

Headlam Group plc (the 'Company')

Environmental, Social and Governance ('ESG') Committee - Terms of Reference

Purpose and definition

The ESG Committee (the '**Committee**') has been established by the Company for the purpose of assisting the Board of Directors of the Company (the '**Board**') in the fulfilling of its oversight responsibilities with respect to the ongoing development and progression of the Company's ESG strategy.

The Company's ESG strategy is focused on ensuring the long-term sustainability and success of Headlam for the benefit of all stakeholders, and covers all areas relevant and applicable to the Company. The key aims under the ESG strategy as at the date of this document are given below. They form part of a full Sustainability Report published annually which includes other focus areas.

Environmental: Reducing environmental impact and contribution to climate change

- Reduce direct Greenhouse Gas ('GHG') emissions (Scope 1 and 2), and contribution to climate change
- Increasing focus on sustainable products and recycling, including to capture growing consumer demand
- Work with all stakeholders to increase the sustainability of the industry as a whole, and transition to a circular economy

Social: Making the Company a great place to work with a positive impact on local communities

- Continual focus on support, wellbeing, and health and safety to keep people safe and well
- Increasing development opportunities to make the Company a great place to work, and attract / retain the best people
- Creating an inclusive and collaborative culture to help drive business performance, and develop a Diversity, Equity and Inclusion ('DEI') strategy

Governance: Managing risk, with robust controls and frameworks in place

- Focus on business integrity, transparency, and robust controls including to ensure reputation
- Supplier engagement on supply chain risk, ethical business, and commercial / strategic opportunities
- IT systems which are both resilient and scalable, including to support the Company's overall growth strategy

Constitution and meetings

The Committee is an executive committee, reporting to the Board.

The Chief Executive shall be the Committee Chair, and the members of the Committee are as follows:

- Chief Executive (Committee Chair)
- Chief Operations Officer
- Director of Investor Relations and ESG
- Chief People Officer
- Chief Customer Officer

- Company Secretary
- Director of Finance
- General Manager, Tamworth, home of product brands

In the absence of the Committee Chair at any specific meeting, the remaining members present shall elect one of themselves to chair the meeting.

Meetings will normally be held four times per year at appropriate intervals. Meetings may be held in person, by video conference, telephone or by any other manner permitted in the Company's constitution. Outside of the formal meeting programme, the Committee Chair will maintain an ongoing dialogue with members on the Committee's role and responsibilities (given below).

A quorum at meetings of the Committee will be four. Only members of the Committee will have the right to attend Committee meetings. However, other individuals may be invited by the Committee Chair to attend all or part of any meeting when appropriate. One of the Board's Independent Non-Executive Directors will be invited to attend each meeting. In addition, where the Company has an engagement with an external ESG / sustainability adviser, they will also be invited to attend each meeting.

The Company's external risk management specialist will be the Secretary to the Committee (the '**Secretary**'), attending each meeting, and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration. Meetings of the Committee shall be called by the Secretary at the request of the Committee Chair or any of its members. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person invited to attend no later than five working days before the meeting. The Secretary shall minute the proceedings and decisions of all meetings, including the names of those present and in attendance. Draft minutes will be circulated to members of the Committee for approval following meetings. Following approval, they will be circulated to the Board.

Role and responsibilities

The Committee's primary responsibility is to implement, progress and develop the Company's ESG strategy, including overseeing the Company's most material sources of ESG risk and opportunity, associated actions to address, and disclosure requirements and reporting.

In carrying out its responsibilities, the Committee will:

1. Review and present for Board approval the strategy for discharging the Company's ESG responsibilities, including the Company's key aims and priorities;
2. Regularly consider the most material sources of ESG risk and opportunity, and review the associated actions undertaken to address
3. Scrutinise and measure progress of the ESG strategy against agreed actions, KPIs, targets and metrics;
4. Ensure that short and longer term objectives for the Company's ESG actions are in place, and key metrics including KPIs and targets reported on;
5. Receive regular reports from the Company's ESG Working Group, which is concerned with the day-to-day management and delivery of certain projects under the Company's ESG strategy;

6. Management of the Company's ESG related risks (including specific climate-related ones) as recorded and monitored by the Company's Executive Risk Committee;
7. Review and support the development of relevant ESG related policies and code of conducts, including, but not limited to: Environmental Policy; Diversity Policy; Supplier Ethical Code of Conduct; Modern Slavery Statement; and Anti-bribery Corruption Policy;
8. Identify and monitor external developments which may have an impact on the Company's approach to ESG;
9. Ensure the Company adheres to all ESG related disclosures and regulatory reporting requirements, and is aware of best practice;
10. Prepare / review all ESG related materials (both internal and external), and seek approval for their publication as appropriate;
11. Review and monitor all stakeholder feedback on ESG matters, engaging and responding as appropriate; and
12. Make recommendations to the Board on all matters relating to ESG, including changes to and development of the strategy.

Other matters

The Committee shall:

- Have access to sufficient resources in order to carry out its duties;
- Be provided with appropriate and timely training as required;
- Oversee any investigation of activities which are within its terms of reference;
- Work and liaise with other Company committees as necessary, including the Executive Risk Committee;
- Arrange for periodic reviews of its own performance; and
- Review the Committee's constitution and terms of reference annually, recommending any necessary changes.

Reporting responsibilities

The Committee Chair will report to the Board on its proceedings, identifying any matters arising in the meeting or within the remit of the Committee which it considers needs noting or decision by the Board. ESG is a standing Board agenda item, and formally discussed at Board meetings four times annually. At these meetings the Committee Chair will report on the Committee, including making any relevant recommendations on all matters relating to ESG, including changes to ESG strategy, key aims and priorities.

Approved and adopted on 25 April 2023