

Headlam Group plc (the 'Company')

Environment, 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 implementation and development of the Company's ESG strategy.

The Company's ESG strategy covers all relevant ESG matters applicable to the Company, and include, but are not limited to, the following:

Environmental: Addressing the Company's direct and indirect impact on the environment, including reducing the Company's contribution to greenhouse gas '(GHG)' emissions and climate change, and waste.

Social: The responsibility the Company has to its people, the communities in which it operates, and other external stakeholders. Always operating in an ethical manner, including ensuring no modern slavery in its supply chain.

Governance: Having the proper levels of corporate governance in place, including processes, systems and policies. Limiting any potential risks to the business, and safeguarding the future of the Company. Being open and transparent in all the Company does.

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)
- Operations / Managing Director
- Company Secretary
- Director of Investor Relations and ESG
- People Director
- Director of Finance
- Buying Director
- General Manager, Tamworth

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 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 Non-Executive Directors will be invited to attend each meeting. In addition, where the Company has an engagement with an external ESG 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 and, following approval, 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, 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;
2. Review the Company's Materiality Assessment, and actions undertaken in relation to the identified risks and opportunities presented by each material issue;
3. Scrutinise progress of the implementation of the ESG strategy against agreed actions, targets and metrics;
4. Ensure that short and long term objectives for the Company's ESG actions are in place, and key metrics 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: Environmental Policy; Diversity Policy; Supplier Code of Conduct; Modern Slavery Statement; and Anti-bribery Corruption Policy;
8. Identify and monitor external developments which may have a significant impact on the Company's approach to ESG;
9. Ensure the Company adheres to all ESG related disclosures and regulatory reporting requirements;
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, and engage as appropriate; and
12. Make recommendations to the Board on all matters relating to ESG, including 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 after each meeting, identifying any matters arising in the meeting or within the remit of the Committee which it considers needs noting or decision by the Board.

The Committee Chair will formally report on the Committee to the Board twice a year, including making any relevant recommendations on all matters relating to ESG, including changes to ESG strategy.

Approved and adopted on 25 April 2022