab4>, accessed January 2023.



PIONEERS OF SUSTAINABILITY SINCE 1950



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6

TAKING CARE OF OUR MOST VALUABLE RESOURCE/ OUR FAMILY

.....

Our people are our greatest resource. Our people are our greatest resource. Each business decision we make is guided by our commitment to put the health and well-being of our people first. As a family-run organisation, we are committed to fostering an inclusive culture where people feel valued and respected.

We are also committed to developing our people to unleash their greatest potential. We believe in the power of education to drive change. In this light, we view every challenge, role, and function as an opportunity for our people to grow and learn every day. Our dedication to support our people's desire to grow stems from our company's approach to innovation – it is embedded into the culture of our organisation, and it is what drives us to improve every day - continuously and incrementally.

HIRING AND RECRUITING

As is stated in our hiring policy, when recruiting and hiring we select the best person for a position - regardless of sex, race, colour, religion, ethnic origin, age, disability, or sexual orientation.

Our hiring procedures and policies are clearly communicated in our internal Human Resources Recruitment & Selection document.

Committed to being the kind of employer that people want to work for, and as part of our efforts to attract the best talent and remain competitive, in 2022 we began our application process with the UK's Best Small Companies to Work For. We are working towards receiving this certification for 2023.



EQUALITY AND DIVERSITY

We are committed to fostering a company culture that welcomes and respects people from diverse backgrounds and cultures. Our HR policies ensure that everyone across the organisation feels safe and included in line with our Diversity, Equality, and Inclusivity (DEI) approach to doing business.

Since our business transitioned ownership in 2018, we have made a concerted effort to recruit, hire and welcome more women and people from diverse backgrounds to our organisation.

CONTINUOUS EDUCATION

We believe that by investing in our people, we are unquestionably investing in the future of our business, our surrounding communities, and the planet.

We are committed to providing all employees with the opportunity to further develop their skills and knowledge through continued education and professional training programmes. Employees could participate in development programmes that align with their individual goals and ambitions.

One of the many ways we are investing in our people is through professional development initiatives. In March 2023 we will be investing in educational development for two of our Vaculug team members as they embark on a journey to pursue their master's degrees at Northumbria University.



Northumbria University NEWCASTLE

Our logistics Manager, Jason Humphries, will pursue his master's in software engineering, and Barrie McPhilbin, our IT Manager, will pursue his master's in cyber security. We believe investing in our people is vital for them to achieve their own goals while also growing with the company.

“

It is good to know that I'm working with a company that invests fully in their employees.

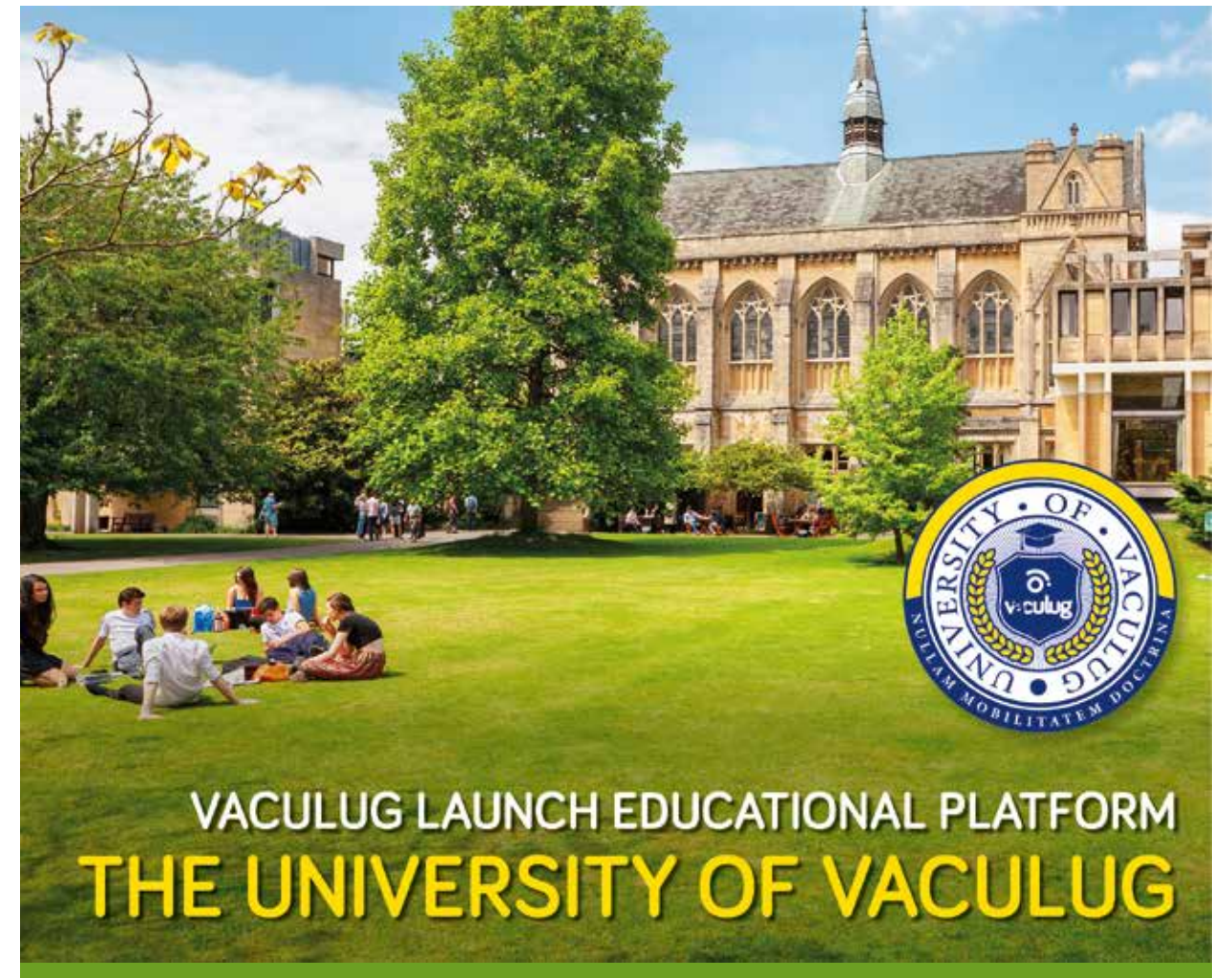
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Barrie McPhilbin,
Vaculug IT Manager

Another initiative designed to support the growth and development of our people is our Vaculug University Series (VUS). Vaculug University is an initiative we introduced in 2021 that offers a series of masterclass-type online sessions with global business leaders, including the likes of Bill Gates, Tom Tugendhat, Chris Wigley, Mark Carney & Shai Weiss. The sessions were well received and appreciated by Vaculug employees.



CASE STUDY: VACULUG UNIVERSITY SERIES FEATURING HARVARD BUSINESS SCHOOL



PROFESSOR RANJAY GULATI

Passionate about leveraging the power of education to inspire change, in 2021 our Chairman Haarjeev Kandhari launched Vaculug University series, an initiative aimed at educating and inspiring employees to learn, grow, and unleash their potential.

In September 2022, employees were invited to connect with legendary Harvard Business School Professor Ranjay Gulati. Sharing key insights from his latest book, Deep Purpose: The Heart and Soul of High-Performance Companies, Professor Gulati spoke about

how purpose can supercharge companies and greatly impact humanity's future.

Vaculug University is open to all employees, and based on the feedback we received so far, the series has been deemed inspiring and informative, and has been greatly appreciated by employees across the organisation.



**HARVARD
BUSINESS SCHOOL**

CASE STUDY:



In addition to the various programmes we have put in place to support the learning and development of our people, we have also contributed to initiatives designed to share best practices and inform other businesses leaders and organisations. In this spirit, in collaboration with Professor Paolo Taticchi and UCL School of Management, this past year we developed a case study (see Appendix 1) which tells our story of sustainable transformation and purpose-driven leadership. The case study, which was published in 2023, will be used in classrooms and executive training programmes to help illustrate challenges facing SMEs today, and to offer guidance for the way forward.



UCL chose to develop this case study to showcase our journey of sustainable transformation, highlighting our unique competitive positioning as an SME that is leading on sustainability in the tyre sector. It is through initiatives such as these that we strive to inspire other leaders - of today and tomorrow - as they set out to lead and build responsible and prosperous businesses for the future.

SUSTAINABILITY & SKILLS TRAINING

Through our various education and training initiatives we remain committed to further developing the skills and knowledge of our employees, customers, and partners on the topic of sustainability.

To enhance our stakeholder's knowledge and understanding of sustainability, and more specifically of our Vaculug sustainability agenda, with the support of an industry expert this past year we developed two sustainability-focused training sessions for our employees, customers, and industry partners. The sessions are set to take place in early 2023. The first introduces the topic of sustainability to stakeholders, and the second focuses on DEI (diversity, equity, inclusivity) in the workplace. The sessions are designed to educate our stakeholders about the foundations of sustainability, while also emphasising the important role that each of our stakeholders play on this journey.

Throughout 2022 we conducted various training sessions for our Vaculug family across different areas of our business. Training sessions were tracked separately by each department using matrix documents. For our next sustainability report we will aim to report on the total number of training sessions we developed across our organisation.

All our production manufacturing training at Vaculug takes place in our on-site training facility, where all manufacturing employees go through comprehensive internal training by our internal team of experts. The training was specific to functions, skills, and health & safety of each department.

We have also been actively encouraging our employees to play an active role in bringing our sustainability goals to life. This can be seen through the various community engagement initiatives that our employees took part in over the course of the past year.

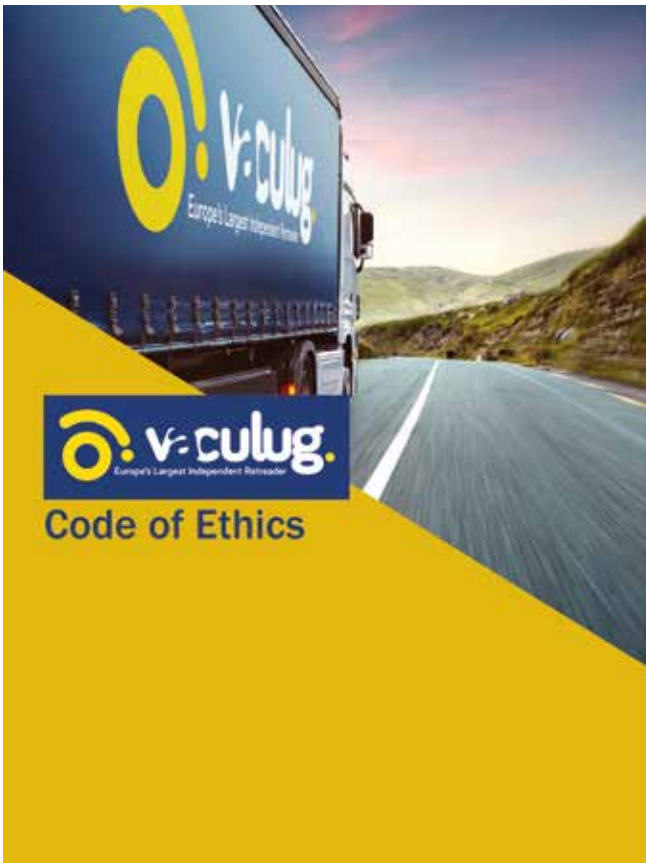


SUPPORTING OUR CLIENTS WITH THEIR CARBON REDUCTION COMMITMENTS



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OUR CODE OF ETHICS,
HR AND ESG POLICIES



In 2022 we began to formalise our Code of Ethics policies, which we published internally and externally in March 2023 (see Appendix 1 for our complete Code of Ethics).

Our Code of Ethics covers the following areas: our values; compliance with laws and regulations; sustainability; human rights; fair labour practices and working conditions; discrimination and harassment, health, safety & environment; fair competition

and business conduct; anti-corruption; gifts and hospitality; security, protection and proper use of company assets; confidentiality, information security, proprietary information and intellectual property; anti-fraud; conflict of interests and privacy, personal data and protection.

Each of the policies outlined in our Code of Ethics are clear and in line with our company's values. Through our business relations with our customers, partners, and suppliers, we are committed to acting ethically and with integrity in all our business dealings and relationships. We are also focused on ensuring modern slavery is not taking place anywhere in our own business or across our supply chains.

We have a zero-tolerance approach to modern slavery and human trafficking.

In addition to our Code of Ethics, to ensure a safe & healthy working environment we also have in place standalone 'Quality, Environmental, Health & Safety' policies, standards, and procedures.

Upon joining our organisation, all Vaculug employees are expected to adhere to each of our policies and processes. Our commitment to delivering the highest standard products and services is reinforced in our 'Hiring & Recruitment' policy.

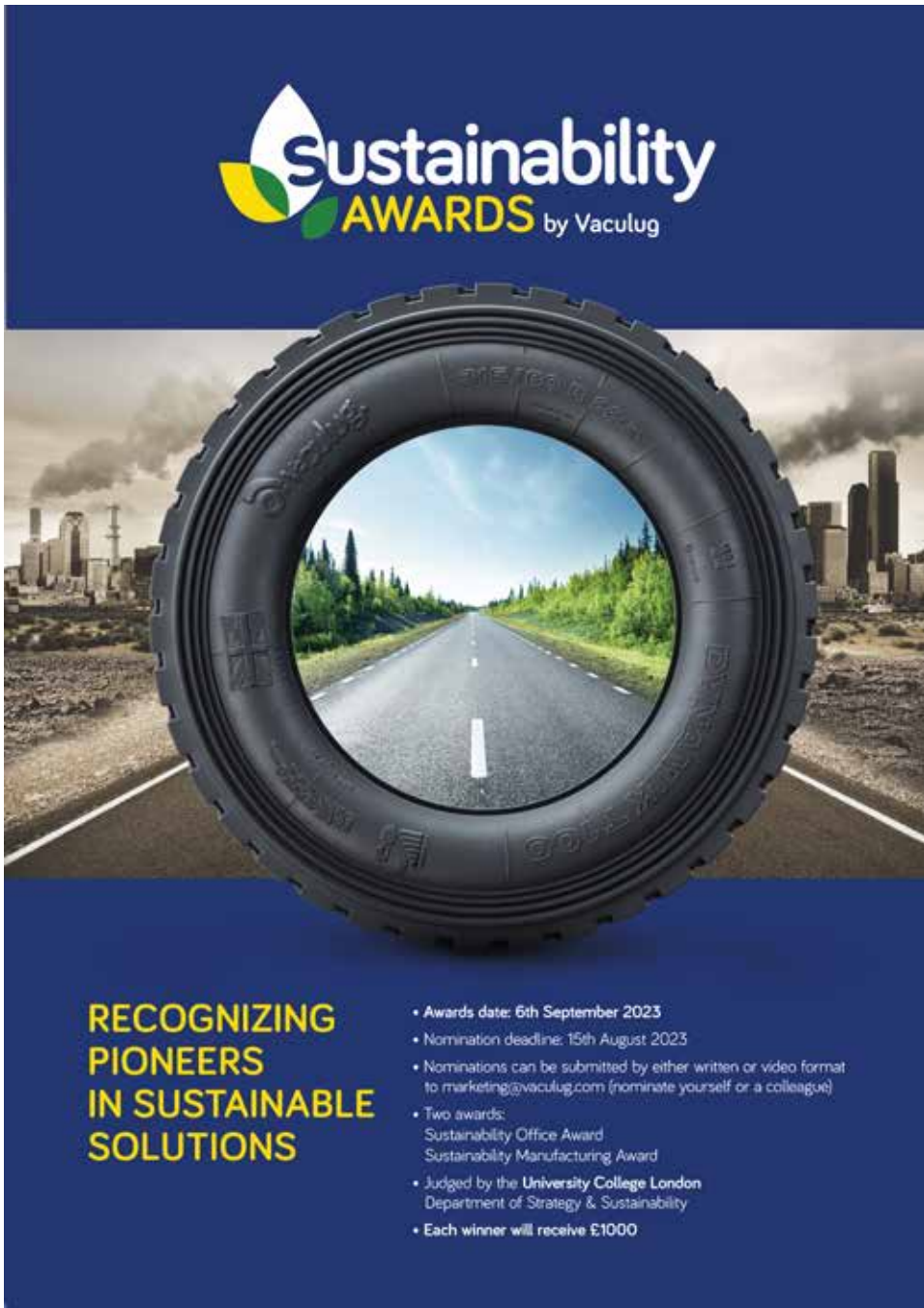
The policy states that all potential employees are required to complete a selection procedure, in accordance with Quality Standards, and assess candidates against a range of specified criteria.

During the selection process, every effort is made to ensure that potential employees, including those moving into new jobs within the company, fully understand the requirements of their roles.

Guided by our core family values, it is our belief at Vaculug that everyone deserves to be treated with respect, and to be fairly compensated for their work and contribution to the growth of the organisation.

This is why every year since the transition in ownership in 2018, all Vaculug employees have received a financial bonus at the end of the year. Additionally, to recognise employees who are going the extra mile to support our sustainability goals, in 2023 we will be introducing financial incentives linked to our Vaculug Sustainability Awards.

The Sustainability Awards is a new initiative that will invite employees to nominate peers who they believe are going the extra mile to embrace our company's values and apply sustainable thinking to their roles, and beyond.



FOSTERING A VACULUG FAMILY CULTURE

Creating and fostering a family culture is at the heart of our organisation. Promoting a family culture is something we do every day through our work, and through various events we celebrate throughout the year. As we've done in years prior, throughout 2022 we took time to celebrate special occasions of our people and our company. We also made a concerted effort to support the health and well-being of our employees.

Over the past few years, in support of SDG 3 (Good Health & Well-being), we have introduced several initiatives that focus on mind and body health, such as yoga classes and bike to work programmes.

By taking the time to pause and celebrate these special occasions together, we are ensuring that we are taking care of our people and living our core values, every day.

Celebrating Chinese New Year 2022

In true Vaculug family style, we kicked off 2022 with a celebration of the Chinese New Year. Chinese New Year 2022 celebrated the Year of the Tiger, which is associated with power, rebellion, adventure, and unpredictability. Those born in the year of the tiger are described as having strong ethics and following their passions; a fitting description which aligns with our company's values. To celebrate the occasion, employees were treated to a delicious Chinese buffet-lunch.



Celebrating International Women's Day 2022

To mark International Women's Day, we invited a masseuse to spend the day with us at our Headquarters in Grantham. As a token of our appreciation for the valuable contribution of the incredible women who are part of our Vaculug family, employees were given time to take a well-deserved break and enjoy some rest & relaxation time at the office.



Celebrating Vaculug's 72nd Anniversary

In July 2022 we celebrated 72 years of being in business. This day was also one of the hottest days of the year. To mark the occasion, we decided to ride the heat wave and celebrate in true Vaculug style by treating our employees to ice-cream. Employees enjoyed a festive lunch and frosty treats from an ice cream truck, which was brought in specially for the occasion. The event was refreshing and well-received by all who attended.



**Celebrating
Our People's Special Milestones**

Living our family values at Vaculug means taking time to pause and celebrate our people. As we do every year, throughout 2022 we celebrated special moments and occasions together with our employees, including milestone birthdays and well-deserved retirements.



Dawn's 50th Birthday!



Gary's 50th Birthday!



Alan's 50th Birthday!



Gary's 40th Birthday!

**Special thanks
to our multigenerational
Vaculug family members!**

We are fortunate to have employees who have been with us for several decades, and who have welcomed their own family members to join our company; proudly passing on knowledge and skills from one generation to the next.



Dick and Joe Gibson
(with Vaculug since 1991
and 2021, respectively)



Jason and Daniel Hughes
(with Vaculug since 1997
and 2018, respectively)



Paul and Joshua Farrington
(with Vaculug since 2002
and 2022, respectively)



Steve and Harry Hutton
(with Vaculug since 1998
and 2018, respectively)

Celebrating Brazilian Day with Vipal

On September 10, alongside our long-time partner Vipal, we hosted an event to celebrate Brazilian Day. The day, which was infused with Brazilian music, food and fun, commemorated Vipal's rich Brazilian history. It also celebrated Vipal and Vaculug's longstanding partnership of 15 years. Employees from both companies were treated to a Brazilian BBQ lunch, and participated in fun games such as football, pool, and darts. All in attendance received a t-shirt in the colours of Brazil's flag, which, coincidentally, includes Vaculug's shades of yellow and blue as well. At Vaculug we believe that events such as these are important to showcase our appreciation to our customers, and employees alike.



"We have had a solid business partnership with Vaculug for several years. A celebration of this type further expands the bond between our teams and strengthens our relationship with a retreader that does an excellent job in the UK and has very great synergy with Vipal Rubber."

Frederico Schmidt, Vipal's General Manager in Europe



CULTURAL CELEBRATIONS WITH OUR VACULUG FAMILY

Celebrating Diwali

In celebration of Diwali & Bandi Chor Divas, we hosted a lunch at our headquarters. Our employees were also treated to a selection of traditional Indian sweets and refreshments. It was a wonderful way to celebrate the festival of lights.



Celebrating Christmas

As we bid adieu to 2022, we shared a festive message with all our Vaculug family and friends, wishing everyone a peaceful and joyful festive season.



OUR COMMITMENTS FOR THE NEXT 3 YEARS:

- We will continue to upskill our Senior Management Team and employees with sustainability focused education and training sessions.
- We will be providing specific training for mental and physical health and well-being.
- We will continue to provide and track training on environmental, social and governance (i.e., ESG policies; Equality, Diversity and Inclusion training).
- We will introduce sustainability-focused employee awards to be awarded annually.
- We will continue to introduce, track and measure employee engagement opportunities, such as dedicated community volunteering days.
- We remain committed to building our business as a family business and fostering an environment where our employees feel safe, healthy, and happy.



A MORE SUSTAINABLE ENVIRONMENT IS POSSIBLE



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7

COMMITTED TO QUALITY, MANUFACTURING EXCELLENCE & CREATING A SAFE AND HEALTHY WORKPLACE

.....

The health and safety of our people is paramount across our organisation. We are committed to establishing safe and healthy work environments through our health & safety policies and procedures. Our 'Vaculug Limited Quality, Environmental, Health & Safety Policy' outlines our commitments to quality and safety. This policy is shared and communicated to all team members through our onboarding and training processes, and through signs and posters that are displayed throughout our premises.

Since 2018, we have had no injuries occur across our organisation.

In addition to communicating our commitments, we also require our team members to take responsible care of themselves and others, and to help us fulfil our commitments by cooperating and complying with the policies that have been put in place.

Specific commitments outlined in this policy include:

- Providing customers with a first-class retread product and service manufactured in a safe and efficient manner.
- The production of the environment, the prevention of pollution and environmental impacts related to our business.
- Communication, participation, and consultation with Vaculug team members

The 'Vaculug Limited Quality, Environmental, Health & Safety Policy' also outlines our efforts to maintain and audit our management system on an ongoing basis. Additionally, the policy is supported by our Risk Assessments, Environmental Aspects, Technical Schedules policies, which apply to all company activities.

In line with these efforts, we are committed to maintaining the standards required by ISO9001 and ISO45001 (See Figures 2 and 3). Vaculug is also confirmed as a member of the Safety Schemes in Procurement (SSIP) Forum, which validates the company has demonstrated its compliance with the forum's core safety criteria.

In addition to ensuring the health and safety of our employees, we remain committed to prioritising the health and safety of our customers who use our products. In 2022 we updated our Fleet Management System with the aim to further improve our ability to offer the highest quality service and products to our customers.

We strongly believe in the power of education and Sustainable Thinking to drive both awareness and change. Driven by this belief, in 2022 we partnered with the Metropolitan Police to host our first Road Safety and Tyre

Awareness workshop with key stakeholders. The objective of the session was to educate our stakeholders on all aspects of road safety, and specifically on the vital role that tyres play in keeping people safe and in preventing serious incidents on our roads. Many of our employees and customers participated in the session, which was well received and appreciated by all in attendance.



In October 2022, we hosted our first workshop on the topic of Road Safety and Tyre Awareness with the Metropolitan Police.

The event supports SDG 3 (Good Health & Wellbeing), and more specifically SDG indicator 3.6.1, which is to reduce the death rate caused by road traffic injuries. Following the event attendees received a Tyre Checking Sheet to help them monitor the safety of their tyres.

The fact sheet was translated into approximately eight different languages that are native to many drivers that are employed by our customers. The information shared during the workshops was very informative and helpful for our customers, with one customer stating it was one of the best industry events they had ever attended.

“

The [Road Safety and Tyre Awareness] meeting yesterday was one of the best informed and well delivered awareness days, both Andy and I have been to. Thank you.

”

Peter L Tod,
*Group Logistics Compliance Manager,
JG Pears Holdings Ltd.*



OCCUPATIONAL HEALTH,
SAFETY AND HYGIENE

Management model and system

Vaculug approach to responsible management of occupational health, safety and hygiene is based on the principles and commitments expressed in the “Ethical Code” of Vaculug, in the “Health, Safety and Environment” Policy which are issued in 2017 in the intranet of Vaculug and in the “Global Human Rights” Policy and in the “Quality” Policy. In particular, the “Health, Safety and Environment” Policy outlines the Company’s commitment to:

- Manage its activities regarding health and safety protection at work in compliance with the laws and all the commitments entered into, as well as according to the most qualified management international standards;
- Pursue objectives of “no harm to people”, by implementing actions for early identification, assessment and prevention of risks for health and safety at work aimed at a continuous reduction in the number and severity of injuries and occupational illnesses, activating health surveillance plans in order to protect workers from specific risks associated with their business duties;

- Develop and implement emergency management programs to prevent and avoid harm to persons;
- Define, monitor and communicate to its Stakeholders specific objectives of continuous improvement of health and safety at work;
- Empower, train and motivate its employees to work safely involving all levels of the organization in an ongoing program of training and information, aimed at promoting a culture of safety at work;
- Promote information and awareness-raising on health and safety issues;
- Provide ongoing and concrete support aimed at facilitating the work-life balance;
- Manage its supply chain responsibly by including issues of health and safety at work in the supplier selection criteria, the contractual clauses and the audit criteria, also requiring suppliers to implement a similar management model in their supply chain;
- Make available to all its Stakeholders a channel (the “Whistleblowing Policy-Reporting Procedure” published on Vaculug’s website and intranet) dedicated to reporting, even anonymously, of any situations that constitute or may constitute a risk for the protection of the health, safety and well-being of people (reference is made to the Paragraph “Focus: Reporting Procedure-Whistleblowing Policy” of this Report for an outline of reports received in 2022, none of which regarding health and safety).

FIGURE 2: Summary of Health & Safety Certifications

HEALTH & SAFETY CERTIFICATION	DESCRIPTION
OHS 45001:2018	<p>Sets out the criteria for an Occupational Health and Safety Management System that an organisation can use to protect employees and visitors from work-related accidents and diseases.</p> <p>Certifies Vaculug complies with the requirements of ISO 45001:2018 (SSIP) for the following scope:</p> <p>Remoulding of tyres and associated activities.</p> <p>This certification replaced OHAS 18001:2017.</p> <p>BSI also confirms as a registered member of the Safety Schemes in Procurement Forum, that the organisation has demonstrated its compliance with the core criteria for organisational capability as specified in Appendix 1 of SSIP’s rules and bylaws for all relevant duties as detailed within the scope above.</p>
ALCUMUS SAFECONTRACTORW	<p>Certificate of SafeContractor Accreditation for the following services:</p> <p>Work Categories; Ability to Subcontract; Ability to Subcontract Supplier & Service Provider; Supplier Industry Roles; Non-Construction Contractor, Supplier Category Related Activities; Ladders / Step Ladders, Selection & Control of Subcontractors, Working at Height.</p>

WE ARE COMMITTED TO QUALITY & EXCELLENCE.

Producing and delivering the highest quality products and services for our customers is key to our business. Through our day-to-day procedures and policies, we are committed to ensuring the health and safety of our employees.

In relation to ensuring we are delivering the highest quality of products and services, our 'Vaculug Limited Quality, Environmental, Health & Safety Policy' outlines the following commitments:

- To the continuous improvement of our management systems, performance, and products
- The continuous improvement of our Management Systems, performance, and products
- To meet and maintain all the standards required by ISO 9001 and ISO 45001 (see Figures 2 and 3) In support of our commitments to quality and safety, our professional repair service team carry out repairs on all sizes of commercial vehicle tyres in line with BS AU 159f. Our team also services off-the-road (OTR) tyres. Our process entails taking a worn tyre of good structural integrity, and completely renewing the tread and sidewall rubber. This process is followed by a comprehensive examination for quality and safety. Our retreading process includes the following six key steps: initial inspection, buffing, preparation, building, curing and final inspection. For the final inspection stage, we perform eight quality checks (more than what a new tyre endures), to ensure the rebuilt tyre has no defects and is fully fit for service. Our retread tyres are produced to ECE109 standards, which is the same as a new tyre.

Our systems provide a complete record of each stage of remanufacturing, and we have invested in the latest retreading technology, including 12-segment, high pressure moulds and inflation testing to 150 psi.

In line with our commitment to quality & excellence, we became ISO 9001 certified in 2015, which certifies that we operate a quality management system in compliance with the standards set in relation to the manufacturing of retread tyres for commercial, industrial and earth moving vehicles, as well as the repair and polyurethane filling of tyres for such vehicles (see Figure 3).

We believe that delivering high quality products and services to our customers is the least we can do. Instead, we aim to empower them on their sustainability journey, in order to create a better future.

Additionally, we are also committed to maintaining and investing in our manufacturing equipment to ensure we can deliver the highest quality products and services. Our autoclave machine, which is used for curing off-the-road (OTR) tyres, has been in operation since our business first opened in 1952. It serves as just one example of how we invest in maintaining and extending the life of our equipment, in line with our sustainable thinking and approach.



TOGETHER WE CAN ACHIEVE A SUSTAINABLE FUTURE



At Vaculug, we are strongly committed to become carbon neutral by 2030. This means that greenhouse gasses produced by our activities will be balanced by the amount removed from the atmosphere. By doing this, we recognise the importance of becoming more ecological every day.

A LOOK AHEAD-COMMITTED TO HEALTH & SAFETY FOR OUR EMPLOYEES, AND DELIVERING QUALITY & EXCELLENCE FOR OUR CUSTOMERS

To ensure the health & safety of our employees and delivering quality and excellence for our customers, we will continue to improve upon our existing practices by focusing on formalising our Health & Safety training, policies, and communication practices. We remain equally committed to providing our customers with the highest level of quality products and service by continuing to invest in training and developing our people.

OUR COMMITMENTS FOR THE NEXT 3 YEARS:

- We will reinforce our existing ESG policies by continuing to improve and integrate ESG issues into our HR and Management policies.
- Maintain our commitment to fostering a healthy, safe, and zero-injury work environment.
- We are committed to continuing to make Quality & Excellence training a priority across our business operations by formalising our training processes.
- We will formalise our communication around the training and development opportunities and expectations for our employees.



ESG policies in business are vital as they encourage sustainable practices benefiting the company, society, and the planet. They tackle global issues like climate change and social inequality.

INDUSTRIAL RELATIONS

The Industrial Relations policy adopted by the Company is based on respect for constructive dialogue, fairness and roles. Guaranteeing and respecting **free trade union activities** is one of the key values on which Vaculug bases its own **Human Capital Management System**.

Relations and negotiations with trade unions are managed locally by each affiliate in accordance with the laws, national and/or company-level collective bargaining agreements, and the prevailing customs and practices in each country.

The general guidelines are defined by headquarters and subsequently shared at local levels, thus the local departments follow the indications given from Headquarters.

At local level, these activities are supported by the central department, which coordinate the activities and ensure that the aforementioned principles are observed throughout Vaculug.

Industrial Relations also have an active role in the Company’s commitment in terms of health and safety, characterized by active participation on the part of the union and workers

In accordance with the principle of constructive and timely dialogue with employees, in the event of corporate reorganization and restructuring, employees and their representatives are informed in a timeframe that varies from country to country in full compliance with local laws, collective agreements in force and trade union agreements.

Compliance with statutory and contractual obligations governing overtime, time off, association and negotiation, equal opportunities and non-discrimination, bans on child and forced labour.

The governance to protect **Human and Labor Rights** is the subject of Vaculug’s Ethical Code and specific Policy adopted by the Company, in particular the “Health, Safety and Environment” Policy. The Code of Ethics Policy is public and has been communicated in English and local languages to employees.

Vaculug’s approach has always been characterized **by compliance** with all legal and/or **contractual** requirements concerning working hours, the use of overtime and the right to regular **days of rest**. These requirements are often the subject of agreements with **trade unions**, in line with the regulatory context of the country.



8

TAKING CARE OF OUR BUSINESS AND THE PLANET

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REDUCING OUR IMPACT ON THE PLANET

We are committed to being responsible business that respects our people, communities, and the environment.

At Vaculug, the three **R's of Reduce, Reuse, Recycle** are all rolled into a fourth R that is at the core of our business – **Retreading**. The practice of retreading, in and of itself, is a sustainable practice that saves millions of tyres from ending up in landfill each year.

As a zero-landfill operation, we are focused to minimising our impact on the planet by diverting unusable tyres and rubber-waste from landfill sites and sending them to be repurposed for other uses that benefit and deliver value to our surrounding communities.

TRACKING OUR ENVIRONMENTAL PERFORMANCE AND IMPACT

CARBON FOOTPRINT

We remain committed to becoming a carbon net-zero (scopes 1 and 2) company by 2030.

Built on a circular business model, our efforts to reduce carbon emissions is achieved mainly through the process of retreading itself, which generates 70% less carbon dioxide than producing a new tyre. Our retreading and recycling efforts combined contribute to our efforts to minimise our environmental impact.

Additionally, over the last two decades, we have tracked our tyre carbon footprint in relation to our energy consumption (gas, electricity, diesel). During the past year we have identified that the greatest impact we can make is to reduce our carbon footprint.

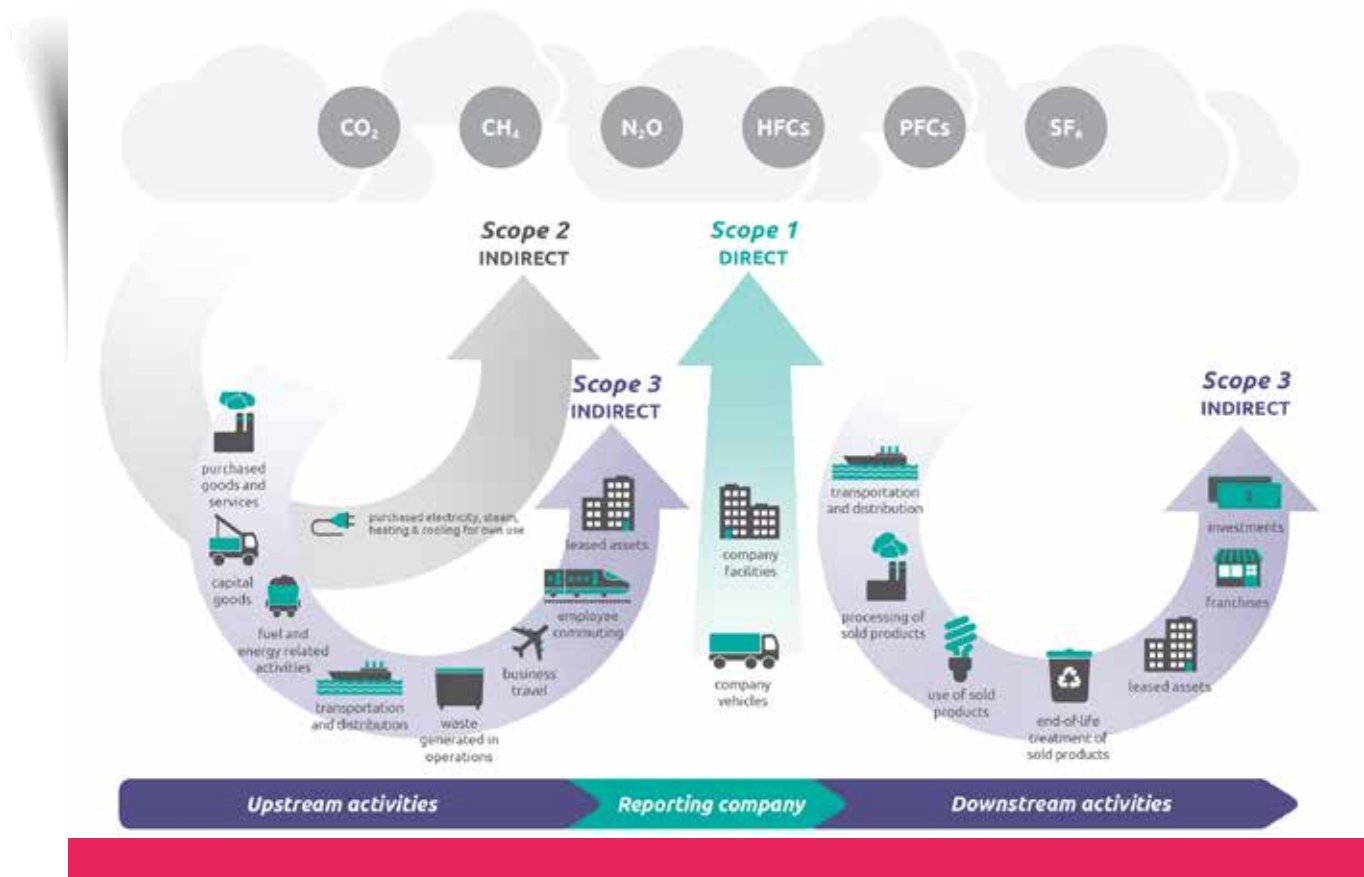
Between the period of 2003 to 2020, our tyre carbon footprint was reduced by 20%, resulting in 39.29 CO² per tyre in 2020 versus 50.04 CO² in 2003.

We recognise the importance of tracking and measuring our impact and progress on this journey. We also need to better understand where we stand, so that we can put the right steps in place and focus our efforts going forward. In 2022 we collaborated with Tecno International, a carbon assessment consulting firm who specialise in assessing the carbon impact of companies in line with the GHG (Greenhouse Gas) Protocol.

Beginning in November 2022, Tecno International performed a comprehensive assessment of our Scope 1 and Scope 2 carbon footprint, based on our activities between January-December 2021. The assessment, which is expected to be completed by early 2023, will establish our baseline which we will use to measure against going forward (see Figure 1 for overview of Scopes 1, 2 and 3).



FIGURE 1: Overview of Scopes 1, 2 and 3



Preliminary results of our baseline assessment, which is based on our 2021 activities, confirmed that most of our carbon emissions stem from our Scope 2 activities. Within our Scope 2, the majority of our carbon emissions come firstly from the energy we buy and use, and secondly from our fleet.

Based on these preliminary findings, with Tecno International’s support, in 2023, we will be focusing on designing our decarbonisation strategy, with the aim of getting to carbon net-zero by 2030.

Following our initial carbon assessment, we will be engaging a third-party auditor to verify the assessment. The audit, which is scheduled to be completed in June 2023, will position us one step closer to submitting science-based targets in 2023, in line with our carbon net-zero commitments.

We realise there is more work to be done to reduce carbon emissions across our operations, as well as within our fleet. With this goal in mind, over the past year we explored renewable energy solutions that we can look to adopt in the coming years.

For example, in 2022 we explored the feasibility of adding a solar roof to our manufacturing plant. Structural changes such as this one will require more time, resources, and assessments; but overall, it is these types of sustainability-focused solutions that we are keen to assess and consider in the coming years.



“

We are excited to work with Vaculug on its ambitious decarbonisation agenda. We are impressed by the commitment and ambition of a smaller manufacturing company operating in what is often deemed a carbon-intensive sector. We look forward to continuing to support Vaculug as they pursue their journey towards carbon net-zero.

”

Salvatore Amitrano,
Director, Tecno International

We are also focused on reducing carbon emissions stemming from our fleet. In 2022, we invested in eight fast-charging stations, which have been installed on our site in Grantham. This past year we also explored the possibility of installing a battery charging system in our manufacturing facility which would enable us to charge our equipment over night - when it is less costly to do so. This transition would lead to even further reductions in our overall energy consumption and costs. The new charging stations will be in addition to two charging stations we had already installed at our Headquarters in 2018. Additionally, we are committed to having a full hybrid fleet of company vehicles by 2023.

There are times when we have to fly for our business. For this reason, we have a policy in place that requires all business-related flights by our employees to be carbon compensated. Additionally, through efficient planning we collect used tyre casings at the same time as making deliveries to our customers, thereby reducing fuel usage. Our delivery routes are also reviewed every year to ensure we are continuously optimising the most efficient route plan.

Contributing to our overall carbon reduction efforts, we are proud Patrons of the One Life One Tree - The Sequoia Project. Through our partnership, we purchased a Giant Sequoia tree which was planted in the Brecon Beacons.



“

The true meaning of life is to plant trees, under whose shade you do not expect to sit.

”

Nelson Henderson

WATER CONSUMPTION

We are continuing to track our water consumption each year, with the aim of becoming more efficient. In 2022 we used 3,856 cubic litres. This was up slightly from the year prior (3,059 cubic litres used in 2021) due to the increase in the number of tyres we manufactured in 2022.

ENERGY CONSUMPTION

Over the past year we saw a 24.9% reduction in our overall energy consumption, compared to 2021. In 2022, we consumed 2,029,527 kWh of energy across our operations. The reduction in our energy usage in 2022 was a result of several initiatives we put in place over the past few years, including the installation of special thermal insulation systems for our tyre presses, which we developed in-house by Vaculug's R&D team.

We also invested in a new heating control mechanism and advanced production techniques which have reduced cure time, saving the amount of energy used during the production process. Additionally, we have replaced our lighting to LED lightbulbs throughout our facilities.

WASTE MANAGEMENT & RECYCLING (MANUFACTURING WASTE, FOOD WASTE)

We recognise the important role a circular business model plays in contributing to SDG 12 (Responsible Consumption and Production), and specifically SDG target 12.5 (substantially reduce waste generation through prevention, reduction, recycling, and reuse). Across our retreading operations we buy used tyre casings, we sell retreaded tyres, and we pay to recycle our unusable tyres and rubber waste materials that would otherwise end up in landfill sites.

We abide by industry-standards for the reuse of tyres and the recycling of those which are beyond further use. Additionally, we reduce, reuse, and recycle our materials whenever possible.

Although it costs more to recycle, versus sending end-of-life tyres to landfill, we have made the conscious decision to act responsibly by choosing to recycle our rubber waste.

Thanks to our partnership with Murfitts Industries, our recycling partner, we ensure that our rubber waste is put to good use. Murfitts Industries are the UK's leading tyre collector and manufacturer of rubber granules worldwide.

A sustainability focused company, 100% of the tyres Murfitts collects are recycled and repurposed for a variety of products, including artificial turf infill, rubber mulch used on children's playgrounds, carpet underlays and road surfaces, just to name a few.

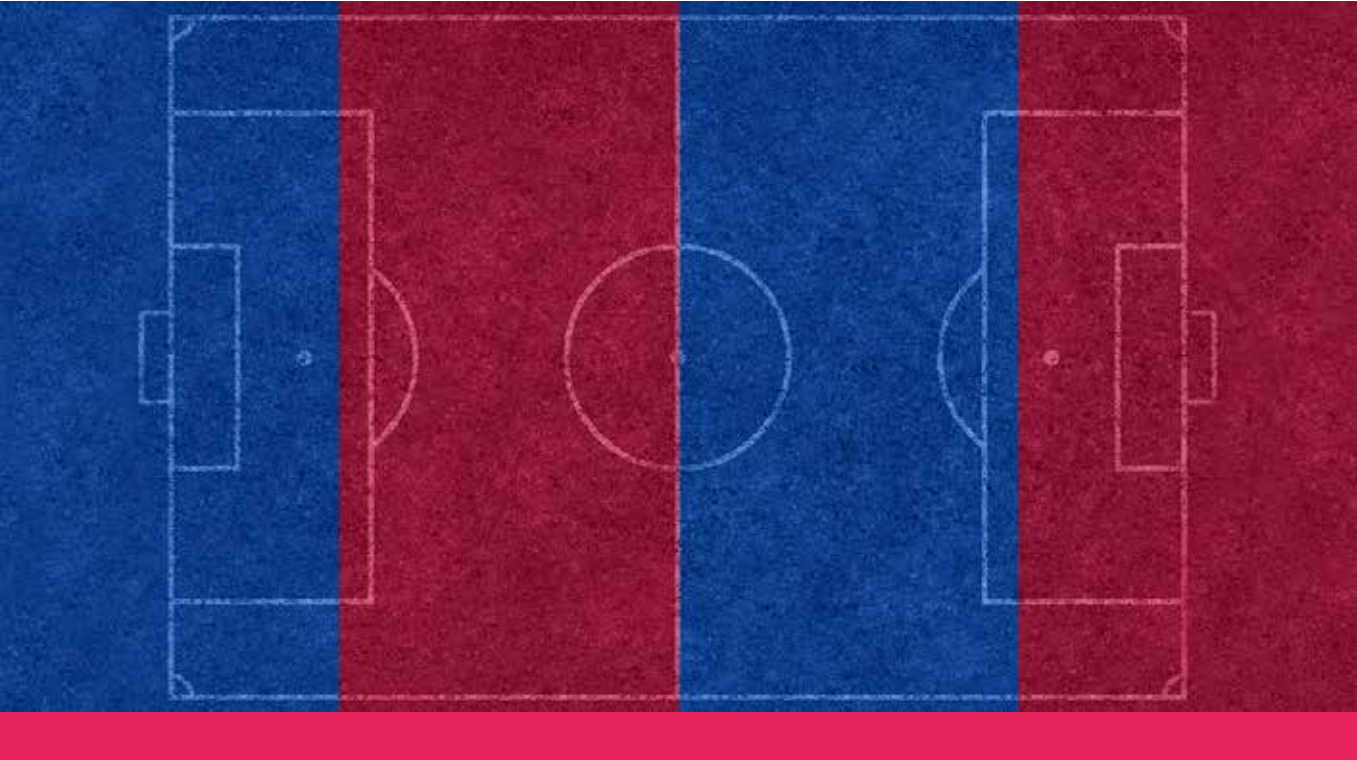
As a member of the Tyre Recovery Association, we are confident Murfitts recycling processes are responsible and in compliance with industry regulations.



All our end-of-life tyre rubber is sent to our recycling partner, Murfitts, to be recycled and repurposed in two ways.

In the first scenario Murfitts takes our recycled rubber and turns it into rubber crumb, which is then used to make various products, such as sports surfaces. In the second scenario the rubber crumb made from our recycled tyres is sent back to tyre manufacturers, who then use it to make new tyres. In both scenarios, our end-of-life tyre rubber that was otherwise destined for landfill is put to good use.





In 2022, our recycled efforts with Murfitts resulted in 6129 tonnes of recycled materials, which included 5026 tonnes of recycled rubber and 1103 tonnes of recycled steel.

While our end-of-life tyre recycling efforts are immense, this does not cover all our recycling activities. We are proud to state that 100% of our non-tyre related waste is recycled in line with our ‘zero general waste to landfill’ policy, which is monitored by our EMS (Environmental Management Systems) Certification.

In line with our efforts to keep tyres out of landfill, this past year our team of experts developed a Casing App which helps enables us to track casings and ensure they are returned to our site to be re-processed or recycled in a responsible.

By working in collaboration with our customers, the process helps us to ensure the correct recycling of end-of-life casings is being practiced. The goal of this initiative is to encourage our customers to return tyre casings to us once they have reached the end of

their life cycle, at which point they can no longer be used and become waste. For every casing that isn’t returned to us, our customers are charged a fee.

In addition to being a zero-landfill retreader, our retreading processes use 76 litres less oil and raw materials than what is required to produce an equivalent new tyre.

Through all our recycling and waste-management efforts we are working every day to reduce our impact on the environment, while remaining focused on growing our business responsibly.

ENVIRONMENTAL CERTIFICATIONS

As a manufacturing company that is committed to being a responsible business, we are proud to be ISO 14001:2015 certified for our Environmental Management System, which verifies our compliance with standards related to remoulding of tyres and associated activities (see Figure 3). Over the past decade we have taken action to reduce our energy use, whilst also increasing our recycling of both tyre and non-tyre related waste.

As well as this, our retread tyres generate 70% less carbon dioxide than a new tyre, meaning there are fewer emissions being released into the atmosphere.

FIGURE 3: Summary of Environmental & Quality Management Certificates	
ENVIRONMENTAL CERTIFICATION	DESCRIPTION
ISO 14001	<p>Sets out the criteria for an Environmental Management system that an organisation can use to enhance its environmental performance.</p> <p>Certifies Vaculug and operates an Environmental Management System which complies with the requirements of ISO 14001:2015 for the following scope: Remoulding of tyres and associated activities.</p>
AISO 9001:2015	<p>Sets out the criteria for a Quality Management system that an organisation can use to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.</p> <p>Certifies Vaculug operates a quality management System which complies with the requirements for the following scope: The manufacture of retread tyres for commercial, industrial and earth moving vehicles, as well as the repair and polyurethane filling of tyres for such vehicles.</p>

OUR APPROACH TO REDUCING OUR ENVIRONMENTAL IMPACT

We remain committed to reducing our carbon footprint over the course of this decade. With our carbon reduction strategy, we are on a path that will lead us to becoming carbon net-zero by 2030. Our commitments to the environment are regularly monitored through independent auditing. Through our environmental management system, we have committed to:

- Minimise waste, make efficient use of energy and reduce carbon emissions into the atmosphere.
- Consult with our employees on matters affecting the environment.
- Be a good neighbour and to hold regular review meetings with local authorities concerning our impact on the environment.
- Ensure all reject casings are disposed of via registered Tyre Disposal Agents and, wherever possible, we ensure that this waste is recycled.
- Develop procedural policies to encourage suppliers to address their own environmental issues.
- Address environmental issues relating to products that we distribute.
- Consider the impact on the environment in any capital purchase of equipment.
- We are testing polymers and increase efficiencies in relation to product performance.
- Apply our #SustainableThinking approach to all operational and business decisions.

From an industry perspective, the primary governing body is the UK Governments Environmental Agency.

In 2022, the Environmental Agency awarded Vaculug an A-Rating for the company's compliance with environmental standards and regulations, making us the only retreader in the world to have an A-Rating from the Environmental Agency in 2022.

A LOOK AHEAD - OUR ENVIRONMENTAL PROMISES FOR THE WAY FORWARD

To further reduce our impact on the environment and to improve on our existing environmental management practices, over the next year we will be focused on formalising and documenting our processes related to waste management, natural resources, and recycling. In relation to how we work with our suppliers and value chain, we will update our procurement policies to ensure our suppliers are meeting our ESG standards across their own operations.

By the end of 2025, we will aim for at least 50% of our procurement contracts to be spent with suppliers that operate in accordance with a verified ESG policy.

OUR COMMITMENTS FOR THE NEXT 3 YEARS:

- We are committed to achieving carbon net-zero (scopes 1 and 2) across our business operations by 2030.
- We are committed to completing our baseline carbon assessment by June 2023.
- We are committed to completing a third-party audit of our carbon assessment by August 2023.
- We are committed to submitting science-based targets (SBTi) in August 2023.
- We will have a full hybrid fleet of company vehicles by 2025.
- We invested in eight fast-charging stations in 2022 (installed in 2023)
- We will continue to measure and track our water consumption with the aim of reducing our usage year over year.
- By 2025, we will target at least 50% of procurement spent with suppliers with a verified ESG policy.
- In 2023 we will introduce Meat-free Mondays, whereby Vaculug employees will be given the option to eat a meat-free meal for free at all three of the company's office cafeterias in Grantham, Leicester, and London.
- In 2023 we will aim to support SDG 15 (Life on Land) through various biodiversity initiatives.
- We will aim to further improve our sustainable facilities & manufacturing practices by exploring renewable energy options, such as solar panels and/or more efficient practices, such as installing batteries that charge overnight.
- We will continue to improve our industrial processes to earn energy certifications.

SUSTAINABILITY COMMITTEE

Vaculug is the World's first independent retreader to develop a Sustainability Committee, which by simple definition is a body that is accountable for the sustainability strategy and performance of the business. Not only is it a core part of good governance in any one company, its role is also to integrate both business and sustainability priorities so that the Company is able to thrive.

The aim of the committee is to establish a unified view of ESG, increasing understanding of all three aspects, environmental, social and governance, and to promote robust standards of corporate governance that integrate all these aspects. This will help the industry to integrate ESG factors into the real estate investment decision-making process.

The Environmental, Social and Governance Committee ("ESG Committee") purpose is to support the Company's ongoing commitment to environmental stewardship, health and safety, corporate social responsibility, corporate governance and sustainability as relevant to the Company.

Key objectives of an ESG Committee:

- Emphasize importance of environmental measures, sustainability goals and performance, at all levels of the business;
- Provide best practice on the structure, policies and regulations that impact the business;
- Increase understanding and awareness of corporate governance and social aspects that impact the industry;
- Implement and promote common and workable standards of corporate governance for the business;
- Vaculug, globally, follows its sustainability policies and is committed to ensure sustainable practices in its production, offices and services.



The Sustainability Committee will ensure generation and distribution of value and defense against corruption in its value chain. Sourcing/procurement of natural rubber in a sustainable way, promoting human rights in the natural rubber value chain.

Vaculug principles in all operations are fairness and respecting human rights, whether the Company is collaborating with its personnel or other stakeholders. Most of the natural rubber used by Vaculug comes from Latin America and Asia.

With more than 85% of the world’s natural rubber being produced by small farm holders, the natural rubber supply chain is both complex and fragmented. If natural rubber is cultivated, produced, and processed in a sustainable way, it has the potential to bring positive social, environmental, and economic impacts.



Yet, at the same time, the sourcing/procurement of natural rubber in a sustainable way is the most critical area in a tyre company’s supply chain. Natural rubber is typically cultivated in tropical forests, often on small family-owned farms. Vaculug already requires all

suppliers to agree with its Sustainable Natural Rubber Policy and the Sustainability clause in the agreement to tackle issues associated with the natural rubber supply chain and others matter.

Vaculug’s goal is to contribute to sustainable business practices throughout the entire natural rubber supply chain, and thereby also contribute to a more sustainable development for the future generations.

The Policy covers various commitments related to social and environmental aspects, such as human rights, labor rights, and protection of the environment and biodiversity. The company follows the initiative’s ten principles that covers the areas of human rights, labor, the environment, and anti-corruption.

Vaculug is further committed to acting in the manner required by the UN Guiding Principles on Business and Human Right. The Company is committed in offering safe tyres with continuous improvement on sustainability and performances. Vaculug is continuously improving the quality, safety and environmental friendliness of its products, services,

Our Vaculug Sustainability Committee is dedicated to working with suppliers, who ethically source their products.

The aim is to empower the world to drive smarter, also by educating drivers on how to get the best of their tyres by driving responsibly. Vaculug improves the safety of its products through continuous product development and testing.

The leadership and product development are guided by the Code of Conduct and the Health Safety and Environment Policy. Thanks to its Research & Development Department, the Company also comply with several requirements concerning noise studs, chemicals, testing, and tyre markings, among other things. Wet grip means a tyre’s ability to stick to the road in wet weather conditions and it is also one of the EU Tyre Labelling parameters.

The performance is graded between class A to class E with higher-rated tyres able to stop more quickly on wet asphalt when the brakes are fully applied.



9

GOOD GOVERNANCE FOR A RESPONSIBLE BUSINESS



Our journey of sustainable transformation started under the guidance of our purpose-driven Chairman. With the support of our leadership team, and our sustainability strategy Road Map to guide us forward, we are on a path to achieve the goals we have set out for this decade.

We recognise that to achieve our ESG goals - sound and responsible governance is essential. In our 2021 Sustainability Report, we put forward some bold targets, not least becoming carbon net-zero by 2030. We are resolute about achieving the ambitious goals we have set out and remain committed to ensuring we have the proper governance structure.

Over the past year we have taken steps to bolster our governance structure and processes. We introduced procedures to monitor our energy usage, and to gather and track the data we needed to conduct our carbon assessment and measure our impact.



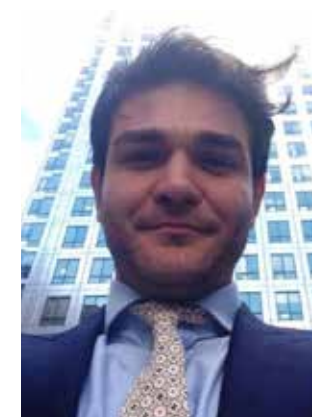
To help us implement our sustainability agenda, in December 2022 we recruited and hired **Dianne Agbayani** as our Sustainability Associate. Dianne started in this new role in January 2023. A key focus of her role is to help us reduce our environmental impact, as well as to identify areas for improvement to meet our net-zero carbon targets.

As our Sustainability Associate, Dianne plays a crucial role in driving our organisation's ESG commitments forward by actively contributing to the development and implementation of key initiatives.

Dianne's key responsibilities include conducting research, collecting and analysing data, and assisting in the creation of sustainability reports. Dianne also engages with stakeholders, promoting sustainability goals and fostering a culture of environmental responsibility within our organisation.

To support us on our journey of sustainable transformation, we collaborated with Paolo Taticchi, Professor of Strategy and Sustainability at UCL School of Management. This helped us design our sustainability strategy and our first Sustainability Report, which we published in September 2022. As we continue our journey, we look forward to continuing to work with Paolo when he joins us as our Chief Sustainability Advisor in 2023.

To effectively govern and action our sustainability agenda, we understand the importance of tracking and measuring our activities. For this reason, we partnered with Tecno International, a leading carbon assessment consulting firm that specialises in assessing the carbon impact of companies in line with the GHG (Greenhouse Gas) Protocol. In addition to conducting a comprehensive carbon assessment, in 2023, Tecno International will be supporting us in developing our decarbonisation plan, putting us on the path towards achieving carbon net-zero by the end of this decade.



Over the past year we also partnered with external sustainability consultants to help us implement our plans. We collaborated with sustainability and risk management expert **Antimo Matano** who *program managed the implementation of key ESG activities*. Antimo developed our Code of Ethics, our Sustainability & DEI focused training for staff and senior management. Antimo also supported us with various certification application processes in line with our ESG strategy and commitments. Additionally, in line with our commitment to disclose and share our progress with key stakeholders, we engaged a sustainability consultant to support us with our Sustainability Reporting efforts.

In addition to our purpose-driven leadership and approach to governance, at Vaculug we believe it is the responsibility of every employee to embody our company's values, and to apply sustainable thinking to each business decision made, and each action taken.

Our recruitment and hiring policies, outlined in section six of this report, enable us to attract and hire people who share our values.

Our onboarding and training policies and procedures set out our expectations for how we conduct our business day-to-day. Our company's vision, mission and core values serve as our North Star, guiding our approach to building a responsible business.

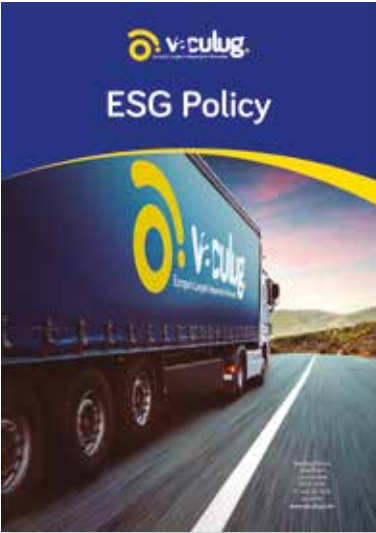
We fundamentally believe that by taking care of our people and communities first, the business will be taken care of (and will prosper) in return. We are committed to taking a holistic approach to building a sustainable business.

Over the past few years, we have put in place several policies aimed at improving our governance, processes, and good business practices.

Building on this effort, in 2022 we began the process of formalising our policies with a Code of Ethics, which we published in early 2023. In 2022 we also began the process of formalising our ESG Policy.

Our formal ESG Policy was completed and published internally in 2023 (see Appendix 2 for our complete ESG Policy).

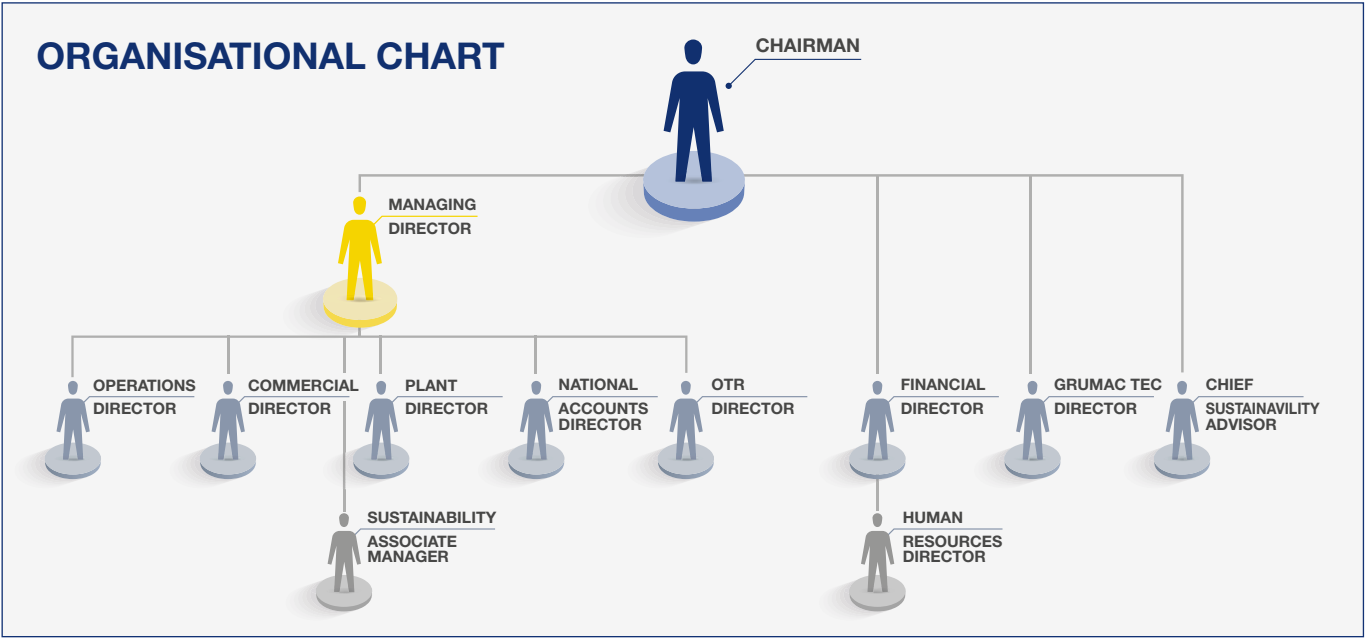
The aim of the policy is to provide information about our ESG approach, and to elevate the awareness and understanding about ESG across our organisation, including our efforts related to reporting, disclosure, business practices, policies, procedures, investments, board activities, stakeholder engagement and investor relations.



As of 2022, Industry Regulations requiring disclosure of environmental, social and governance (ESG) practices have not yet been mandated. Nevertheless, we are serious about our commitments to make a positive difference and we understand the importance of disclosure on this journey. By sharing our goals, progress, as well as the areas we need improve upon, we are motivated to lead the way forward for our industry. In doing so, our aim is to accelerate and elevate the sustainability practices of our industry.

OUR ORGANISATIONAL STRUCTURE

Our current organisational structure is led by our Chairman and Senior Management team.



In 2022, our sustainability agenda was steered by our Chairman.

As is stated in our 'Vaculug Limited Quality, Environmental, Health & Safety Policy, our Managing Director is responsible for ensuring that our company is operating in compliance with all standards and procedures outlined in our policies and certifications.

In addition to our sustainability focused leadership team, we value the important role that every employee across our organisation plays in implementing our ESG policies.

To ensure compliance of our policies, we remain committed to educating, training, and empowering our managers and employees to ensure that responsible governance and leadership is both understood and practiced across our organisation, as well as across our value chain.

Good governance also requires making difficult decisions that sometimes come at a cost. This was seen in early 2022 when soon after the war between Russia and Ukraine broke out - despite any short, medium, or long-term impacts to the business - our Chairman announced that, effective immediately, Vaculug would no longer be sourcing raw materials from Russia.

The unwavering decision made by our Chairman to cease the sourcing of raw materials from Russia, permanently, was demonstrative of how our business is led by our values - above everything else.

In line with our commitment to being a responsible business, in 2022 our Senior Management Team introduced a policy in response to the conflict in the Democratic Republic of the Congo. The policy, titled Conflict Minerals and Cobalt Sourcing, outlines our company's commitment to protecting and respecting human rights, and to ensuring that no minerals or cobalt sourced from conflict zones are used in our products.

⁵Source: https://sustainabilitydriven.info/wp-content/uploads/2021/05/WBCSD_TIP_Sustainability-Driven-SDG-Tire-Sector-Roadmap.pdf, accessed May 2022.

OUR ESG LEADERSHIP

With our sustainability strategy, we mapped out a three-year plan that aligns our goals with the Tire Sector SDG Roadmap, making us the first independent retreader in the world to align with larger multinational organisations across the industry¹.

The first step we took on this journey of sustainable transformation, which we began to formalise in 2022, was to identify the synergies between our current path and that of the industry, as well as the gaps.

We referred to the UN SDGs to map to align our goals and to support the global sustainable development effort. In our 2021 Report we highlighted that our journey of transformation is contributing positively to several SDGs (namely SDGs 1, 2, 3, 4, 8, 9, 10, 12, 13 and 17). In 2022, through our various ESG initiatives, we have elevated our efforts to contribute to these goals.

We believe that the key to good governance for any organisation is transparency. Although not yet mandated by industry regulations, by disclosing our commitments and progress in the form of our annual Sustainability Report, we are committed to keeping our stakeholders informed, while at the same time holding ourselves to account on our promises.

As a British manufacturing company that has been operating for more than 70 years, we value what it means to be part of a community.

Our community fuels the work we do; and it is comprised of many valued stakeholders including our employees, our partners, and our neighbours.

We also appreciate the role we can play to promote our industry and the work we are doing to be better corporate citizens, for our communities and the planet.

This involves working with our local council in Grantham to support projects in our surrounding communities. On many occasions, we have also put pen to paper to write letters to our politicians, including Members of Parliament and our Prime Minister, to advocate for greater support for our industry given the role retreading plays in decarbonisation and waste reduction, in line with the UK's SDG efforts.

CASE STUDY:

UK'S NEXT PRIME MINISTER CHOOSES VACULUG TO LAUNCH CAMPAIGN BASED ON ITS VALUES OF BEING A RESPONSIBLE BUSINESS, A PEOPLE BUSINESS AND A PROSPEROUS UK BASED BUSINESS



As a leading British manufacturing company that has been in business for more than seven decades, Vaculug provided the perfect backdrop for one of the UK's most significant moments in political history. In July 2022, Rishi Sunak requested to kick-off his campaign to become the UK's next Prime Minister at our Headquarters in Grantham, the birthplace of former UK Prime Minister Margaret Thatcher.



From the start, Rishi Sunak's campaign was built on a promise to 'Restore Trust, Build the Economy and Reunite the Country'. This promise resonated immensely not only with Vaculug and the manufacturing sector - but with all SMEs who represent the backbone of the British economy.

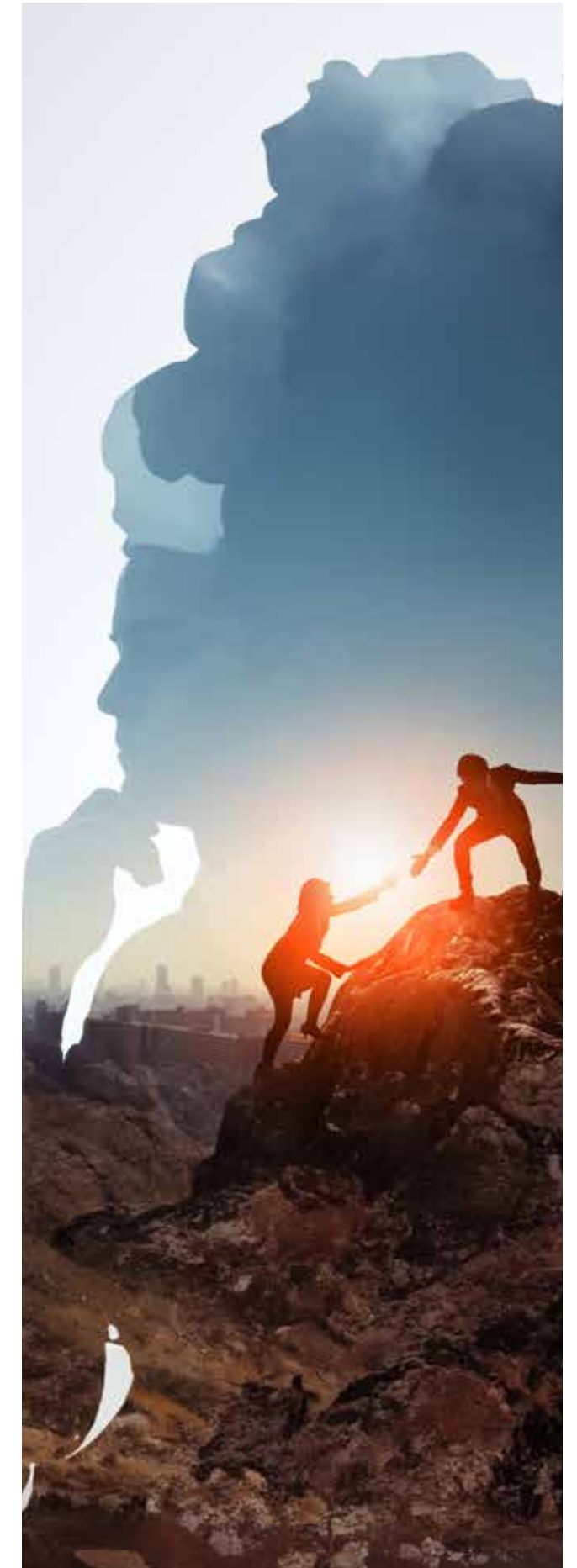
Honoured to host the event, our Chairman Haarjeev Kandhari stated the following, "So humbled that you came to Vaculug to launch your campaign. We were delighted to be able to support what is arguably the most important campaign in British political history. Not only will you be the first PM of Asian descent but the youngest. God Bless You and your family."²

Indeed, as our Chairman astutely envisaged, on October 25th, 2022, Rishi Sunak made history when he became the UK's 57th Prime Minister.

²Source: <https://www.prnewswire.co.uk/news-releases/vaculug-hosts-the-launch-of-rishi-sunak-s-campaign-to-become-prime-minister-of-the-united-kingdom-850049870.html>, access May 2023.

OUR COMMITMENTS FOR THE NEXT 3 YEARS:

- We remain committed to updating and publishing our Sustainability Report on an annual basis, to report on our progress and to inform our stakeholders along the way.
- We are committed to strengthening our governance structure with the appointment of our Chief Sustainability Advisor, commencing in May 2023.
- We are educating and training our employees on sustainability, and we are working with third-party advisors to implement our Sustainability Strategy and Road Map, which outlines our 3-year plan (2022-2024).
- We will continue to monitor the alignment of our work with the Tire Sector SDG Roadmap.
- We are committing to tying performance on key ESG metrics to executive remuneration from 2023.
- We will put processes in place to coordinate and collect ESG data, for the purpose of developing annual sustainability assessments and reporting.
- We will continue to develop, improve, and implement our standalone ESG policies, starting with our Code of Ethics, to be published in March 2023.
- We will put processes in place to ensure due diligence on the part of our suppliers and business partners all along our value chain.



10

BUILDING A PROSPEROUS BUSINESS FOR THE FUTURE DRIVEN BY INNOVATION

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“
The best way we can look after our people
and planet is to build a responsible and
prosperous business that is set-up for long-
term future success.

”

Haarjeev Kandhari,
Vaculug Chairman

A culture of innovation has been
at the heart of our business for the past
70 years. When our company's ownership
transitioned in 2018, this culture
of innovation was fuelled with sustainable
thinking that stems from our Chairman.

Since Vaculug's inception in 1950, our
company has pioneered several industry-
first products and solutions that showcase
our commitment to manufacturing quality
and excellence. In recent years, under the
guidance of our leadership team we made
the conscious decision to steer our business towards
sustainable transformation because, simply put, it
was the right thing to do.

We value the important role that education plays
on this journey, and this applies to our approach
to governance as well. In 2022 we started to
work with a sustainability expert to learn how to
effectively integrate sustainability across all areas
of our business. In 2022 we also began to work
with a consulting firm that specialises in carbon
assessments. This work continues to be in progress,
with our first carbon assessment report set to be
completed in early 2023.

Over the past few years, thanks to the time and
investments we have placed on this journey, we have
elevated our own understanding of what it means to be
a responsible business. We recognise the important
role that innovation plays in fostering a culture of
sustainable thinking. To be future ready,

we must be prepared. This means every challenge
we encounter today must be met with an openness to
experiment and to learn. Only then can we learn and
grow into a business that is ready for the challenges
of tomorrow. Guided by our sustainability strategy, we
are focused on ensuring the products, services, and
solutions we put forward do not have a negative impact
on people or the planet.

To achieve this, in 2022 we invested in additional
training initiatives that focus on educating our
employees about sustainability, and how it applies
to our operations day-to-day. Sustainability focused
training sessions were also conducted with our
partners and stakeholders.

All combined, the time and investment spent on
training serves as an example of how we are working
with our stakeholders to elevate the sustainability
practices and performance of our industry. Our
highly skilled team of manufacturing experts have
contributed to the creation of several industry-first
products that showcase our culture innovation and
experimentation.

Each of these innovations began with an issue that
needed to be resolved, and resulted in a product
that ensures the highest quality standards for our
customers.

Under the guidance of our leadership team, we
have a team of industry experts who are focused on
improving our operations in a responsible way. Our
team is equally focused on delivering the highest
quality of products and service to our customers
through sustainable and innovative thinking.

To ensure we remain in a leadership position in the
industry we are invested in the latest manufacturing
technology and software for our fleet management
systems. By improving our fleet management
systems and services we are providing our
customers with the highest level of service and
assurance they need to operate at their best. In
2022 we explored new technology to improve our
management systems.
For example, we are looking at integrating Microsoft
AI to improve our invoice processing system.

The AI model will extract key invoice data and
automatically input this into the accounting system.
This enhanced process will significantly reduce the time
spent on manually inputting invoices into our systems,
as well as reduce the administration time required to
process the invoices. Going forward we will continue to
invest in technology that will move us towards our goal
of becoming carbon net-zero by 2030.

This past year we also invested in R&D software to improve our retreading processes. For example, our team of internal experts explored the development of a Casing App which is designed to give us enhanced visibility across our supply chain. The industry leading App, which was developed internally, allows us to ensure that when tyres are removed by our customers the casings will be returned to Vaculug for re-processing.

This gives us a closed loop casing system on all our managed contracts. More than this, it helps us keep casings out of landfill sites, in line with our 'zero general waste to landfill policy'. When it comes to innovative thinking, we are determined to go the extra mile for our customers.

Driven by a manufacturing process that values quality and excellence, through our R&D efforts we are committed to working towards continuous enhancements and improvements of all our products and services.

We remain the first and only retreader in the UK to utilise high-pressure, 12-segment matrices which are used to produce our Logistik range. We applied the same technology used from aircraft retreading technology, leading to the idea for the 12-segment matrices.

With regard to the reduction of noise limits for tyres Vaculug is committed to develop tyres with the lowest noise level. However, in agreement with the ETRMA position, the industry demands more attention should be paid to improving the accuracy of the noise measurement method, which is a crucial point for a reliable policy that benefits the entire noise ecosystem, as no requirements on road pavement noise exist at the moment.

Having recorded a remarkable reduction on noise level in last 15 years, tyres naturally reached their physical limits for improving noise performance. Hence any further improvement in noise emissions will negatively impact other significant tyre performances, for instance rolling resistance, which and wet grip, which are crucial to fuel efficiency and traffic safety purposes. As these latter are the key priorities in achieving ambitious goals for stopping climate change, reducing accidents and fatalities. Before potentially tightening rolling sound limits for tyres, attention should be paid to improving the accuracy of noise measurement method, which is crucial for a reliable regulation that benefits the entire noise ecosystem (recall that no requirements on road pavement noise are existing).

This innovation has resulted in tyres which exhibit both excellent wear characteristics and lower rolling resistance. In addition, our Duramold range now houses the 245/70R17.5 WXY2, a tyre with a specially developed kerbing band to provide extra sidewall protection to urban vehicle tyres which become worn from sustained kerb damage.

In 2022, at a time when the economy was anything but predictable or stable, driven by our entrepreneurial spirit we became the world's first retreader to accept cryptocurrency. The move positions our company to be ready for the future growth potential of the cryptocurrency space.

Our innovative R&D achievements to date include:

- The creation of a fully A-rated tyre (achieved due to the reduction of fuel usage during the production process).
- The Z-Brand tyre - an industry and world first that earned us a Guinness World Record!
- Protekt Plus - sidewall protection improvements with the addition of a groove structure that extends the durability and life of a tyre.
- We have developed a special thermal insulation system which reduces gas consumption by 27% and carbon emissions by 950 tonnes per annum.
- The creation of tyre jackets, which are used for the safe delivery and transportation of our newly produced retreaded tyre.

NEW MATERIALS

Nowadays manufacturing companies give attention to systems that reduce and eventually eliminate waste and manage raw materials scarcity through the continual use of resources. In other words, the focus is on design by developing tyres for both longevity and optimal performance in terms of sustainability, on continuous innovation to improve production processes by employing new and/or alternative raw materials which sustainably reducing waste, energy consumption, gas emission, material loss, recovering waste-streams and, where technically possible, replacing materials that may challenge significantly the material recycling of the tyres.

The concept goes through along the whole supply chain, including purchasing of raw materials to the end-of-life of the products. The key is extending product lifetime and closing material loops by implementing sustainable approach with 3Rs concept - Recycle, Reduce and Rethink & Reinvent.

As far as longevity is concerned, the focus is to design and develop tyres in the ways that facilitate repairment and retreading, thus increasing tyre lifetime and reducing environmental impact not compromising tyres performance in terms of safety and efficiency.

Attention has to be put also on the type of materials used in production, therefore focusing on circularity of the materials which means exploring new potential sustainable raw materials, which can be reused and recycled, to replace the actual ones aiming to create fully sustainable products.

With the challenges that currently lie ahead, assessment and innovative concepts would be necessary together with constructive cooperation and development along the whole tyre supply chain in order to foster know-how exchange with professionals. As well as this, developing new innovative strategies with stakeholders will help to align these with market trends and evolution.

In these circumstances, the focus of the strategies is on durability, maintenance, reparability and upgradability, i.e. circularity of the whole process, aiming to increase products longevity in terms of performance and products utilization rate, as well as to improve material recycling and energy recovery, therefore to design and produce fully sustainable products as mentioned, aiming to protect human health and reduce environmental impact.

We are continually researching and testing new materials to create fully sustainable products.

Following this purpose, the Company is introducing new materials in tyres formulations that have lower impact on environment. For example, by using silica obtained from rice husk ash to replace the classic silica produced from quartz sand. Rice husk ash is one of the most common agricultural waste; it is an agricultural waste by product from rice milling in the rice production. Moreover, processes which allow to recover energy by burning this waste have been developed.

Additionally, from purification of ashes obtained, it is possible to get excellent silica in terms of purity which can be used in the compounds replacing the classic filler materials.

Another key element in the journey into sustainability is the replacement of raw materials deriving from petroleum with bio-based renewable raw materials. For instance, the Company is reducing the use of oils and resins deriving from petroleum and replacing them with ingredients of natural origin such as soybean oil and pine resin. In this way, new product line with high percentage of sustainable compound and materials has been designed and developed; it will be launched in the next future.

On top of that particular focus is put on one of the main components of the tyres as well - Natural Rubber. Natural Rubber is a completely renewable material, and it is mainly produced only in certain areas of the planet, equatorial zone.

Vaculug is committed the conservation of forests and biodiversity by collaborating with suppliers which distribute worldwide internationally, reducing therefore the impact in some areas of the world (Malaysia, Indonesia, Thailand) where natural rubber is normally bought.

Over and above that, another element which would be crucial and has to be sustainably managed is tyre waste as it is not possible to erase totally the generation of tyre waste during the production.

For instance, an idea has to be put in this field aiming to improve the production processes performance, prevent waste generation and keep it as low as possible, consequently reducing also the materials be to disposed. In other words, it may impact positively economic and environmental point of view.

END-OF-LIFE TYRES

Vaculug is strongly committed to create sustainable life cycle of tyres, developing therefore innovative and sustainable approach in which the goal is to reduce resource waste as well as recover as much as possible energy and materials during their life cycle.

Tyres that are no longer sufficiently safe or efficient to be reused, even if retreaded, are referred as “end-of-life tyres” (here in after referred as ELTs) which are practically wastes.

ELTs can pose a serious threat to the environment and have to be collected and recovered with specific methods, as the rubber of tyre is made of a mix of very high-quality polymers with exceptional chemical-physical characteristics which remain unaltered even in the recycled rubber obtained from it. It is possible to channel ELTS towards one of two different processes: they can be either recycled, a process where it is possible to obtain new materials or recovered as energy.

As a tyre manufacturing company, Vaculug has a particular sensibility for environment. The Company pays great attention to both the sustainability of all production processes along the entire value chain and to the product disposal and recyclability. In line with its inspiration for SDG “9 Industry, Innovation and Infrastructure”, “12 Responsible Consumption and Production”, “17 Partnerships for the Goals”, together with local initiative which collaborates with, Vaculug is committed to produce tyres that can have a “second life”.

Our retread policy can reduce tyre waste by up to 50%, whilst generating 70% less carbon dioxide than a new tyre.

To this end, the Company cooperates strictly with suppliers who produce raw materials from ELTs, such as micronized reclaim rubber and recovered carbon black, as well as with organizations dedicated to ELT recovery. Thanks to the Company’s tyre formulations containing these materials and the goal to increase their presence as much as possible, Vaculug continues to offer high performance tyres in terms both of quality and safety at the same time. Moreover, the use of these materials can provide for an opportunity to contribute to the creation of a circular economy as well as reduction of the CO₂ emissions.

CASE STUDY
VACU-LIFT TECHNOLOGY



Working in collaboration with an Italian manufacturing company, we are exploring developing machinery with the health and safety of our employees being top of mind. The machine will help quite literally help our employees with the heavy lifting that is required when handling our tyre molds, which can weigh up to 30 kgs each.

Currently the process is a manual one, and with this machine we are exploring the possibility of making the process automatic. From an R&D perspective the machine would be an industry first. The R&D process began in December 2022 and is on track to deliver in 2024.

With this industry leading development, we are supporting our efforts to enhance Health & Safety practices for our employees working in our manufacturing plant.

A LOOK AHEAD - DRIVEN
BY INNOVATION

Over the past year we have stepped up our efforts to drive sustainability forward across our industry. Looking ahead to the next few years, we remain committed to exploring new innovations that will reduce our carbon emissions and steer us towards more sustainable solutions that are developed with the future in mind.

OUR COMMITMENTS
FOR THE NEXT 3 YEARS:

- We will keep investing in R&D and innovation projects with a focus on improving materials, products, and processes.
- We will activate new partnerships with suppliers and research institutions with the goal of enhancing our innovation capabilities.
- Working in collaboration with our rubber suppliers, we will aim to explore new and improved compounds that are more sustainable, and that perform better in terms of noise level and grip.
- We will also continue to invest in the maintenance and upkeep of our manufacturing equipment, with aim of making it sustainable for long-term use.

11

SHARED VALUE CREATION & SOCIAL IMPACT



“

It is our belief that the true value of a company is in the benefit it brings to those who really need it.

”

Haarjeev Kandhari,
Vaculug Chairman

OUR SOCIAL IMPACT WORK

Empowering Change, Inspiring Hope

At Vaculug we believe in the power of compassion, unity, and collective action to create a brighter, more equitable world. When we were acquired by the Zenises Group in 2018 we partnered with the Zenises Foundation to run our charitable giving programme. As the foundation had an infrastructure far superior to the one at Vaculug and had the experience for many years of running a charitable giving organisation this made sense for us.



We partnered with the Zenises Foundation to build dedicated giving programmes for us where we could deploy our funds knowing they would get to the real people in need. We also took over funding existing programmes of the Foundation that resonated with our corporate culture. Vaculug has the unwavering belief that every act of kindness can transform lives and the team at the Zenises Foundation shared that belief with us – a match made in heaven!

The Zenises Foundation currently runs eight dedicated initiatives for Vaculug. They are listed below and will be outlined in detail in the coming pages.

- Oxford Outreach
- Z Aspire
- Oneness Education Initiative
- Prayer for Purpose
- Homes for Hope
- Westlake Wishes
- Grantham Giving

Our work with the Zenises Foundation focuses on two main issues: Education and Food Security. Our charitable efforts and resources are dedicated to supporting the global SDGs, namely SDGs 1, 2, 4, 8 and 17 (which represent no poverty, zero hunger, quality education, decent work and economic growth and partnerships for the goals, respectively).

To date Vaculug has provided 14 scholarships to those in need at the University of Oxford and have provided over 100 scholarships to those in need in India.

“

Children are the some of the most imaginative people on the planet.

We need to help them find a passion or purpose that is uniquely theirs. Once they do that then they can imagine the world they want to live in. Their passionate mind will then help them create that world.

”

Haarjeev Kandhari,
Vaculug Chairman

As the global challenges caused by climate change continue to rise, it is the most vulnerable communities that are feeling the greatest impact. As corporate citizens, if we are serious about addressing these global challenges in line with the SDGs, we believe we must first and foremost help the most vulnerable communities that surround us to become sustainable. Only when all children have access to quality education, and all families can afford to put food on their table, can we accelerate our collective efforts towards addressing the global challenges that are threatening our planet.

Driven by this belief, through the social impact work we do with the Zenises Foundation, we are committed to contributing to the SDGs, namely SDGs 1, 2, 4, 8 and 17 (which represent no poverty, zero hunger, quality education, decent work and economic growth and partnerships for the goals, respectively), with a particular focus on SDGs 2 and 4.

OXFORD OUTREACH



In an era where knowledge is a powerful tool for personal growth and societal development, Vaculug has committed to support Oxford University by helping fund the new section of the Library at St Peter's College. With a strong belief in the transformative power of education and access to information, we hope our support will help build a haven of learning and discovery for individuals of all ages and backgrounds.



DIVERSITY



L-R Luke – St Peter's College Choral Scholar & Haarjeev Kandhari, Vaculug Chairman of the Board.

We pride ourselves in having an inclusive and diverse culture, so we were delighted to hear that the choral scholarship that we sponsor was awarded to Luke. Luke will be the first transgender person to ever be awarded the Choral Scholarship at St Peter's College.



In 2018, we endowed a Professor at St. Peter's College, Oxford University. **Ricardo Soares de Oliveira** is Professor of the International Politics of Africa at the Department of Politics and International Relations, University of Oxford and Fellow at St. Peter's College.

Soares de Oliveira has conducted extensive fieldwork with a focus on the international political economy of African states, especially in regard to the extractive industries, the financial sector, conflict and post-conflict reconstruction, and African-Asian relations. Soares de Oliveira has worked in the field of governance and the extractive industries for organizations such as the World Bank, the European Commission, Catholic Relief Services, the National Democratic Institute for International Affairs and Oxfam. He is currently writing a book titled Africa and the Offshore World. We are proud to support Professor Soares de Oliveira on the great work he is conducting at St. Peter's College.



Department of
Politics and
International
Relations

Z ASPIRE



Vaculug wants to ensure that all our children have a bright future. We believe that a solid education is a key to that future and as such as have created the Z Aspire foundation to support the aspirations of our children. Z Aspire is named after the Z brand of tyres that Vaculug sells.

In the Indian sub-continent, Z Aspire works with underprivileged children to ensure participation in learning at all levels – from primary through to Masters degree level.

Z Aspire currently runs an in-house programme that consists of providing an educational adoption for disadvantaged children.

The Z Aspire team based in Amritsar, India identifies and follows up with children from the age of three onwards to ensure that not only are they provided with an education but monitors them to ensure that they are making the best of the opportunities afforded to them. The team also mentors these children helping them to discover their own creative potential, develop their skills and build their confidence.

Z ASPIRE CASE STUDY: GURPREET'S STORY



Our inspiration comes from stories such as Gurpreet's:

One of those stories is that of Gurpreet Kaur. Her father abandoned her and her little sister as children because he could no longer afford to look after them. She was split up from her sister and went to live with an aunt. She had no hope or future as her family could not afford to feed her. The Z Aspire team met her and adopted her and mentored her. Through the strength of her spirit, Gurpreet pushed herself on and graduated not only from school and university but is now also completing a Masters degree. She has established a career in the IT industry and is now

a young lady of independent means. In her spare time, she writes poetry, pursues her passion for photography and blogs on a variety of subjects. Being the first person from her village to attend university, Gurpreet now acts as an inspiration to other youngsters in the value of education to break the cycle of poverty.

Being the first person from her village to attend university, Gurpreet now acts as an inspiration to other youngsters in seeking to better their own lives and that of their family network. Z Aspire aims to involve the whole of the Vaculug family. Board members meet with these children and their families on a regular basis and ensure that they are being mentored properly and personally monitor their educational performance.

During their education process, these children are given the opportunity to benefit from an

international work placement within Vaculug family on a fully paid basis. After this professional stint, they are offered the chance to join the Training & Development Programme which includes on-the-job and factory training. Those who successfully complete the programme are then guaranteed jobs at an international level within the Vaculug family. Whilst Z Aspire supports communities in the developing world, we also recognize that talent knows no boundaries, and that there are talented young people that require our support in the developed world as well.



CASE STUDY:

ONENESS EDUCATION INITIATIVE



In January 2022 we launched the **Oneness Education Initiative**, a programme dedicated to giving children in remote villages in India access to a quality education. As part of the programme, Vaculug has committed to donating **₹1 for every tyre sold**. Among many projects, the initiative pays for salaries for teachers to visit and teach in remote villages where children do not have the means to travel to a school. A car has also been provided to transport the teachers to and from the villages they visit.



Through this initiative, in 2022 **Vaculug also donated more than 200 000 textbooks** to various schools across India. The initiative was launched with the support of Yogi Adityanath, the Chief Minister of Uttar Pradesh, the largest state in India.



PRAYER FOR PURPOSE

In 2022, through the Zenises Foundation we launched Prayer for Purpose, an initiative that aims to support a community of widows in the Punjab region of India. Sadly, many men who worked as farmers in the region faced harsh political pressures and working conditions. Struggling to deal with the pressures many of the farmers committed suicide, leaving behind their families.



The widows within the community suddenly found themselves as being the sole providers for their families, yet they lacked the skills or the means they needed to do. One skill that is greatly valued and that the women have honed over time is their devotion to prayer. In recognising of this valued skill, Prayer for Purpose was designed to support the widows by inviting them to pray for their families and community, and in return they are provided with an income to help them provide for their families.



HOMES FOR HOPE

In a world where many struggle to secure a safe and stable place to call home, Vaculug wants to stand as a beacon of hope for the underprivileged. Driven by a profound belief in the transformative power of secure housing, this initiative (and the various teams behind it in India) has dedicated itself to building homes and changing lives for those in need. With an unwavering commitment to compassion and community, Vaculug has focussed on building homes and improving homes where there is no sanitation available.



This initiative's primary mission revolves around providing affordable and dignified housing solutions for individuals and families living in poverty. Vaculug firmly believes that housing is a fundamental human right and that a stable home forms the foundation for personal growth, improved health, and enhanced opportunities. By tackling the root causes of homelessness and focusing on sustainable housing solutions, Vaculug seeks to break the cycle of poverty and empower marginalised communities to thrive.



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Our approach to building homes for the underprivileged is multifaceted and comprehensive. Leveraging the expertise of architects, engineers, and construction professionals, the Homes for Hope

Initiative designs and constructs safe and sustainable housing units in economically disadvantaged areas. These homes are not merely shelters; they are vibrant communities that foster a sense of belonging and provide access to essential amenities such as clean water; and sanitation facilities.



Our teams on the ground in India work closely with local communities to identify families in dire need of housing assistance. Through a rigorous vetting process, they ensure that the homes go to those who need them the most, including single-parent households, elderly individuals, and families with children. This targeted approach maximises the initiatives impact and creates lasting positive change. Through the team's tireless efforts to build homes for the underprivileged we have not only provided shelter but also restored hope and instilled a sense of belonging in the lives of countless individuals.



FOOD SECURITY

Feeding 125,000 people in a single day is the mission of Westlake Wishes Programme by Vaculug. Vaculug named this programme in honour of their partnership with Westlake Tyres who they have exclusively represented in the UK for decades. 125,00 people is more than can fill a stadium like Wembley or the Camp Nou in Barcelona.

This may seem like an impossible task, but this is the goal set by Vaculug and its Westlake Wishes initiative. A small step to alleviate hunger and to provide a wholesome meal for those who must live day to day without a regular supply of nourishment.

In the holy city of Amritsar, chefs prepare a four-course meal – itself a demanding and logistical operation- to ensure that everyone is properly fed in the limited time available.



Poverty remains a real problem despite India's continued economic growth and it's important that Vaculug helps lead the way in not only providing sustenance for those in need but also in bringing such issues to attention of a wide audience who may want to join us in tackling widespread global hunger. In support of SDG 2 (Zero Hunger), since 2018 we have contributed to alleviating hunger in our surrounding communities.

This is the heart of Sustainability in Motion.

WE MAKE A LIVING BY WHAT WE GET.
WE MAKE A LIFE BY WHAT WE GIVE.

GRANTHAM GIVING



Vaculug recognises that a thriving community is essential for its long-term success. Through its Grantham Giving programme, the company contributes to various community development projects. Vaculug support local schools, collaborate with local charities, and provide resources to underprivileged families. Vaculug also support local sporting events and teams that uplift the community. Vaculug have even expanded their programme to support causes important to their Vaculug family to areas such as Scotland.

MAKING A POSITIVE DIFFERENCE IN OUR LOCAL COMMUNITIES

With the support of our people and partners we remain committed to improving the quality of life of people living in our surrounding communities. Over the past year we continued to support several local charities, raising money for people in need. Altogether, our charitable donations and efforts align with our commitment to contribute to SDG 1 (No poverty).

PROUD SUPPORTERS OF GRANTHAM'S YOUTH FOOTBALL LEAGUE

Over the past year we continued to foster meaningful relations with our surrounding communities. Contributing to the health and well-being of children, we supported our local Youth Football League in Grantham.



In the coming years we plan to expand our support for local sports organisations that help keep our community healthy, strong, and active, in support of SDG 3 (Good Health and Wellbeing)

In 2022, we also sponsored a local adult's football team, Harrowby Football club, as many members of our Vaculug family support the club.



Additionally, in 2022 we sponsored a Wishaw Academy Youth Football team in Scotland. A local primary school was looking for a sponsor to provide their team's kits.



ENGAGING OUR PEOPLE AND GIVING BACK TO OUR LOCAL COMMUNITY IMPROVING A PLAYGROUND IN GRANTHAM

Since we began our journey of sustainable transformation, our employees have been with us every step of the way. Over the past year we have stepped up our efforts to support our local communities. In 2022 we invited our employees to play an active role in bringing our sustainability goals to life in our surrounding communities. This can be seen through the various community engagement initiatives that we set-up, such as an initiative that saw our employees volunteer their time to improve a children's playground in the city of Grantham. Employees dedicated time to clean the grounds and to apply fresh coats of paint to the space. Through our partnership with Murfitts, crumble from Vaculug recycled tyres was used to make a new surface for the playground. The project serves as just one example of the many ways we are supporting and investing in our surrounding communities.



CHARITY GOLF EVENT

In August 2022 we took to the links to support the Saints Community Development Foundation Charity Golf Day. The annual local event raises awareness and funds for projects that support those in need in the local community. In addition to some of our team members participating in the day, we sponsored a hole and raised £6,000 for the foundation.



SUPPORTING THE STAR TRUST

In 2022 we were pleased to join a group of like-minded businesses to support the great work being done by The Star Trust. The Star Trust is an East Midlands-based charity that is run by local Grantham business owners and entrepreneurs which assists smaller charities across the region. To date, the charity has donated £678,650 and supported 78 charities in the region. Because the Trust is made up of local Grantham business leaders the operational costs are underwritten - meaning 100% of the profits go directly to the charities.



GIVING DURING THE SEASON OF GIVING

To wrap-up up the year, in December 2022 we collected and delivered toys to LincsFM in support of their annual **Cash For Kids** Mission Christmas. The initiative aims to fill a double decker bus with toys and delivers them to disadvantaged children, so they have a present to open on Christmas Day. In 2022 the mission collected and delivered toys to over 9,900 children in the Grantham region. As the mission aptly states, no child should wake up on Christmas morning without a present.



CREATING SHARED VALUE WITH ALL OUR STAKEHOLDERS

We know that we will not be able to achieve our goals or realise our vision on our own. We will need to collaborate with each of our stakeholders to identify areas where we can make a meaningful impact together.



Grantham is home to so many wonderful, long-standing manufacturing businesses. For over 70 years, Grantham has been home to Vaculug Limited, which is a leading commercial tyre retreading specialist, providing tyres for fleets across the U.K. I had a great afternoon meeting Executive Chairman, Haarjeev Kandhari, and his team and hearing about all their success and plans for the future.



Gareth Davies,
UK Member of Parliament

OUR APPROACH TO STAKEHOLDER ENGAGEMENT










Since embarking on this journey of sustainable transformation, we have engaged and collaborated with several key stakeholder groups who play a vital role in helping us create value for our surrounding communities. Together, we are creating value for our surrounding communities, contributing to the global SDGs, and building a responsible and prosperous business for the future (see Figure 4). At Vaculug, sustainability also refers to the longstanding relationships we have established with our suppliers, customers, and partners over the past seven decades.







B&J ROCKET – CELEBRATING 60 YEARS OF PARTNERSHIP

Our partnership with **B&J Rocket** is one example of a sustainable partnership that we greatly value. We have been honoured to be in business with B&J Rocket as their exclusive distributor for 60 years.



FIGURE 4: Stakeholder Shared Value & Engagement

STAKEHOLDER GROUP	VALUE CREATED	IMPACT	SUPPORTING THE SDGs
Customers (Retreading & Fleet Management)	<ul style="list-style-type: none"> We produced a Carbon Footprint Assessment Report which we offer to our customers to help them better understand their own impact, and to help them identify where they can improve. We have created a Carbon Footprint calculator for our customers to access as a tool that can help them on their journey We produce premium quality products with our retreaded tyres that last longer (as they undergo more inspection than new tyres) We also aim to deliver exceptional value for money. Our retreaded tyres cost our customers 40% less than a new tyre, delivering savings to our customer while minimising the impact on the environment. 	<p>Annual Environmental Report provided to each Vaculug customer.</p> <p>Carbon Footprint calculator has been used by 98 clients to date</p> <p>Retreaded tyres deliver 40% savings to our customers (vs buying new tyres)</p>	 
Partners	<ul style="list-style-type: none"> Through our recycling efforts with Murfitts Industries, we are creating value in the products that are being produced from our recycled materials. Local communities benefit from various products produced, including sport surfaces and surfaces for children's playgrounds. In collaboration with City Councils, we have sponsored improvements of local playgrounds. We partnered with the Metropolitan Police to host a Road Safety and Tyre Awareness workshop, in support of SDG 3 (Good Health & Wellbeing), and specifically SDG indicator 3.6.1 (reduce the death rate caused by road traffic injuries). In 2022 we collaborated with a Sustainability Advisor to develop our first Sustainability Strategy and Sustainability Report. 	<p>228,000 of tyres recycled & diverted from landfill/year</p> <p>6,129 tonnes of materials (rubber and steel) recycled with Murfitts in 2022</p> <p>Approximately 35 stakeholders (employees, customers, suppliers) attended the session.</p>	
Value Chain Suppliers	<ul style="list-style-type: none"> Through our supply chain business relations, locally and globally, we are directly supporting the growth of local economies, and indirectly contributing to local employment. Introduced policy to ensure we are not sourcing raw materials from conflict zones. Our fleet management operations provide employment opportunities locally. 	<p>Numerous annual contracts with our suppliers.</p>	 
Employees	<ul style="list-style-type: none"> We create well-paid quality jobs in support of SDG 8 We provide equal employment and development opportunities at our local production plant and HQ in Grantham. We organise and host various events throughout the year that engage and entertain our Vaculug employees and their families, with the aim of creating a caring and fun family culture. It is just one of the ways we show our employees how much we value them. We leverage the expertise and talents of our people to identify and develop internal training programmes for employees who are new or are transitioning from one role to another. We have several initiatives in place supporting the health and well-being of our employees. Code of Conduct, developed in 2022/2023, outlines our conduct expectations in line with our company values. 	<p>159 people employed at Vaculug.</p> <p>Majority of our employees participated in formal development/</p> <p>training programmes in 2022.</p> <p>All Vaculug employees had access to development with Vaculug University.</p>	   

STAKEHOLDER GROUP	VALUE CREATED	IMPACT	SUPPORTING THE SDGs
Zenises Foundation & Local Community Partnerships (parish council, universities)	<ul style="list-style-type: none"> Several social impact initiatives aimed at improving quality of life, with a focus on giving children access to quality education. Provide healthy meals to children in need. Support Grantham football league with donations Sponsor girls STEM project Resurface local playgrounds. In support of SDG 4 (Quality Education), We developed our Oneness Education Initiative which aims to deliver quality education to children in remote villages in India; we donated 200,000 textbooks to various schools in India through this initiative. Sponsored and participated in Charity Golf event, raising money for charity in support of SDG 1 (No Poverty). 	<p>Over 100 scholarships funded, including 12 with the University of Oxford (to date).</p> <p>125,000 people in need fed at a one-day event (an annual event, apart from pandemic).</p> <p>200,000 textbooks to schools in India.</p> <p>Over 100,000 school aged children participated in the Oneness Education Initiative.</p>	   
The Planet	<ul style="list-style-type: none"> Our business is a circular model that reuses and recycles tyres, diverting them from landfill. Our 100% zero waste landfill policy keeps our non-tyre waste out of landfills, supporting SDG 12 (Responsible Consumption and Production), and specifically SDG target 12.5 (substantially reduce waste generation through prevention, reduction, recycling, and reuse). We are committed to being a carbon net-zero business by 2030 in support of SDG 13. We have been part of the UN Global Compact since 2021. In 2022, we engaged the services of Tecno International to lead our company's first carbon assessment to establish our baseline (based on 2021 activities). Installation of special thermal insulation systems for our tyre presses led to a reduction in our energy consumption. Proud Patrons of One Life One Tree - The Sequoia Project. We committed to reporting our efforts and progress and sharing #Sustainable Thinking and best practices with our stakeholders. 	<p>228,000 of tyres diverted from landfill in 2022.</p> <p>Reduced electricity consumption by 24.9% in 2022, compared to 2021 baseline.</p> <p>Formalised our ESG Policy (published in 2023)</p> <p>3 articles published to Vaculug community on social media.</p> <p>Published two annual Sustainability Reports to date (2021 and 2022).</p>	 

OUR SOCIAL IMPACT & VALUE CREATION COMMITMENTS:

- We will track and measure our social impact initiatives.
- We will further structure and expand the work we do with the Zenises Foundation
- We will create an annual Vaculug Sustainability Day that will focus on engaging and educating our stakeholders.
- We will hold Sustainable Thinking Forums, twice a year, to engage our customers, service providers and employees on sustainability matters related to our industry.
- We will work with existing and new partners to expand social impact initiatives.



12 THE WAY FORWARD

SUSTAINABILITY REPORTING AND DISCLOSURE

Our sustainability strategy, which we developed in 2022, serves as our company's new North Star. It will guide our business decisions and lead us towards becoming a more responsible and prosperous business for the future. Engaging, educating, and informing our stakeholders about our sustainability goals, and more importantly our progress, is a vital step on this journey.

With the publication of our first Sustainability Report, published in September 2022, we became the world's first retreader to publicly disclose a sustainability practices.

In addition to informing our stakeholders about our progress, our Sustainability Report also serves to hold us to account on our commitments on this journey. Sharing our journey of sustainable transformation doesn't simply begin and end with our Sustainability Reports. Guided by our sustainable thinking culture, over the past year we have made a concerted effort to engage our community about the environmental, social, and economic issues facing our industry. One example of sustainable thinking in action is seen in the sustainability focused articles, which are authored and shared by our Chairman monthly on social media (see Appendix 3 for articles published in 2022). Additionally, our employees and leadership team are actively participating in sustainability-focused events throughout the year.

As a purpose-driven entity, we are wholeheartedly committed to addressing the many environmental, social, and economic challenges facing our world today. We believe that with every challenge comes an opportunity to innovate, to improve and to move us towards achieving our goals.

More than words, however, we hope our Sustainability Reports serve as a call to action and an open letter of sorts to share our sustainable thinking and inspire cross-industry collaboration in our pursuit to create a better world.

THE WAY FORWARD

We are inspired by the passion, dedication and motivation of our people who have contributed to the success of our business for the past 70 years, and who are committed to building it for the future.

Since we embarked on this journey of sustainable transformation together with our stakeholders, we have made great progress. We are proud of our efforts so far, but we know there is still a lot more work to be done.

The UN's recent report on the **Progress towards the Sustainable Development Goals** paints a stark picture. The report states that as of 2023, many of the SDGs are moderately to severely off track of being achieved by the end of this decade¹. The report offers five urgent recommendations for member states to implement; but states alone will not get there. It requires the collective will, resources, innovative thinking and ingenuity of industries and businesses (big and small) to make a meaningful impact. No doubt the call to action is great; but the threat of in-action is even greater.

Despite the challenges we remain optimistic about the future, and we are motivated to continue to work towards the goals we have set out in support of the global sustainable development movement.

We are passionate about our vision to create a better world, and by growing a responsible and prosperous business at Vaculug, we know we are well on our way toward realizing this vision. We invite our stakeholders to join us as we continue to navigate the best way forward, together.

As SDG 17 (Partnerships for the Goals) suggests, we value our partnerships and we are encouraged by the progress we are making together on this journey. And while we are proud of our collective efforts so far, we know this is only the beginning. More than ever, we are motivated to keep going and to lead the way forward for our industry.

¹Source: https://sdgs.un.org/sites/default/files/202304/SDG_Progress_Report_Special_Edition_2023_ADVANCE_UNEDITED_VERSION.pdf, accessed May 2023.

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RISK FACTORS AND UNCERTAINTY

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The Company leads towards an initiation of Enterprise Risk Management under the current macroeconomic outlook, the complexity of business, the financial markets instability and the continuous evolution of legislation on law and regulations between the countries where the Vaculug operates, aiming to have an overview of risk position across the functions and countries.

The risk mapping regarding all internal and external aspects related to the business (commercial, procurement & supply chain) and values (ethics, social-environmental) of the Company is continuously monitored.

The risks identified are subjected to the qualitative-quantitative assessments which led to the governance definition and management structures and the preparation of mitigation and/or related remediation plans and investment. The risk analysis activity leads to the definition of risk reduction/elimination actions pursued at each country/function and implemented/kept under control by process owner identified.

All risks identified by each function is coordinated, monitored, and updated has been formally assigned to the Chief Internal Audit and Sustainability Officer in order to respect the segregation of duties and roles and responsibilities.

The aim is to monitor, assess and monitor properly the risks which could affect the Company's value and goals achievement within the Company aiming to prevent and neutralize them in a systematic and structured way before the events take place by setting ahead a specific strategy for this end; or rather to take advantages of potential additional opportunities by aligning business strategy with event identified. Vaculug Risk Model systematically assesses three categories of risks:

1 External Risks: Risks associated with the external environment in which the Company operates, the occurrence of which is outside the Company's control. This category includes risks linked to macroeconomic trends, demand & supply evolution, competitors' strategies, technological innovation, the introduction of new regulations and country specific risks (financial, security related, political and environmental risks), as well as the impacts linked to climate change.

2 Strategic Risks: Risks characteristics of the reference business, the correct management of which is a source of competitive edge, or otherwise, the cause of failing to achieve planned targets. This category includes risks regarding markets, materials procurement, product innovation and development, Production processes, human resource, financial risks and mergers & acquisitions.

3 Operational Risks: Risks generated by the organizational structure, by the processes and by the Company's systems, where assuming these risks does not produce any competitive edge. These types of risks are related to, Information Technology, Business Continuity, Loss prevention, Health, Safety & environment, Legal & Compliance, and Security.

Transversal to the aforementioned risks are Corporate Social Responsibility, Environmental and Business Ethics Risks.

These are risks related to the non-compliance with local and international law/regulations, best practices and corporate policies regarding the respect for human and labour rights, environmental and business ethics and can be generated by the organisation either as part of the relative value chain or supply chain. Those risks are mainly associated with the countries in which the Company is present with industrial footprint.

EXTERNAL RISKS

Risk related to macroeconomic outlook

After the strong rebound of the global economy following the recession caused by the pandemic, the market is characterized by significant volatile market conditions, high energy prices and the continuation of a higher and more persistent inflationary scenario than expected, especially for the countries in which the Company operates.

In addition to the global scenario, there are also specific elements of individual economies have to be considered, such as hyperinflation happened in Turkey, election in Brazil, importation constraints in Egypt. Further elements of uncertainty and instability also persist with reference to geopolitical tensions, with particular focus on contingency situation of Russian– Ukrainian crisis.

Country risk

The Company is willing to adopt, where is appropriate, local-for-local strategy in order to respond to demand at local level with competitive industrial and logistical costs.

The aim is to increase the competitiveness and to allow the Company to overcome potential protectionist measures, such as customs barriers or any other measures such as technical prerequisites, product certification and administrative costs & antidumping related to importation, etc. In this context, the Company constantly monitors the evolution of general politico-economic situation, tax regimes and related risks from political, economic/ financial and security point of view, regarding the countries in which it operates, aiming to adopt continuously and timely (if possible) measures to mitigate the potential impacts of any changes arising at local level. Furthermore, in order to follow local-for-local approach, production capacity increase investment is foreseen.

Risks relative to the Russia-Ukraine contingency situation

The outcomes and implications of the Russia-Ukraine contingency situation remain uncertain. The restriction of international sanctions is also having repercussions on the Russian economy in terms of growth expectations, the currency market and the sustainability of the domestic economic and financial system. Under this context, with those complications the situation is also bringing about rising prices for energy, metal and agricultural commodities,

with repercussions on price pressure and growth prospects for the Eurozone. These elements of uncertainty could impact significantly normal market dynamics and, more generally, of business operating conditions.

The situation and its developments of the Russia-Ukraine crisis is monitored constantly by Risk Committee and the Company has defined mitigation measures and a contingency plan.

Risks associated with the evolution of long-term demand

Mobility is undergoing an unprecedented evolution due to technological changes (smart mobility, electrification of propulsion, driving automation and digital connectivity) and regulatory changes, with the aim of improving the society from sustainability points of view.

The Company constantly monitors these trends, both by analyzing studies and data available at global and local level and by participating in national and international webinars/conferences, as well as members of various category association, in order to anticipate potential impacts on the market and sector.

Risks linked to climate change

Today Climate Change is an undeniable fact and it brings significant changes in ecosystems of our Blue Planet, for example, the expansion of drier climate zones, posing serious risks to wellbeing of all species living on Earth, as well as regulatory points of view (possible effects on business and cost). For instance, the risks are very likely to cause negative impact on living conditions of human life in all its aspects i.e. economic, social and cultural life.

As the risk may have financial and business impacts (risks and opportunities) to the Company, Vaculug monitors elements of uncertainty related in order to put in place appropriate prevention and mitigation measures to protect its business, adopting therefore pro-active approach for this end. Lastly, the Company is committed to develop the most sustainable product with lower environmental impact as much as possible throughout their life cycle.

Moreover, specific focus has to be put on water management as water is the most vital resource for life and living on the Earth, the Company has set strategy and target aiming to have an efficient and responsible use of water in Production processes and workplace, therefore Vaculug is committed

to improve continuously in this field taking into account both internal and external risks related. For example, in relation to local water resources where the Company has manufacturing plants, risks with reference to water absence, scarcity, drought, local law restriction, etc. were identified, dedicated alternative projects and action plans is developed and foreseen, as well as related investment.

Risks related to raw materials availability and price trends

Given the global macroeconomic situation and their impact on the cost of the finished product as well as the strong volatility recorded in recent years, synthetic rubber, natural rubber and oil related raw materials would continue to represent a factor of uncertainty.

Considering different scenarios, sales price increases and/or the different internal cost efficiency recovery measures, such as use of alternative raw materials, switch of source/supplier, process quality improvement and waste level, would be relevant to protect the Company's asset and profitability.

Risks linked to the competitive positioning

The Company operates in the market characterized by the presence of numerous operators, some of which with meaningful financial and considerable industrial resources and brands that enjoy a significant level of international or local notoriety. Vaculug is the only tyre company solely focused on the Industrial sector (transport of goods and people), the Agro and OTR segments, "Tire solutions for professionals". This may bring high barriers to entry in terms of technology and production. Added to this

continuous research and investment is the heart of the technology development to create and product innovative offers, products and services.

STRATEGIC RISKS

Exchange rate risk

The Company is exposed in exchange rate risk as manufacturing and commercial activities are performed in diverse geographic areas, receivables and payables are in foreign currency. Company's operations and profitability may be affected by changes in the exchange rates volatility between currencies, due to the conversion into euro of the

assets and liabilities of local companies operating in currencies other than the euro. Currencies fluctuation and related exposures to exchange rate risk are constantly monitored by the Company.

Specifically, Vaculug has industrial footprint in the countries (Brazil, Egypt, Turkey) which suffer fluctuation of the currencies. For instance, in order to minimize the impact, dedicated actions and projects were studied and developed aiming to neutralize the economic and financial impacts.

Credit risk

Credit risk is defined as the potential loss arising from the non-fulfilment of commercial and financial obligations and undertaken by counterparties, as foreseen in agreements.

In order to limit the risk, the Company has put in place dedicated procedure to define credit limit to be assigned to customers, to monitor expected cash flows and to take any recovery action if necessary. Moreover, other instruments are used for this end, for example other typology of guarantee (authorization is requested), master agreement has been put in place with insurance company for worldwide coverage of credit risk, periodic review and renew are performed aiming to have the coverage in line with the business model as well as the macroeconomic outlook.

Risks associated with human resources

The risk of loss of human resources in key positions or in possession of critical know how is in place for the Company.

Vaculug develops and adopts retention plan considering general macroeconomic scenario and salary benchmarks of each country, related updates are periodic performed due to continuous changes of the latters to address the risk. Moreover, skill & knowhow mapping is foreseen to manage it properly. Incentive plans and specific non-compete agreements are set and defined taking into account the risk profiles of the activities of the business. Lastly, a specific talent program is planned to be developed and implemented to motivate and retain talent.

OPERATIONAL RISKS

Risks related to environmental issues

The company's activities and products are subject to various and numerous environmental laws that vary between the countries in which the Company operates. Considering the latest trend, probably these regulations would evolve in an ever more restrictive manner, as concerns in the international immunity over issues of environmental sustainability are growing significantly.

Gradual introduction of ever stricter laws with reference to various social and environmental aspects in terms of atmospheric emissions, waste generation, impacts on soil and water use, etc. is expected.

For instance, the Company monitors the evolution of related laws/regulation constantly by participating category associations and webinar's, as well as with support of experts in this field. This aims to study and analyze in advance, allowing investments to be made correctly where is necessary, in order to be prepared to face the future challenges and difficulties.

Employee health and safety risks

Charges and costs for the measures necessary to ensure full compliance with the obligations foreseen in the regulations on health and safety in the workplace are incurred to the Company for its everyday activities.

For example, after the pandemic contingency, the Company has adopted hybrid working model, in order to provide best and comfortable workplace, Vaculug has decided to give a smart kit to all employees who is adequate for this working model aiming to support the employees in 360° of view.

Specific suggestion and training were given to advise employees the best way to organize working environment at home. Regarding activities performed in production plant, dedicated procedure is foreseen, related training is periodically carried out in order to guarantee health and safety of all employees.

Defective product risk

All Tyres produced are subjected to careful quality analysis before being placed on the market and the entire Production process is subjected to specific quality requirements and assurance procedures. For this topic, specific procedure is developed and defined for its proper management.

However, as all manufacturers of goods for sale to the public, Vaculug could be subject to liability actions with reference to the alleged defectiveness of products sold and for instance required to take up product campaigns.

Although recently no significant cases have been detected, the Company has a dedicated insurance coverage for this end.

LITIGATION RISKS

The Company may be involved in commercial, trade, fiscal, legal or labour law disputes in carrying out its activities. Vaculug define and assume the necessary measures to prevent, avoid and mitigate any consequences and negative impacts that may arise from such proceedings.

Risks related to information and network infrastructure

Information and Communication Technology (ICT) systems is relevant in supporting business processes evolution and development.

Analysis and assessment of ICT security were planned and initiated in order to detect any security gap and define specific corrective actions, aimed at increasing the Company's overall security, protecting therefore information assets and upgrading the security systems against unauthorized access and data management.

On the other hand, by improving processes and technologies used for this end, these measures allow the Company to be prepared for future audit activities as well as to be compliant to the international standard and related regulations in this field.

Particular attention has been paid to technological obsolescence in relation to the renewal of infrastructural, it could lead to risk of breakdowns and accidents having significant impact on business and production activities. Dedicated remediation plan is developed to mitigate the risk.

Moreover, particular focus has been put in place for cyber security awareness, information sections (e.g. phishing campaigns), trainings and updates on the main cyber security risks were provided to users.

SOCIO-ENVIRONMENTAL RESPONSIBILITY RISKS

Risks relative to social and environmental responsibility and business ethics

Enterprise risk management is enterprise-wide aiming to identify, analyze and monitor risks in different areas linked to everyday activities of the Company, therefore also environmental, social, economic/financial and business ethics risks that are directly or indirectly attributable to the Company.

Assessments and monitoring activities are conducted on possible and potential political, financial, environmental and social risks, including those related to the respect of human rights and labour laws.

Regarding this, the Company monitors continuously the application of internal regulations in relation to financial, social (particular focus on human and workplace rights), environmental and business ethics on Company's offices and sites, it occurs through the periodic control activities and audits performed by Internal Audit Department.

On top of that, in keeping with its sustainability principles, Vaculug has put into place a program of second-party audits along the supply chain via third companies.

The audit inspections on the raw material supplies (natural rubber, carbon black, chemicals etc.) are carried out on an annual basis and ensure compliance with the established standards, mitigating risks linked to outsourced activities. For instance, the Company checks the conformity of its products and services by monitoring and assessing the performance of its suppliers.

The goal is to assess their level of sustainability and compliance along the entire supply chain by analysing the policies and procedures which allow these suppliers to conduct responsible and sustainable procurement. In order to extend its due diligence, Vaculug has also decided to carry out audits on its cobalt and mineral suppliers.

14.1

APPENDIX 1:

OUR CODE OF ETHICS,

published in March 2023.

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MESSAGE FROM THE CHAIRMAN

Our commitment to ethical behaviour and the solid ethical foundations are one of the most essential components of Vaculug operation. We are committed to doing business the right way, based on a culture that respects our employees, partners, customers, communities, and ultimately the planet.

In the long term, we see decarbonisation as the area where we can have the greatest impact, but we also recognise that sustainability risks, responsibilities and opportunities for our business encompass the full scope of Environmental, Social and Governance (ESG) factors.

We can successfully face the challenges of competitive market environment with moral and business responsibility, both as individuals and as a company. In performing the job duties, the employees should always act lawfully, ethically and in the best interests of Vaculug. This is the heart of Vaculug from how we serve our customers to how we ensure a level and fair playing field that benefits societies far beyond our great shores here in the UK.

Thank you for upholding our values and helping us doing things right. It does not only mean that we provide well made, fairly priced and of exceptional quality products and services, but it also means that ethics and integrity is always born in mind. We source material only from suppliers who have impeccable human rights and compliance records, and we ensure that our supply chain is of high integrity and we monitor our entire operation for compliance with our Code.

Haarjeev Kandhari

Vaculug, Chairman

INTRODUCTION

This Code of Ethics serves as our ethical commitment and as a guide to proper business conduct for all of our stakeholders. We, at Vaculug are committed to doing business legally, ethically and in a transparent manner.

This document applies to all staff who work for the Vaculug (including officers, directors, managers, team leaders, employees, temporary, agency, interim, sub-contractor, or consultant staff), and also include own suppliers, service providers and business partners.

All staff are expected to adhere to this Code in their professional, as well as personal conduct, treat everyone with respect, honesty, and fairness.

VALUES

Everything we do at Vaculug is built around three core foundational values:

- A FAMILY culture.
- A RESPONSIBLE approach to business.
- A past and future driven by INNOVATION.

A FAMILY culture

Our company has been built on a foundation that values the connection we have to our surrounding communities. Our community focused approach to business also applies to our own organisation and the culture we have created at Vaculug.

We believe the health and well-being of our employees is paramount. We have clear HR policies in place that set out to provide a safe and inclusive workplace for all. Additionally, through various employee engagement initiatives that we organise throughout the year, including the celebration of key personal and professional milestones, we strive to foster a safe and enjoyable workplace culture and environment for our Vaculug family, every day.

A RESPONSIBLE approach to business

Building a responsible business means respecting the planet and our surrounding communities and creating value with each of our stakeholders.

Our company is committed to fostering a culture that respects our employees, partners, customers, and communities. We are also committed to building a sustainable business that respects the environment.

Working in collaboration with our stakeholders, we are striving to minimise our impact on the planet while at the same time making a positive difference.

A past and future driven by INNOVATION

As a leading retreader, we are committed to continuously improve processes with aim of delivering products at the highest level of quality and safety, for our customers.

R&D initiatives improve and advance our manufacturing processes and products, not only for our company but for the industry. To ensure we remain on the leading edge of retreading, we are invested in the latest manufacturing technology. We are equally invested in leveraging the most advanced technology and software for our fleet management systems to ensure we deliver optimal service and peace of mind to our customers.

Our approach to embracing innovation and technology is what has built our company and positioned it as the industry-leader that it is today, and it is what will continue to pave the way forward and lead us towards a more sustainable and prosperous future going forward.

COMPLIANCE WITH THE CODE

Managers and leaders have higher responsibility for demonstrating, also through their actions, the importance of this Code. Managers and leaders are responsible for promptly addressing every raised ethical question or concern. Employees must cooperate in investigations of potential or alleged misconduct.

Vaculug is open to any questions at any time and will not allow punishment or retaliation against anyone for reporting a misconduct in good faith.

Non-compliance to this Code considered as a misconduct that could warrant disciplinary measures as provided in legislation, collective agreements, or by contract.

COMPLIANCE WITH LAWS AND REGULATIONS

Our commitment to integrity begins with complying with laws, rules, and regulations relevant with Vaculug business. We are committed to adhere to every valid and binding contractual agreement that we conclude, and we do not abuse our rights.

The ‘Quality, Environmental, Health & Safety’ policy include our commitment to maintain the Health & Safety certifications.

Vaculug is also confirmed as a member of the Safety Schemes in Procurement (SSIP) Forum, which validates the company has demonstrated its compliance with the forum’s core safety criteria.

Our Environmental Management System certifies our compliance with standards related to remoulding of tyres and associated activities.

Our staff must follow applicable laws and regulations, including the Code at all times and must ensure compliant operation.

SUSTAINABILITY: PEOPLE, PLANET, PROFIT & RESPONSIBLE GOVERNANCE

We are committed to meet current and future requirements in line with the needs of future generations. For this reason, integrated a comprehensive and ambitious sustainability or ESG (Environmental, Social and Governance) strategy into our business strategy and operations to hold ourselves accountable throughout the year.

Our sustainability strategy comprises several categories covering all material responsibilities, risks and opportunities across the environment, social and governance dimensions, and our work is guided by three core commitments:

1. We will take leadership in the decarbonisation of retreading.
2. We will ensure that our people thrive at work by providing a safe and inspiring workplace.
3. We will operate Vaculug based on responsible business practices.

Vaculug holds an A-Rating awarded by the UK Environmental Agency for the company’s compliance with environmental standards and regulations, making us the only retreader in the world to have an A-Rating tyre.

Our sustainability goals are also aligned with the Tire Sector SDG Roadmap, making us the first independent retreader in the world to align with larger multinational organisations across the industry.

Our approach to building a responsible business is guided by the stewardship of our company’s vision, mission, and core values. We recognise that on this journey, sound and responsible Corporate Governance is essential.

HUMAN RIGHTS

We are committed to respect human dignity and rights of each individual and community whom we interact with during the course of work. We shall not, in any way, cause or contribute to the violation of human rights. Our staff shall treat everybody with dignity, respect, integrity, care and uphold human rights anywhere in our own business or in any of our supply chains.

The HR policies “Anti-Slavery” and “Human Trafficking” reiterate our zero-tolerance approach to modern slavery and human trafficking.

Guided by our core family values, it is our belief at Vaculug that everyone deserves to be treated with respect, and to be fairly compensated for their work and contribution to the growth of the organisation.

FAIR LABOUR PRACTICES AND WORKING CONDITIONS

We are committed to promote equality in our employment practices and to fair employment and remuneration policy in compliance with applicable laws. We are firmly opposed to employ or contract child or slave labour or any form of forced or compulsory or bonded labour.

We condemn all forms of illegal, unfair, unethical labour practice that exploits workforce, destroys social security, or serves as tax evasion, including but not limited to undeclared and “grey” work or holding back wages.

Our approach to recruiting and hiring guarantee a fair and equal chance for all candidates. We set out to select the best person for a position - regardless of sex, race, colour, religion, ethnic origin, age, disability, or sexual orientation, as is stated in our hiring policy. Our hiring procedures and policies are clearly communicated in our internal Human Resources Recruitment & Selection document, which acts as a guide for our HR Team as they look to promote, hire, and expand our Vaculug family.

DISCRIMINATION AND HARASSMENT

We provide equal opportunity in employment and we do not tolerate any discrimination or harassment or any type from abuse. No direct or indirect discrimination shall take place based on any professionally non-relevant trait or circumstance, like gender, marital status, age, national or social or ethnic origin, colour, religion and political opinion, disability, sexual orientation, employee representation, property, birth, or other status. Any kind of discriminatory behaviour, harassment, bullying, or victimization is prohibited.

All staff is expected to follow the highest standards of conduct in all verbal and written communication based on mutual respect, and must refrain from any

form of harassment, slander or any behaviour that could be taken as offensive, intimidating, humiliating, malicious or insulting.

HEALTH, SAFETY AND ENVIRONMENT

We provide clean, safe, and healthy work conditions and we are dedicated to maintaining a healthy environment. We are committed to minimise the impact on the natural environment of our operations. We make efforts to reduce the use of finite resources, like energy or water, and the harmful emissions, like waste.

In line with our commitments, all Vaculug employees are expected to adhere to the company’s ‘Quality, Environmental, Health & Safety’ policy, standards, and procedures. This policy is shared and communicated to all team members by means of induction, training and by being displayed on our premises. Vaculug is also confirmed as a member of the Safety Schemes in Procurement (SSIP) Forum.

Our commitment to delivering the highest standard products and services is reinforced in our ‘Hiring & Recruitment’ policy. During the selection process, every effort is made to ensure that potential employees, including those moving into new jobs within the company, fully understand the requirements of their roles in accordance with Quality Standards.

As a zero-landfill operation, our retreading and recycling efforts continuously minimise our environmental impact by reducing our carbon footprint on all aspects of the supply chain.

Our efforts to minimise finite resources consumption are highlighted by our ongoing water usage monitoring and our energy use reduction programme. All staff must follow and comply with every relevant health, safety and environmental protection laws, regulations and rules all times.

FAIR COMPETITION AND BUSINESS CONDUCT

Our relationships with business partners are built upon trust and mutual benefits compliant with competition law. We are dedicated to ethical and fair competition, as we sell products and services based on their quality, functionality, and competitive pricing. We will make independent pricing and marketing

decisions and will not improperly cooperate or coordinate our activities with our competitors.

We will not offer or solicit improper payments or gratuities, nor will we engage or assist in unlawful boycotts of particular customers.

We do not allow any violence of the fairness of any tendering process in any way. We refrain from damaging competition and the reputation of any business partners and any behaviour that harms competitor's creditability.

We do not hold back maliciously, unlawfully, or unduly payments towards our partners, and we do not allow such practices in our supply chain, we fight the unethical practice of "debt chain".

Our staff is responsible for ensuring fair business during their job and adhere to every competition, consumer protection and fair marketing rule.

Customers and business partners shall be treated fairly and equally, products and services shall be displayed in a manner that is fair and accurate (fair marketing and advertising), and that discloses all relevant information.

ANTI-CORRUPTION

We firmly condemn and do not tolerate all forms of corruption. It is prohibited directly or indirectly offering, promising, giving, asking, soliciting, or accepting any unfair advantage or benefit, in order to obtain, retain or facilitate in any way the business.

An unfair advantage or benefit may include cash, any cash equivalent (e.g., voucher), gift, credit, discount, travel, personal advantage, accommodation or services. We do not permit facilitation (or "grease") payments to government officials or private business in order to secure or speed up routine actions.

Corruption also covers the misuse of function or position as well, when someone makes that false appearance that he/she improperly influences a decision maker. Corruption for either to obtain or retain business, or to obtain or retain an advantage in the conduct of business is considered gross misconduct. Similarly accepting or allowing another person to accept a bribe is considered gross misconduct.

Our staff has to account for all benefits received in the course of doing business and must not give or receive bribes or otherwise act corruptly.

GIFTS AND HOSPITALITY

We shall avoid any actions that create a perception that favourable treatment was sought, received, or given in exchange for personal benefits.

Business courtesies or benefits include gifts, gratuities, meals, refreshments, entertainment or other advantage from persons or companies with whom we do or may do business. We will neither give nor accept such benefits that constitute, or could reasonably be perceived as constituting, unfair business inducements that would violate law, regulation or policies, or would cause embarrassment. Our staff may never use personal funds or resources to do something that cannot be done with our resources.

We may accept and offer occasional gifts and hospitality that are customary and conform to reasonable ethical practices of the market, provided that they are not inappropriately excessive, not frequent and do not reflect a pattern of frequent acceptance, does not create the appearance of an attempt to influence business decisions.

Only trivial gifts with low value can be accepted. All other gifts must be politely refused or, if received through post, returned to the donor. If return is not possible it shall be offered for charity or community purposes. It is the responsibility of the person offering, providing, receiving, or accepting the gift to decide whether the gift is appropriate.

SECURITY, PROTECTION, AND PROPER USE OF COMPANY ASSETS

We are responsible for the security, protection and for the economic use of company resources.

Our resources, including time, material, equipment, and information are provided for legitimate business use only. Occasional personal use is permissible as long as it is lawful, does not affect job performance or disrupts workplace morale.

All staff is obliged to follow appropriate security measures and they should treat company property, whether material or intangible, with respect and shouldn't misuse company assets or use it carelessly. Confidentiality, information security, proprietary information, and intellectual property We are committed to business information confidentiality, integrity, and accessibility, we

implement proper technical security measures this and it is our staff's obligation to uphold this. Proprietary information includes all non-public information that might be harmful to the company or its customers, business partners if disclosed to unauthorised parties. All staff must handle any such information as secret. Every rule ensuring information security must be followed all times.

We respect the property rights of others. We will not acquire or seek to acquire trade secrets or other proprietary or confidential information by improper means. We will not engage in unauthorized use, copying, distribution or alteration of software or other protected intellectual property.

ANTI-FRAUD

Fraud – the act or intent to cheat, steal, deceive or lie – is both unethical and, in most cases, criminal. Fraud in every form, (including e.g., submitting false expense reports; forging or altering financial documents or certifications; misappropriating assets or misusing company property; making any untrue financial or non-financial entry on records or statements) is prohibited.

CONFLICT OF INTERESTS

Our decisions shall be based on objective and fair assessments avoiding the possibility of any improper influence. A "conflict of interest" exists when an employee's personal interest (that can be linked to e.g., friends, family, or customer, competitor, supplier, contractor entity, as well) interferes or potentially interferes with the best interests of Vaculug. Determining whether a conflict of interest exists is not always easy to do, thus anyone with a conflict-of-interest question should seek advice from management.

If co-workers become involved in personal relations with each other, the onus is on the senior employee concerned to bring this to the attention of his or her manager to confirm that there is no conflict of interest, nor will a conflict of interest arise.

PRIVACY, PERSONAL DATA PROTECTION

We respect people's privacy and we acknowledge customers, employees and other natural persons' need to feel confident that their personal data is processed appropriately and for a legitimate business purpose. We are committed to comply with all personal data protection laws. We only acquire and keep personal information that is necessary, and we give proper information on these activities to data owners. We implement proper security measures to assure confidentiality, integrity, and availability of personal information.

Our staff must observe the legal requirements, apply compliant practices and follow related procedures to ensure legality of personal data handling and processing activities.

14.2

APPENDIX 2:

OUR ESG POLICY,

published in June 2023.

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1. ABOUT THIS POLICY

1.1 Environmental, social and governance issues do not exist in a silo. Vaculug is passionate about bringing them together under one banner to demonstrate the positive impact our business is having on the world. ESG is much like corporate social responsibility but on a vastly larger and more measurable scale. Companies who are at the forefront of talking about their ESG scores are generating more attention from across the business spectrum, and investors are actively looking for high ESG scoring companies.

1.2 This policy will inform our ESG efforts moving forward. This includes, but is not limited to reporting, disclosures (both material and non-material), business practices, policies, procedures, investments, board activities, stakeholder engagement, and investor relations.

1.3 Nothing in this policy shall be taken or understood to limit or reduce our current committees, both legally and ethically.

2. PURPOSE OF THIS POLICY

2.1 The purpose of this policy is to provide information about Vaculug's ESG (Environmental, Social and Governance factors) and to encourage the business to understand ESG better.

2.2. This policy has been implemented across the whole company.

2.3 This policy does not form part of any contract of employment or other contract to provide services, and we may amend it at any time.

3. WHO IS RESPONSIBLE FOR THIS POLICY?

3.1 The Vaculug Directors and senior management team has overall responsibility for the effective operation of this policy. 3.2 Line managers have day-to-day responsibility for this policy and you should refer any questions about this policy to them in the first instance. 3.3 This policy is reviewed annually by the directors and senior management team. Changes may be made at any time as government guidance develops.

4. OUR ESG COMMITMENT

4.1 We strive to build sustainable, equitable, healthy, and diverse communities through a combination of innovative business practises and exemplary environmental, social and governance (ESG) performance. This commitment informs every aspect of our business, including how we design and build new projects, operate our company, collaborate with stakeholders and report progress.

4.2 This ESG Policy sets out our approach to sustainability matters. At the heart of the Policy is a corporate culture that has sustainability at the core of all our business operations and values.

5. OUR STATEMENT ON CLIMATE CHANGE AND THE ENVIRONMENT

5.1 Vaculug are committed to driving down our energy and carbon impacts, as we believe that climate change is one of the greatest risks to our world. Our sustainability program is committed to environmentally sustainable initiatives that deliver near-term efficiency, value, and health for our business, our people, and the wider community.

5.2 We encourage our customers to reduce their impact on the environment by recommending the use of more sustainable materials. We actively promote a paper-free office. We regularly support our clients to avoid printing and we will make all endeavours to be a digital-first business.

5.3 We seek to comply with current environmental legislation and work to minimise the impact of our activities on the environment.

5.4 We support the recommendations of the Taskforce on Climate-related Disclosure (TCFD) and engage with our stakeholders and encourage enhanced disclosure on climate change, biodiversity, and the SDGs, including efforts to advance the underlying goals, such as those of the Paris Agreement.

6. OUR STATEMENT ON SOCIAL RESPONSIBILITY

6.1 Our focus is to deepen relationships with our key stakeholders by investing in our employees and partnering with our customers, communities, investors and suppliers. 6.2 We are committed to engage with our employees to provide a challenging, dynamic, inclusive and diverse work environment that supports their professional development, as well as promoting a good work-life balance that prioritises their overall health and wellness.

6.3 We will support initiatives that benefit the environment, human welfare and education. This includes skills training that advance workforce talent pipelines for our customers and economic development in the communities in which we operate.

6.4 We will engage suppliers, customers and employees around safety, health, and wellness.

6.5 We will preserve and promote the protection of human rights and welfare within our own business activities, as well as those of our supply chain, in accordance with our Code of Ethics and the Modern Slavery and Human Trafficking Policy.

7. OUR STATEMENT ON ETHICAL GOVERNANCE

7.1 Our focus is to promote strong oversight, transparency and risk management at all levels of our organisation, ensuring resilience and long-term preservation of value for our business.

7.2 We will maintain strong corporate governance practices through exemplary board stewardship, management accountability, and proactive risk management.

7.3 We will mitigate risk exposure and build the resilience of our business to climate change and other catastrophic events through smart design and sighting.

7.4 We are committed to high ethical standards through a strong Code of Ethics, ongoing ethics training, and executive leadership that promotes a culture of integrity.

7.5 We cultivate strong stakeholder relationships through transparency, open communications, and responding to stakeholder input.

7.6 We establish clear and effective governance for ESG, set goals and establish accountability. This is set through our ESG committee and reported to our board.

8. OUR BUSINESS AND ESG

8.1 ESG is about assessing that net positive impact in the world, and taking concerted, defined and measurable action to improve it. Our value rests in our employees, our communities,

and the wider world. Therefore, ESG forms a fundamental part of how our business lives our values in the real world.

8.2 The ethical and practical values that make up the different parts of ESG have always been at the heart of what we as a company stand for. With the growth of ESG and the increased awareness of these factors among our key stakeholders, we have a better opportunity to tell the story of how our business makes a positive impact in the world.

8.3 The drive to assess a broader range of factors in a holistic manner, from environmental and climate change considerations to the social issues and how we invest in our people, to the structure of our business and always reaching for better governance, means we can tell our story better. We welcome opportunities to highlight the positive impact we have on the world.

9.OUR DUTY TO THE WIDER WORLD

9.1 As a business, we also have a duty to our people, our customers, and the wider world. ESG gives us an opportunity to bring those impacts together. We value investing in our people as we value protecting our environment and being a good corporate citizen.

9.2 Fostering openness, sustainability, and respect are our key objectives. We value everyone

and strive to work as one team. Our view on ESG is that it is a continuous process of aligning our operations and controls with our values as a company.

9.3 Our commitment to improve our social and environmental performance demonstrates a strong, well-informed management attitude and a values-led culture that is both alert and responsive to the challenges and opportunities of doing business responsibly and sustainably.

10.ESG AND OUR REPUTATION

10.1 EGS is fundamental to our reputation as a business. Reputation is built through frequent and repeated interactions with stakeholders. When those interactions are positive, our business, and our reputation, can thrive. In an uncertain economic climate, positive reputation is one of the key drivers to long term success.

10.2 We want all our stakeholders, from customers to investors to our people, to be proud to be a part of our business. Part of that pride is understanding how our business makes a positive contribution to the world.

10.3 Environmental - Environmental sustainability is an ethical and commercial imperative. Managing our carbon footprint goes hand in hand with the strategic necessity to operate efficiently. Our commitment to tackling climate change at a corporate level is fundamental to our strategic objectives.

10.4 Social - Our people make up our business. Intellectual capital is core to our clients, our business model and our long-term sustainability as a business. We aim to foster an environment that values and nurtures unique talents and contributions from every individual within a culture of inclusivity. While we have progress to make, we are committed to cultivating and empowering change by building an inclusive workplace where all talents can thrive.

10.5 Governance - Good governance is foundational to our business, and all aspects of ESG. We cannot thrive without paying attention to our compliance obligations. Our business seeks to go beyond the concept of “box-ticking” and embed compliance into the heart of our business.

11.OUR RESPONSIBILITY TO OUR CUSTOMERS

11.1 We have an obligation to our customers to offer them the best service. Customers are at the heart of our business, and without these partnerships our business wouldn't exist. Part of that commitment to customers is about responding to their needs, hearing their concerns and committing ourselves to customer satisfaction.

11.2 The best customers are those who see us as partners in their own enterprise. In turn, those customers reward us with their continued business, and building and maintaining our world-class reputation.

11.3 ESG priorities are drawn not only from investor concerns but customer needs. Customers are asking how we are improving the world around us. How are we protecting our shared natural heritage, investing in our communities and being good corporate citizens? It is imperative on us as a business that all of our interactions with customers are reflective of who they expect us to be. And that is a partner in their own enterprise. A company they are proud to work with and recommend.

11.4 That is why it is important for you to understand ESG, its impact and what it means for our company. We want you to feel proud of being part of our business and the positive impact we have on the world, so that our customers will feel the same.

12.YOUR ROLE TO PLAY IN ESG

12.1. As a member of our business, you have a vital responsibility to ensure our organisation thrives. When it comes to ESG, this means understanding your role in each area of ESG. You can start to do this by familiarising yourself with the concept of ESG, such as through this course, and also our strategic objectives around ESG. You should know:

- Our strategic ESG goals
- How we plan to achieve them and over what time
- Your individual and team contribution to those goals
- How to discuss our ESG goals with customers and third parties
- Where to report potential concerns or actions which go against our policy

12.2 On an individual level, you have an important role to play in meeting our ESG objectives. Here is how:

12.3 Environmental - We all have a role to play in reducing carbon emissions and getting to net zero. While as a business we are setting organisation-level targets, consider the choices you make and the environmental impact. For instance:

- When travelling, are there more environmentally friendly options to take?
- Can some meetings be done remotely instead of travelling?
- Think before you print
- Does the office have recycling and energy saving measures?

12.4 Social - Building a diverse and inclusive workforce where everyone feels valued is everyone's responsibility. Understanding your role in bringing people together is critical to our success as a business. From hiring the best talent to encouraging all staff to thrive, we want a workplace where people proactively work to be the best. You can help by:

- Challenging and reporting discriminatory or offensive behaviour
- Understanding diversity and inclusion policies
- Being an active ally for groups often underrepresented
- Leading by example in your work

12.5 Governance - Good governance goes beyond having the right policies and procedures in place. It's about embedding compliance in your day-to-day work. From completing training on time to actively understanding how regulations affect your work, good governance starts from the individual acting ethically. Take governance to heart by:

- Be a compliance champion in your team
- Refer to policies and procedures instead of shortcuts
- Be aware of red flags for compliance failures and risks in your area of work
- Don't be afraid to call out poor behaviour or report failures

13.ESG AND OUR VALUE CHAIN

13.1 Our business does not operate in isolation; almost no company does. Value is created through collaboration and partnerships. Similarly, risks can come from not anticipating problems, gatekeeping, and hiding critical information. Traditional risks in supply chains were generally about quality, cost effectiveness and reliability. But seen through an ESG lens, the holistic nature of the third parties, from how they source raw materials to how they treat workers and comply with accepted standards are just as vital.

13.2 A workforce health and safety incident, labour dispute or allegation of corruption can have serious impacts on stakeholders up and down the value chain. The value chain matters, and it is connected. Customers are increasingly voting with their feet and putting pressure on companies to act with ethical decisions in mind.

13.3 Ethical procurement gets to the heart of the value chain. When we consider the entire value chain, from raw material supplier to end use customer, we can better understand the needs and impacts of our business's decisions within those relationships. Ethical procurement within the context of ESG means paying attention to the carbon impacts of a supplier, and the labour practices of an end-user.

13.4 Considering these impacts doesn't always mean refusing to work with someone in the value chain where practices, we can ensure clauses are inserted into contracts to maintain an adequate standard of employment for those working for the supplier. This can help actively change labour practices, as opposed to simply refusing to work with a supplier. Or when working with a logistics provider, we might ask for emissions reporting so we can then offset the carbon used.

14.HOW TO PROCURE ETHICALLY

14.1 Risk assessments: Undertake risk assessment of the value chain to identify key vulnerabilities based on supplier and customer needs.

14.2 Real-time tracking: Real-time tracking and traceability over suppliers and movements of goods and services.

14.3 Screening, risk-ranking & monitoring: ESG due diligence on suppliers to evaluate

and rank them based on their ESG profile and track record, and monitoring for ESG breaches.

14.4 Investigations: Investigate ESG incidents that take place in the value chain, have remediation plans ready and manage financial and reputational damage.

14.5 Incident response management: Build robust internal governance frameworks to respond to ESG issues in the value chain.

15.OUR ESG GUARDIANS

15.1 Our ESG guardians sit directly beneath our board in terms of seniority. The purpose of the Guardians are to gather and review data from broad parts of the business, then filter and summarise it upwards to the board.

The ESG guardians are responsible for writing the ESG pages inside the annual report, and producing all information regarding ESG disclosures.

15.2 The aim of the guardians is to establish a unified view of ESG, increasing understanding of all three aspects, environmental, social and governance, and to promote robust standards of corporate governance that integrate all these aspects for non-listed real estate vehicles. This will help the industry more effectively integrate ESG factors into the real estate investment decision-making process.

15.3 The key objectives of the guardians are to:

- Emphasise the importance of environmental measures, sustainability goals and performance, at all levels of the business.
- Provide best practice on the structure, policies and regulations that impact the business
- Increase understanding and awareness of corporate governance and social aspects that impact the industry.
- Implement and promote common and workable standards of corporate governance for the business.

16.MONITORING AND ENFORCEMENT

16.1 We seek to proactively prevent and mitigate instances of non-compliance with this ESG policy.

16.2 Any breaches or concerns, including ethical concerns or potential breaches in our commitment to high ethical standards should be reported as soon as possible through our whistleblowing channels.

16.3 Progress on this policy is reported to the Board on a regular basis. Active participation and engagement at all levels of the business is of great importance to ensure ownership of ESG by all staff. At minimum, we endeavour to maintain compliance with legislative requirements.

14.3

APPENDIX 3: SUSTAINABLE THINKING ARTICLES

published by our Chairman

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Haarseev Singh Kandhari
Chairman at Vaculug – Europe's largest
independant retreader

29 artículos

+ Seguir

6 de septiembre de 2022

WHY SUSTAINABILITY IS ABOUT MUCH MORE THAN 'THINKING GREEN'

September 6, 2022

Over recent years, the concept of sustainability has become almost interchangeable with climate change and so-called 'green initiatives'. However, sustainability is about so much more than hollow words and empty platitudes. It's about ensuring that developing countries have access to clean water and food, and addressing economic disparity so the people who need it most get a slice of the pie.

Because whilst many of the big corporations may use the socially conscious language of 'stakeholder capitalism', the concept of sustainability has been reduced to little more than a series of vague promises and meaningless industry buzzwords. In other words, for a great many it's just a cynical marketing ploy.

We have political leaders and international corporations constantly sounding the alarm about impending climate catastrophe. They tell the public, many of whom are struggling to make ends meet amidst global economic instability, that they must adapt their lifestyles before it's too late. And whilst I do agree that each of us should look at ways to reduce waste and live in more environmentally friendly ways, it strikes me as just a tad hypocritical when those doing the lecturing are often billionaire 'philanthropists' from the comfort of their mansions, private jets, and super-yachts.

But does that mean that sustainability is a myth? I believe that with transparency, a real commitment to change and corporate accountability and cooperation, it doesn't have to be.

Because the real meaning of sustainability is a business meeting its own needs and achieving success without compromising the resources or opportunities of future generations and the poorest sections of society. True sustainability is about turning a profit and yet still operating in a way that benefits the global community.

Sustainability doesn't have to be a myth or used as a thinly veiled excuse to exploit environmental and economic crises for monetary gain. I believe that if the big corporations and industry leaders are honest about what is and, just as importantly, isn't achievable, real change can be made and steps taken towards a more sustainable future, which benefits the many rather than the few.

For example, at Vaculug we donate 10% of all profit to various charitable initiatives. We have just started three new programmes in addition to the Z Aspire Education programmes that we already run. The first is called Homes for Hope, where we build homes for the underprivileged. The second is Prayer for Purpose, where we pay for widows who have no other source of income and no skills to come to our office in India and pray for the day. This gives them a purpose rather than just a handout. Finally, we have also started the Oneness Education Initiative which gives one pound for every Vaculug tyre sold to paying salaries for teachers who go to impoverished villages to educate those who cannot travel.

As global citizens, I believe that all international corporations should look to support local initiatives in the countries where they operate, so that their success feeds back into the communities that helped build them. Because healthier and happier communities are productive communities, which leads to a stronger economy and ultimately, better business opportunities. This is sustainability in practice — it benefits everyone at every level. And rather than meaningless environmental platitudes and empty corporate promises, isn't that something actually worth aspiring to?



Haarjeev Singh Kandhari

Chairman at Vaculug – Europe's largest
independant retreader

29 articles

+ Seguir

18 de octubre de 2022

WHY “GREEN” INITIATIVES OFTEN HURT THE POOREST

October 18, 2022

Whilst we can all agree that big change needs to happen if we are to protect the planet for future generations, we must be careful about who ends up paying the price for so-called ‘green initiatives’. The average person is told to consume less while paying more for basic necessities such as food and electricity, as real wages and subsequently the standard of living declines.

The problem is that green policies often disproportionately affect the poorest and most disenfranchised sections of society, and target developing countries that have arguably already been destabilised as a result of Western greed.

It’s very easy to tell people to ‘make do with less’ when you’ve got no idea what it’s like to go without in the first place. Would billionaire philanthropists be so quick to preach about energy consumption and climate change if they didn’t know how they were going to feed their children and heat their homes in the months ahead?

Reducing the standard of living in order to ‘save the planet’ may seem like a small price to pay for the affluent living in Europe and America, but it becomes a question of basic survival for the poorest sections of society.

My question is, why is the onus always put on everyday working people, rather than those who are in a position to instigate real change? And why should developing countries, with already fragile economies, pay for the environmental problems created, in large part, by the Western obsession with overconsumption?

This is because of the Golden Rule! What is the Golden Rule? Is it from the Gospel of Matthew (7:12): “In everything, do to others what you would have them do to you.” No, it is not! The Golden Rule is – He who has the Gold makes the Rules!

And so, the green policies currently favoured by Western governments vastly increase their profit margins, whilst hitting the poorest people in the pocket. They allow big corporations to appear morally and socially conscious, when the reality is anything but. Because whilst the West preaches about climate change and positions itself as a virtuous defender of the environment, it continues to pollute the planet with impunity.

Therefore, is it really any surprise that Western governments are so quick to champion green policies that make them look good, don’t affect their bottom line, and sees the poorest countries paying for the consequences of their actions?

The fact is that the transition to greener energy and more environmentally sustainable business practices is a noble and worthy goal. But purposefully driving up the cost of energy and other basic necessities, when millions of people all across the globe are already struggling to make ends meet, is a mercenary approach to a serious issue.

Addressing the issue of climate change requires research, adaptability and long-term innovation that makes green energy accessible and, just as importantly, affordable to all.

But real green initiatives should target those who can instigate the greatest change, and that’s not the average working person. Of course, we can all individually ‘do our bit’, but those with the biggest responsibility are those who consume the most, namely the West and the big corporations. **So, the question is, how and when do we start holding them to account?**



Haarjeev Singh Kandhari

Chairman at Vaculug – Europe's largest
independant retreader

29 articles

+ Seguir

17 de noviembre de 2022

OP27 IS JUST HORSE EXCREMENT!

November 17, 2022

I haven’t been following COP27, not because I don’t care about the effects of climate change, but because I think the whole thing is a waste of time and a rather expensive joke. Why? Because it panders to the belief that the big corporations actually care about their environmental impact, allowing them to appear virtuous whilst they continue to abuse the world’s resources with impunity. It basically amounts to greenwashing on a global scale.

The simple fact that Coca Cola, one of the biggest polluters in the world, is sponsoring COP27 tells you everything you need to know about the aim and authenticity of the event. These people don’t care about tackling climate change. The only thing they care about is increasing their profit margins, and they don’t care if they have to exploit the environment or the taxpayer to do it.

I don’t believe for a moment that the UK is going to hit carbon net-zero by 2050. And the truth is that neither do the people who are making such claims. This obligation has supposedly been entrenched by law, but as we’ve seen recently laws can change in 30 seconds. So, the likelihood of reaching carbon net-zero by 2050 without backtracking or U-turns is practically non-existent.

The Business Ambition 1.5°C campaign is yet another example of an empty promise dressed up as a green initiative — it looks great on paper but just doesn’t hold up under greater scrutiny. It’s simply not achievable. However, that’s not to say that there aren’t companies who are actively transitioning to more sustainable business practices, including Vaculug who are committed to becoming carbon neutral by 2030. But for most corporations, it’s nothing more than lip service — an opportunity to show off their environmental

credentials without having to make any serious changes to their business operations. In other words, it’s all just horse excrement!

And the worst thing is that they know it. And yet rather than focusing their energies into what actually is achievable, they keep spouting this nonsense and treating the public like fools. The consequences of this environmental posturing has profound implications, because the West’s ostracization of fossil fuels pushes control into countries such as Saudi Arabia, where we have no say over regulations, methods of extraction, or how and where they’re used. And who ends up paying?

It isn’t the large multinationals, who just seem to get richer and richer! It’s the everyday working person. Because the fact is that we whilst we can produce products more efficiently, we can’t simply produce them out of thin air. But no-one’s investing in fossil fuels or oil anymore because it doesn’t follow the green narrative, and businesses are already beginning to suffer the effects. And trust me, the big corporations won’t suffer for long because they’ll simply pass any losses on to the consumer.

So, when are people going to wake up, start calling out the lies and hypocrisy and hold these charlatans to account? Because it isn’t their profit margins that the big corps are gambling with — their bottom lines won’t suffer no matter what happens. They’re gambling with your future and that of your children’s. How much longer are we going to keep letting them get away with it for?

14.4

APPENDIX 4: EUROPE'S LARGEST INDEPENDENT RETREADER PUTS

ABSTRACT

In 2023, vaculug was europe's largest independent retreading enterprise. serial entrepreneur haarjeev kandhari acquired the business in 2018, and under his leadership as chairman, the company started a new and exciting journey.

A purpose-driven leader, Haarjeev's decision to acquire the business was driven by a single goal and mission: grow the size and profitability of the business to support the important work of the Zenises Foundation, the charity he established long before. The focus of the Foundation was to provide education and food security to people and communities in need.

In 2022, Haarjeev began transitioning Vaculug towards sustainability. He knew the path forward wouldn't be easy, however, as it was a complex time for SMEs who were facing immense economic pressures. Given the challenges, many questions lingered in Haarjeev's mind about the best way forward for the company, with the most pressing question being:

Was this the right time to pursue the company's journey of sustainable transformation?

This case is for educational purposes and is not intended to illustrate either effective or ineffective management of an organisational situation. The situations and circumstances described may have been dramatized or modified for instructional purposes and may not accurately reflect actual events.

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Professor & school deputy director.

BIOGRAPHY

Paolo Taticchi is Professor in Strategy and Sustainability & School Deputy Director (MBA, Global Engagement, Executive Education) at UCL School of Management.

Highly active in executive education, Paolo has trained thousands of managers and executives of Fortune Global 500 companies; and is a sought-after speaker regularly invited to give keynote talks at world-class academic, governmental and industry events.

Paolo's research on corporate sustainability and performance measurement is internationally recognized. Paolo's latest books include "Corporate Sustainability in Practice", which was published in January 2021, and "Sustainable Transformation Strategy", published in June 2023.

Outside of the academy, Paolo has significant consultancy experience in the fields of strategy, education, and sustainability. He has worked in this capacity for firms of various sizes, and in a range of different industries. Today, he advises (or serves in the advisory board) influential organizations and is one of the scientific advisors of the Ministry for the Ecological Transition in Italy.

He has received numerous awards for the impact of his work. His projects, quotes and opinions have been featured over 350 times in international media outlets. In 2021, Paolo was indicated by Italian's leading business daily Sole 24 Ore as the most influential Italian under the age of 40.

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BIOGRAPHY

Melina is a Research Assistant at UCL School of Management, where she supports various projects focused on business strategy and sustainability, including case studies and white papers. Melina is also a consultant supporting organisations with their marketing and business communications needs, and sustainability reporting.

In collaboration with Professor Taticchi and Melissa Demartini, Melina coauthored a book titled “Sustainable Transformation Strategy”, published in June 2023.

Previously, Melina worked in the Media Sponsorship & Marketing field for 15+ years in Canada, where she collaborated with various Fortune 500 companies and brands to develop strategic partnership marketing initiatives, including several programmes that garnered awards from the Sponsorship Marketing Council of Canada. More recently, Melina worked as a Sustainable Content Marketing Strategist for a UK based consulting agency specialising in the sports and sustainability field.

Passionate about the field of sustainability in sport, Melina is a current member and volunteer with Sport and Sustainability International, a not-for-profit organisation that is focused on accelerating sustainability in and through sport. A mother of two young girls, Melina is motivated to support, learn from, and collaborate with individuals and organisations that are striving to create a better world for future generations.

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Ppaolo Taticchi, OMRI, *Professor & School Deputy Ddirector.*



Melina Corvaglia-Charrey,
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Sustainability in motion

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