

headlam
group plc

ESG Strategy Report
May 2021



Contents

Introduction	3	Introduction from the Chief Executive
	4	Headlam Business Overview

Materiality	5	Materiality Assessment
--------------------	---	------------------------

ESG Strategy	6	ESG Strategy
---------------------	---	--------------

Material Issues	8	Supply Chain Risk
	10	Internal Emissions
	11	End-of-life Disposal
	13	Health and Safety
	15	IT Resilience and Cyber Security
	16	Governance

Introduction from the Chief Executive



Steve Wilson
Chief Executive

Headlam's business model places it as a central participant in the floorcoverings industry, connecting manufacturers to trade customers, and as a consequence through to end-consumers. Creating shared value for all our stakeholders is an essential constituent of our past, present and future success, and an explicit aim of our commercial strategy.

Conducting business responsibly, and developing an increasingly sophisticated and concerted approach to Environmental, Social and Governance ('ESG') issues, is not only a moral obligation, but a strategic necessity to maintain

relevance and resilience in the long-term. Accordingly, this foundation document sets out Headlam's initial focuses and broader ambitions in sustainability and ESG.

After consultation with both internal and external stakeholders, we have established those ESG issues most material to ourselves and our stakeholder partners. Much of this ensuing ESG strategy demonstrates the need to work with these partners, and to open up dialogue with market participants on how to best prepare and position ourselves collectively to proactively address the industry's sustainability issues.

Whilst this report represents the first time that we have formalised our ESG strategy, we already have a wide array of responsible practices ongoing within our business, from reducing direct emissions and energy usage, to waste management and health and safety improvements. I am proud of the demonstrable progress that we have already made. Nonetheless, meaningful change is not possible without a holistic assessment of the current and future situation, and deep understanding of potential challenges.

The floorcoverings industry faces certain technological challenges and market dynamics which may have limited its overall sustainability progress to-date. The market has global participants, a very diverse and highly fragmented customer base, and few recycling technologies readily available at this time. Furthermore, on the demand-side, purchasers of product are not yet clearly signalling a marked preference for sustainable products, and these products currently represent a small proportion of the overall selection available in the marketplace. But to stand still is to fail to recognise the macro-trends permeating and altering all industries. We anticipate an increasing customer focus on sustainable

offerings and sustainable operations. In addition, regulatory changes are probable in the medium-term as policymakers consider producer responsibilities and end-of-life treatments, both of which would have a meaningful impact on our business and need to be addressed.

We recognise the importance of sharing where we are as a company with the whole industry - sharing our actions and commitments as they develop to help support change across the wider industry. Some of our ambitions are readily within our control and actionable near-term, while others require a collaborative approach with our partners to elicit real change.

As with all our strategic undertakings, we are focused on a measured and deliverable plan rather than on distant targets not readily realisable. As we learn, collaborate, and develop, so too will our ambition and commitments, and near-targets will be introduced and re-evaluated yearly within our Reports.

We have committed to updating on our progress on a bi-annual basis. Our next update will be in November 2021, and subsequent to that alongside our 2021 Annual Report, we will be publishing a full-form ESG Report aligned with both the Task Force on Climate-related Financial Disclosures ('TCFD') and the Sustainability Accounting Standards Board ('SASB') as per the Financial Reporting Council's recommendations.

Thank you for taking the time to read about our plans.

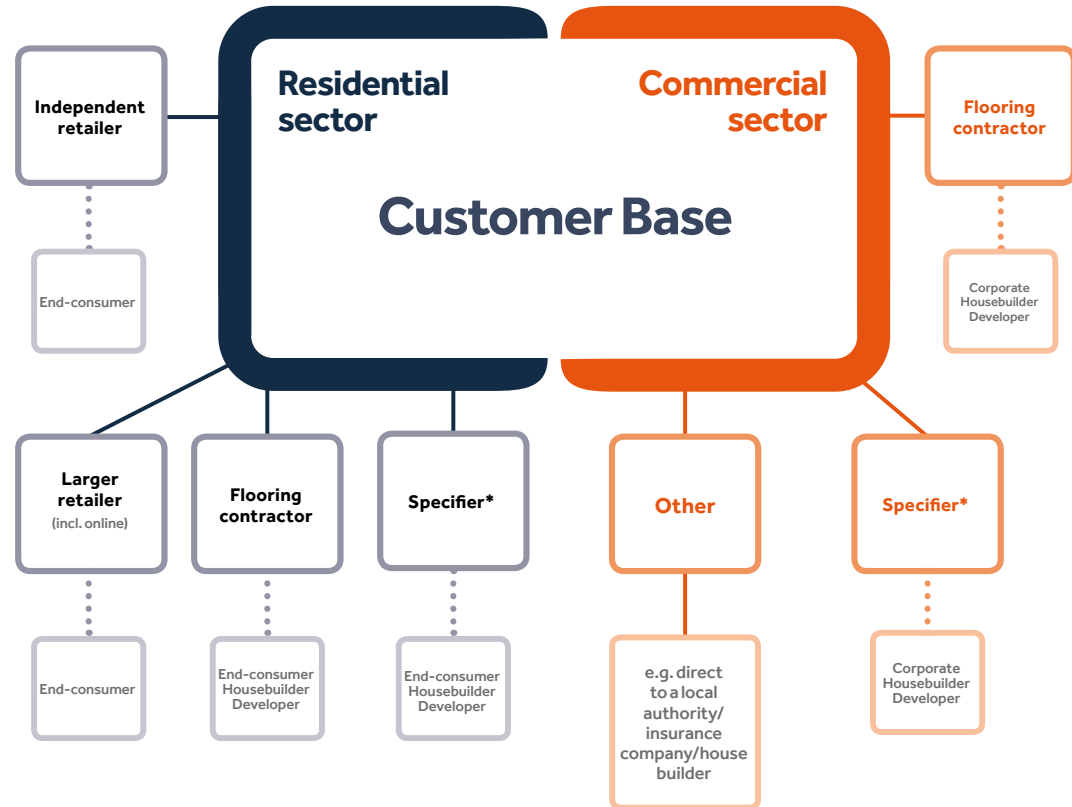
Headlam Business Overview

Headlam is Europe’s leading floorcoverings distributor, providing the channel between suppliers and trade customers.

Headlam works with suppliers across the globe manufacturing a diverse range of floorcoverings, including carpet, laminate, vinyl and accessory products. Headlam provides suppliers with a cost-effective route to market into a highly fragmented customer base. Suppliers also benefit from Headlam’s extensive marketing, customer data, and insight into trends.

Headlam’s customer base covers both the residential and commercial sectors and is diverse both in profile and size. The Company provides its customers with the broadest product offering, a ‘just-in-time’ nationwide delivery and collection service, e-commerce support, and unrivalled product knowledge.

To facilitate the most effective and broadest service, Headlam operates 66 businesses from 21 distribution hubs and centres across the UK and Continental Europe (France, and the Netherlands). Each business operates under its own trade brand, while being supported by the Company’s extensive distribution network and centralised resources.



* Including architects and interior designers who determine the products to be used on a project

Materiality Assessment

During 2020 and early 2021, Headlam carried out a materiality assessment with the dual aims of understanding its key sources of ESG risk and opportunity, and to serve as the foundation for its ESG strategy.

Methodology

Research and Refinement

Using internationally accepted reporting frameworks, including the Sustainability Accounting Standards Board ('SASB') and the Global Reporting Initiative ('GRI'), alongside sector research, Headlam identified a comprehensive long-list of ESG issues affecting its operations. Issues were then prioritised through an ESG risk and opportunity mapping exercise. The extent of risk posed to Headlam was scored across three categories:

- **Reputational** - risks associated with company trust, and relationships with external stakeholders
- **Investor** - risks associated with investor perceptions of long-term viability
- **Operational** - risks associated with impacts on regular business activities and expenditures

Each issue was also scored according to their associated opportunities available to Headlam.

Consultation

A refined list of ESG issues was taken to consultation with external stakeholders, including suppliers, customers, and investors. In addition to external consultation, internal interviews were also conducted with a wide cross-section

of Headlam management and employees, including representatives from the Company's established Employee Forum.

In accordance with GRI guidelines, the level of current operational control and influence Headlam has over these ESG issues was considered to help the Company structure its approach.

Outputs

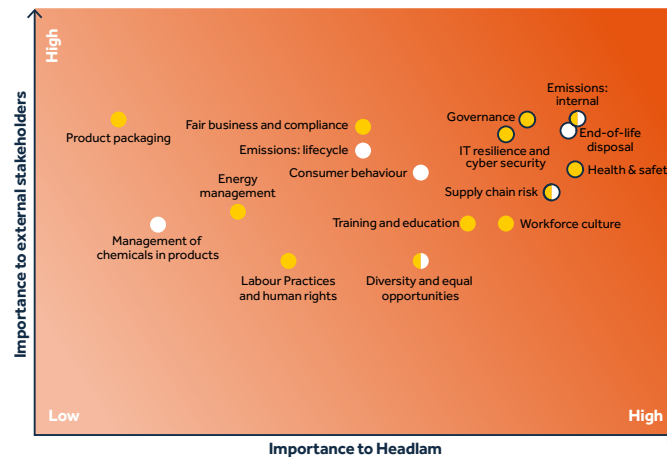
Extent of issue materiality was estimated on a basis of importance to Headlam and importance to external stakeholders, as illustrated on the matrix below which was published in the Company's 2020 Annual Report.

The key material issues considered of the highest importance to Headlam and its external stakeholders were identified as:

- Internal Emissions
- Governance
- End-of-Life Disposal
- Health and Safety
- IT Resilience and Cyber Security
- Supply Chain Risk

These topics will form the basis of Headlam's ESG strategy over the medium-term.

It is expected that ESG issues will not remain static in their current degree of materiality. As such, all issues within the materiality assessment will continue to be monitored to ensure Headlam addresses ESG risk and captures opportunity in future years. In particular, Consumer Behaviour is seen as a leading indicator of future industry change. Workforce Culture is also seen as critical to implementing group-wide sustainable practices and behaviours across the business, and is already a centrepiece priority for 2021.



ESG Strategy

Overarching Strategy

To support sustainability in the floorcoverings industry - by engagement and example ... and to ensure that Headlam is well positioned to take advantage of future market dynamics.

Key Areas of Focus

The outputs of Headlam’s materiality assessment allowed the Company to structure its overarching ESG strategy and build its next steps around the key material issues identified. The key material issues are shown below and grouped around three spheres of influence: Headlam, its partners, and the industry at large.

For internally-focused issues, where Headlam has a high degree of influence, Headlam will implement actionable initiatives to address them, and introduce near-term targets.

For Supply Chain Risk and End-of-Life Disposal, where the Company has lower direct or operational influence, Headlam will use increased data collection, existing and commissioned market research, and greater interaction with stakeholders to better understand the challenges, and start a dialogue to develop actionable initiatives.

Key Enablers

In addition to new initiatives addressing the six most material issues of focus, the Company will continue to advance its standing workstreams across ESG issues. These are outlined in the 2020 Annual Report, and encompass improving usage of recycled packaging and waste management, as well as actions to improve diversity and communication within the business. The Company’s progress on these matters will continue to be disclosed in its reporting cycle.

Headlam Working with our people	Partners Working with our partners	Industry Engaging the wider industry
Internal Emissions Health and Safety Governance IT Resilience and Cyber Security	Supply Chain Risk	End-of-Life Disposal

ESG Roadmap and Actions

Headlam sees two factors as key enablers for delivering on its ESG Strategy:

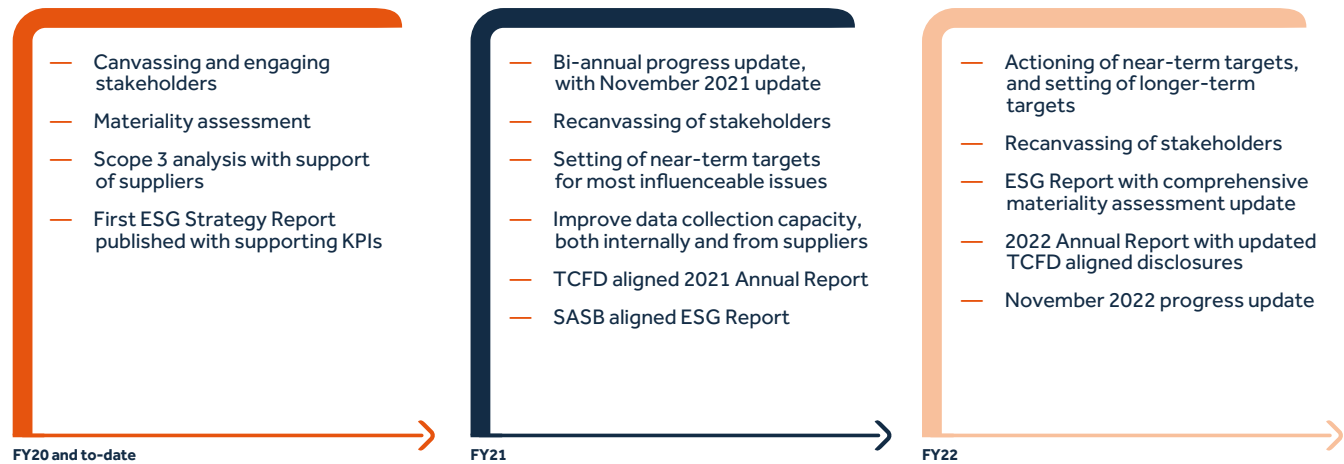
— **A Strong Workforce Culture**

Progressing its 'People and Culture Strategy' which is a driver of effective governance and sustainable practices across its operations. Two key pieces of the strategy are: embedding of the Company's values and behaviours; and developing capability in change management by implementing 'Leading through Change' workshops for leaders of the UK distribution hubs and centres in 2021.

— **Insight from Scope 3 Greenhouse Gas ('GHG') assessments**

Scope 3 emissions are GHG emissions that Headlam is indirectly responsible for outside its own operations - from the goods the Company purchases to the disposal of floorcoverings once sold. Headlam conducted its first Scope 3 assessment in early 2021 in conjunction with suppliers, which is published within this report. Insights from this work, to now be undertaken on an annual basis, will be a valuable tool to understand supply chain emissions. In addition, the process of data collection will serve as an additional framework to engage with suppliers, particularly as they increase their own ESG ambitions.

Headlam's ESG roadmap demonstrates the work done thus far, as well as its approach to a deliverable plan over the next two years.



Supply Chain Risk

Pillar:
Partners

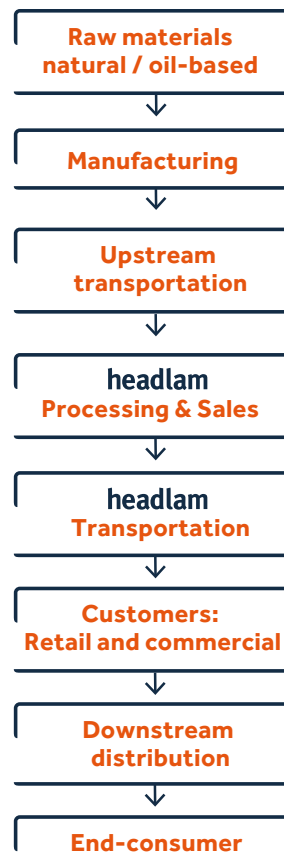
Level of Current Operational Influence:
Moderate

Ambition:
Work with the right suppliers to promote ESG standards, and reduce supply chain risk

Risk:
High-profile supply chain issues are a major source of reputational risk; Regulatory outcomes, including potential Extended Producer Responsibility ('EPR') policy, could alter or limit suppliers' product offering, and therefore Headlam's product offering

Opportunity:
Deepen partnership with trusted suppliers most able to demonstrate responsible business conduct and supply chain efficiencies

Headlam and the Value Chain



Context:

To provide customers with the broadest product range available, Headlam sources from over 180 suppliers internationally. However, more than 80% of products purchased (by cost) are encompassed by 30 suppliers, and who Headlam typically has long-established relationships with. The vast majority of the Company's suppliers are based in Europe and UK, 57% and 33% respectively by purchases, 90% in total.

Strategic Direction:

Headlam will develop a **Supplier Risk Assessment** to identify areas of concern and inform engagement actions. This process will become a key part of Headlam's actions to eliminate the risk of forced labour occurrence and other human rights violations within the supply chain.

The supplier risk assessment system, which builds upon the Company's current activities outlined in its Modern Slavery Statement (published on its website), will allow the Company to plan, assess, review, and act.

Plan

Based on Headlam's own materiality assessment, the Company will determine key issues the supplier risk assessment will focus on.

Assess

Desk-based research to identify suppliers with high risk of negative environmental or social impacts.

Review

The Company will overlay the strength of its relationships with suppliers against risk extent.

Act

Next steps will be based on review process, with low-risk monitoring through to direct supplier engagement. These actions will be allied with staff training, and physical visits as required, to ensure effective implementation.

Supply Chain Risk continued

Building on this work, the Company will also begin developing a **Procurement Charter** in 2021. The expectations set out in this charter will be developed with input from suppliers, and Headlam will continue this collaborative approach to support subsequent compliance.

Finally, the Company will increase engagement with suppliers on supply chain efficiencies, for instance production scheduling and deliveries, and product-specific tender processes. These actions will make both parties more efficient and sustainable in their operations, and have the added benefit of consolidating the overall number of Stock Keeping Units ('SKUs') carried by the Company without affecting the customer offering. The Company will also provide insights on sustainable consumer trends to suppliers, and promote suppliers' sustainable product offering.

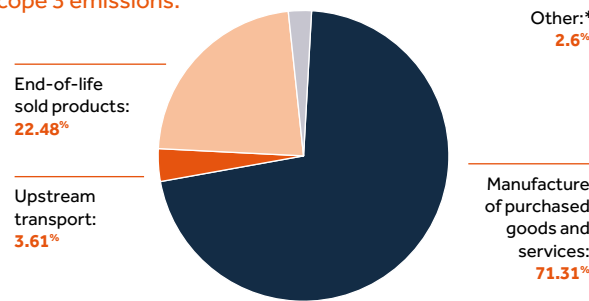
Key Enabler: Scope 3 GHG Assessment

Headlam carried out its first Scope 3 assessment in 2021 following the GHG Protocol Corporate Value Chain (Scope 3) Accounting Standard methodology. The objective of this assessment was to understand where the greatest GHG emissions are produced outside of Headlam's own operations (Scope 1 and 2), and to provide insight on supply chain risk from an emissions perspective. Scope 3 emissions are often much greater than a company's direct (Scope 1 and 2) emissions. Therefore, with the right collaboration and support, opportunities for reductions can be significant.

Given this was Headlam's first Scope 3 assessment with its suppliers, the process was considered equally as important as the final outputs. The assessment focused on scoping which sections of the value chain were of greatest relevance in terms of impact, and determining data availability in the supply chain.

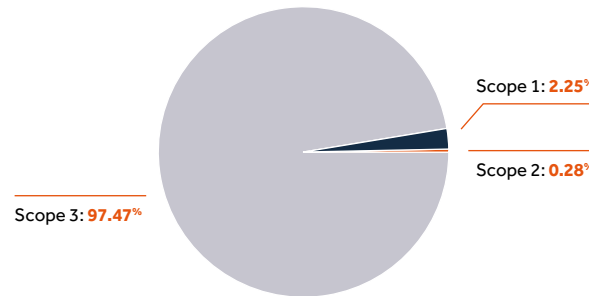
The result of the assessment shows the most material value chain impacts:

Scope 3 emissions:



*Waste generated in operations, employee commuting, capital goods, and fuel-related activities not included in Scope 1 and 2

Headlam's Scope 1, 2 and 3 emissions:



Key

- Scope 1 Direct GHG emissions, predominantly arising from Headlam's transportation activities
- Scope 2 GHG emissions generated from purchased electricity at Headlam's sites
- Scope 3 Indirect GHG emissions produced outside Headlam's own operations

By increasing engagement across the value chain and indicating to suppliers what future data the Company will be seeking and why, this process has laid the foundations for improved future inputs. This will make Scope 3 an increasingly useful tool for prioritising Headlam's actions to reduce risk and support positive change within the supply chain.

KPIs

Risk assessment

- Development of a risk assessment system for Headlam's suppliers
- Number of suppliers run through assessment stage, review stage, and act stage

Procurement charter

- Development of a procurement charter
- % of suppliers signed up to charter

Partnership approach

- % decrease in SKUs

Internal Emissions

Pillar:
Headlam

Level of Current Operational Influence:
Moderate

Ambition:
To reduce Headlam's Scope 1 and 2 GHG emissions

Risk:
Negative pressure from emissions-focused investors and ratings agencies; reduced stakeholder support; ESG-related increases in cost of capital

Opportunity:
Strengthening relationships with environmental focused stakeholders; reducing cost or mitigating cost increases; and reducing air pollution in communities

Context:
One of the Company's commitments is to reduce its contribution to GHG emissions and climate change. Approximately 90% of the Company's (Scope 1) GHG emissions arise from fuel sources used in its

transport activities (both commercial and non-commercial fleet), with the remainder owing to natural gas usage at various sites. As such, the majority of the Company's emissions reduction work over the last few years has focused on optimising its commercial fleet, otherwise known as the Transport Integration Project.

The Company's Scope 2 GHG emissions arise mostly through electricity consumption at sites. The Company will target a reduction in energy usage through investment in its property estate, upgrading sites with more efficient technologies and equipment, and promoting energy saving actions and behaviours across all sites.

Case Study:

Transport Integration Project

The Company commenced Transport Integration trials in 2018, and with trials successfully completed commenced the roll-out of the project. By the end of 2020 it had been implemented across approximately 25% of the Company's UK deliveries. The project has resulted in increased deliveries per vehicle, a reduced number of vehicles needed to serve local areas, and a meaningful reduction in fuel consumption and CO₂ emissions.

For example, the implementation of the project in Headlam's 'North' operating region resulted in 15 out of 45 vehicles being taken off the road, and an increase from 12 deliveries on average per vehicle to 16, improving efficiency by 33%.

Full national roll-out of the project is scheduled to be complete by end of 2021 / early 2022, with updates being provided on how its implementation has reduced vehicle numbers and fuel consumption.

Strategic Direction:

The Company will take a four-pronged approach to reducing its Scope 1 and 2 GHG emissions.

1. The Company will complete the roll-out of its Transport Integration Project and report on the benefits arising. Once rolled-out, the Company will endeavour to reduce commercial fleet emissions further, for instance through dashboard training to review good driver behaviour and ensure continued improvements.
2. The Company will consider viable options to make its non-commercial fleet more sustainable. It will improve the availability of hybrid and low emissions vehicles over the near/medium-term, and is currently rolling out electric vehicle ('EV') charging points across its existing property estate.
3. The Company will progress key recommendations from the Energy Saving Opportunities Scheme ('ESOS') Phase 2 report. Recommendations include promoting energy saving actions across the group such as encouraging employee behaviour-change regarding energy use, and further implementing more efficient lighting.
4. The Company will continue to focus on more efficient and relevant customer ordering and delivery services. This includes increased promotion and usage of the improved B2B websites relaunched in 2020, and increased capacity for customers to collect orders from the trade counter network in nearby locations. Physical visits needed to be made to customers by sales representatives will likely reduce in frequency, thereby further reducing emissions per order.

KPIs

- Aggregated fuel-use spend per £ of revenue (Transportation (Scope 1) emissions per £ of revenue)
- % of hybrid and low emissions vehicles in non-commercial fleet
- % of orders placed online

End-of-life Disposal

Pillar:
Industry

Level of Current Operational Influence:
Low

Ambition:
To support and encourage industry dialogue and engagement around circular products and business models

Risk:
Regulatory and potential EPR-related risks to operating models and margins across the industry

Opportunity:
Position Headlam and its brands to capture future market share in circular and sustainable products; better inventory management and reduction in SKUs/waste; develop new end-of-life business models

Context:

The end-of-life disposal of floorcovering products is one of the most significant long-term sustainability challenges facing the industry, with both technical and market-dynamic obstacles to overcome.

Regarding the technical aspect, Headlam distributes a wide range of product categories including carpet tile, tufted carpet, vinyl and laminate. These products are made up of several layered materials, from yarn and latex in tufted carpet, to paper, resin and wood in laminate, with plastic used in the manufacturing processes of many products. These materials must be separated at end-of-life in order to be recycled, with each layer requiring a different solution. The difficulty of separating the respective layers, and the currently limited recycling processes, leads to limited or no viable recycling solutions. Consequently, the majority of end-of-life products are currently sent to landfill.

In addition to the technical challenge, the market is yet to assign a premium to recyclable products. Given the significant capital outlays required by manufacturers to develop new products that can be recycled, and the absence of plausible structures to collect and recycle the flooring at the end of its life, the business case for sustainable products is currently limited.

While the industry has seen several innovators progress solutions in niche sections of the market, there has been little implementation at scale in relation to recyclable products or processes. Takeback schemes currently exist for some vinyl products, for instance Recofloor, which is supported at the majority of Headlam's larger sites.

Headlam expects to see change over the medium-term driven by two factors. The first is the steady, but growing interest in sustainable flooring options. This is currently more visible amongst commercial customers, who are themselves responding to sustainability standards. We expect this trend to increase, and spread into the residential sector, as expectations of product sustainability and recyclability become more normalised.

In addition, regulation is likely to change the way the flooring industry operates in the UK. Policy schemes such as Extended Producer Responsibility ('EPR') oblige manufacturers to bear a financial cost relating to the recovery and recycling of their product at the end of its life. The implementation of an EPR could have significant implications for the profitability of certain products based on their recyclability.

Strategic Direction:

Given its interface with both customers and suppliers, Headlam is well-positioned to support and develop industry change, through i) actions with customers, and ii) collaborative actions with industry participants.

Customer-facing actions:

- Increase awareness of sustainable products
- Increase awareness of industry bodies, and recycling options

End-of-life Disposal continued

Collaborative actions:

- Market research to determine the most effective next steps for the industry
- Convene working group - leverage contacts with industry bodies, customers, and suppliers
- Partner with relevant solution providers

Headlam will begin with a scoping and market research exercise with input from the industry to better understand the issues. This will inform the areas in which the Company can have the greatest impact.

Internal Actions:

By buying more efficiently, Headlam will reduce stock remnants and ensure that any such stock is diverted away from landfill. Additionally, the Company will increase the percentage of recycled product packaging it uses, and assess other / more sustainable packaging alternatives.

KPIs

- Engagement with industry bodies
- £ spend on industry research and supporting industry bodies
- Waste per annum, including amount of stock disposed of as remnant

Health and Safety

Pillar:
Headlam

Level of Current Operational Influence:
High

Ambition:
Best practice low accident rates, and leading occupational health

Risk:
Health risk to employees; potential reputational risk

Opportunity:
Safeguard employees, and highly-rated as an employer

Context:

In 2019, Headlam commissioned a specialist third-party to review the Health and Safety ('H&S') management and culture of the Company. In-line with their assessment, which noted the considerable progress made over the previous two years, the Company has refined its H&S Policy and developed a new H&S Strategy being implemented from 2021 to inform Headlam's direction of travel.

Since 2017, the Company has undertaken a complete overhaul of H&S management systems and documentation. The Company introduced an in-house H&S team in 2018 which helped to improve oversight of issues. Following initial certification in 2019, Headlam was pleased to be re-accredited ISO 45001 in 2020, the international standard for occupational health and safety management.

Furthermore, the Company has moved from a largely paper-based system to an intranet-based system making information more accessible to employees. The Company has produced over 200 safe systems of work for common tasks, and a wide range of tool box talks for employee training on specific tasks. These tool box talks help the Company share best practice with the group, and communicate learnings to prevent reoccurrences.

Strategic Direction:

Headlam's new H&S Strategy focuses on standards both from a physical and cultural point of view. The strategy contributes to the Company's move from a "calculative" H&S approach, with systems in place to manage all hazards, to a "proactive" one, using safety leadership and Company values to drive

continuous improvement. The H&S strategy aims to ensure that high standards of H&S management are achieved, and that monitoring information is then used to give the Board and wider stakeholder groups assurance of this.

The Company has already made good progress in implementing recommendations from its third-party review, including:

- Pedestrian and Mechanical separation - further clearly marked dedicated walkways, setting apart vehicle and pedestrian routes, established at the Company's four largest sites, with roll-out to other sites during 2021.
- Machine Guarding and Racking - improved machine guarding and interlocking systems to reduce the risk of injury installed at two sites, with ongoing roll-out.
- Culture and Training - H&S increasingly used as a performance measure with employees over the next 24 months, all staff training carried out every three years with all safe systems of work reviewed as part of the process to ensure the information stays relevant. Training to be undertaken in the areas of mental health first-aiders and hazard area classification in 2021, Executive Team and Site Directors to attend and pass an Institution of Occupational Safety and Health (IOSH) approved Safety for Executives and Directors programme with refreshers every three years.
- Planned Preventive Maintenance ('PPM') - a more structured PPM approach being rolled-out across the group as a pre-emptive measure against any failings or failures.
- Audits - UK distribution centres audited by the Compliance Director and National Health and Safety Manager twice a year, and all trade counter sites to be audited at least once in 2021.

Health and Safety continued

Case Study:

Promoting Mental Health:

The Company's new H&S Strategy includes the objective of promoting mental health using a prominent agenda. This means that mental health will be included on the agenda of each onsite H&S committee meeting, with an occupational stress assessment undertaken at each operating location and Head Office. Currently, the Company is undertaking wellbeing trials in four operating locations to inform strategy, with pulse checks planned 12 and 24 months after the introduction to assess progress. This mental health agenda will also ensure that all main operating locations will have at least two mental health first-aiders trained and appointed by 2022.

KPIs

- Number of incidents ('RIDDORs')
- Number of road traffic accidents
- Number of mental health first-aiders

IT Resilience and Cyber Security

Pillar:

Headlam

Level of Current Operational Influence:

High

Ambition:

Robust cyber-security protocols; deepen business intelligence ('BI') for operational gains; relevant IT platform for capturing customer opportunity

Risk:

Disruption to operations; lack of credibility and experience in delivering new BI solutions and products

Opportunity:

Remaining relevant and responsive to customer demands; improved customer service and support; ability to capture market share

Context:

IT Resilience and Cyber Security was identified as one of the Board's areas of focus for 2021.

As part of its Operational Improvement Programme, the Company is focused on the ongoing enhancement of e-commerce capabilities to better support customers and capture increased revenue growth opportunities.

2020 saw the relaunch of Headlam's B2B websites; improving functionality and making it easier for customers to place and track orders. The Company has seen a material increase in the usage of the B2B websites and number of orders being placed online. 2020 also saw the implementation of cyber threat and network monitoring reporting, utilising cloud hosted infrastructure for the first time.

The Company experienced a cyber security incident in November 2020. The attack was detected by previously implemented remote monitoring. In response, an independent security assessment of IT systems was carried out and the Company immediately began implementing the resulting recommendations to reduce the possibility of an incident occurring again. The Company has introduced a safeguarding service for incoming emails, and a Managed Detection and Response ('MDR') solution to enhance network monitoring for suspicious activity.

Strategic Direction:

Regarding Headlam's ambition to be an increasingly relevant platform for supporting customers, and responsive to their future demands and digital needs, the Company will focus on

implementing digital enhancements to customer offers across the different customer groups. This will include automated product and EDI* ordering links for larger customers, and further improvements to the B2B websites including product visualisation and search characteristics.

In terms of cyber security, the Company will implement all of the technical recommendations from the independent security assessment and increase the frequency of penetration testing to annual. The Company also aims to improve employees' ability to identify and reduce cyber security risks. Headlam's in-house IT team will continue to produce quarterly internal communications to enhance risk awareness alongside monthly on-line cyber training for employees using a third-party platform.

KPIs

- Number of reportable cyber incidents
- % of orders / revenue received online via B2B websites
- Revenue via EDI customers as % of total revenue

*Electronic Data Interchange ('EDI')

Governance

Pillar:
Headlam

Level of Current Operational Influence:
High

Ambition:
Strong governance and oversight at group-level, and effective structures for communicating strategy and sustainability throughout the business

Risks:
Considered less of an investment proposition by investors and rating / proxy agencies, and effectiveness of strategy implementation

Opportunity:
Strong investment proposition, with clear communication of progress and targets

Context:

The Board is committed to developing the Company's ESG strategy and performance. As such it has primary oversight, with ESG issues forming standing item(s) at Board Meetings. The Non-Executive Chairman is the Non-Executive Director accountable for overseeing ESG Strategy. The Company is also supported by two specialist consultancies in relation to its ESG activities, both of which work alongside the Executive Team on a day-to-day basis.

Strategic Direction:

To action the continuous improvement of governance processes, Headlam will advance three main areas:

- **The Board:**
Headlam is focused on enhancing and bringing further skills on to the Board to support increased oversight of the Company's strategic and corporate aims, including in the area of ESG, and measurement of progress. Two new Non-Executive Directors are intended to be appointed during 2021, which will additionally increase the overall independence of the Board.
- **Continued development of risk management framework and oversight:**
The Board has overall responsibility for the Company's system of internal control and risk management, and for reviewing its effectiveness, and is supported in this regard by the Audit Committee. The Company has an Executive Risk Committee which meets quarterly and reports directly to the Audit Committee after each meeting, who in turn review the detailed risk register as part of its risk

management responsibilities. During 2021, the Company has committed to further developing the conversation about emerging and principal risks. The risk register will be reviewed and developed against the material ESG issues. Additionally, ESG Strategy now also forms part of the Company's Operational Improvement Programme as a standalone project, ensuring accountability at all levels

- **Whistleblowing:**
Headlam has a formal whistleblowing policy that is reviewed each year, and allows employees to raise concerns about improprieties on an anonymous basis with associated legal protections. Should employees feel unable to raise concerns with management, under the policy they may raise their concern directly with the Chair of the Audit Committee. Headlam will continue to drive awareness of this policy through internal communication and on-line compliance training.

Stakeholder Engagement:

The Company will again engage with stakeholder groups, both internal and external, regarding its progress on ESG matters towards the end of 2021, and use the resulting feedback to further inform its actions and next ESG Report.

headlam

group plc

Headlam Group plc

PO Box 1
Gorse Lane
Colehill
Birmingham
B46 1LW
UK

Tel: 01675 433 000

Fax: 01675 433 030

Email: headlamgroup@headlam.com

Sat Nav: B46 1JU

www.headlam.com

Company number: 00460129

