

Modern Slavery Act Statement 2022/23

Introduction

James Halstead plc and subsidiary companies (The “Group”) recognise their responsibilities pursuant to section 54(1) of the Modern Slavery Act 2015 (the “Act”) and this statement sets out the measures taken to prevent acts of modern slavery and human trafficking within its business and supply chains during the year ending 30 June 2022.

The Group has a zero-tolerance approach to modern slavery and human trafficking, and this is part of our broader commitment to conduct our business in an ethical and lawful manner.

Our Business and Supply Chain

James Halsted plc is a major international Group of companies that manufactures and distributes notable brands in the commercial, contract and consumer flooring sector employing over 820 staff worldwide. It has a global reputation for quality products, service and after sales support.

The Group’s global supply chain includes the sourcing of raw materials for our manufacturing processes, key suppliers of finished products and other third-party providers of goods and services required in the operation of our business. We work with a core of well-established and reputable suppliers with whom we have developed long-term business relationships.

Our Policy on Slavery and Human Trafficking

We will never knowingly support or deal with a business involved in slavery or human trafficking. To ensure that we are conducting business in an ethical, lawful, and transparent manner we have several policies in place which we adhere to and apply, including:

- The Whistleblowing policy, which encourages employees and others to report any suspicions they may have relating to slavery or human trafficking issues without fear of victimisation, subsequent discrimination, reprisal, disadvantage, or dismissal and safe in the knowledge that their concerns will be fully investigated and acted upon if founded.
- The Corporate Social Responsibility Policy expresses our fundamental values and represents a framework of our existing operating principles and outlines basic standards of conduct for our employees and suppliers. We believe that a commitment to the principles of corporate social responsibility makes good business sense and complements our core business strategy and corporate values
- The Recruitment Policy includes confirming eligibility to work in the country of employment and to ensure everyone employed is of legal working age.

There is an undertaking to deal only with those suppliers who share and uphold the same principles as James Halsted plc and who can demonstrate that they have a long-term commitment to ensuring that slavery and human trafficking does not exist in their supply chains.

Due Diligence

Our biggest risk of exposure to modern slavery is in the raw material and product supply chains. The Group seeks to obtain competitive prices for goods and services, however there is a commitment to ensure that suppliers have not infringed human rights and adhere to the highest standards of ethics the Group demands.

To mitigate the exposure to modern slavery, all supplier's factories and sites are subject to due diligence checks in the form of audits conducted by or on behalf of the Group. Where it is not possible to physically attend, meetings are held digitally on a frequent basis, with suppliers from around the world.

In furthering our commitment to taking a zero-tolerance approach to modern slavery and human trafficking, we require our existing suppliers on an ongoing basis to make positive written affirmations on a regular basis that:

- (i) they do not; and,
- (ii) their direct supply chain does not, endorse, enable or facilitate human trafficking or slavery within their business.

This requirement has been incorporated into the supplier procurement process.

The Group's standard terms and conditions for suppliers include an express obligation that they comply with applicable anti-slavery and anti-human trafficking legislation.

Staff are trained on how to recognize and respond to indicators of human rights abuses.

Our Performance Indicators

We use the following key performance indicators to measure how effective we have been to ensure that slavery and human trafficking is not taking place in our business or supply chain: the internal and external audit process; the monitoring of Human Resource and payroll systems; and direct communication and written affirmations with our suppliers ensuring the understanding of, and compliance with, our expectations.

Consequences

We will continue to inform our suppliers that the Group operates a zero-tolerance to human trafficking and/or slavery and we expect these standards to be respected and implemented at their sites. If an existing supplier or a potential new supplier fails to cooperate with our requests, or we find evidence of human trafficking and/or slavery in our supply chain, we will immediately seek to terminate our relationship with the relevant supplier.

Approval

This statement is made pursuant to section 54 of the Modern Slavery Act 2015 and has been approved by the Board of Directors who will review and update it annually as appropriate.

Signed by:



For and on behalf of the Board
October 2022

Polyflor Limited

Section 172 Statement

The directors and the board as a collective consider that they acted in a way that would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172(1) (a) to (f) of the Act) in the decisions taken during the year end 30 June 2022.

The board routinely monitors these decisions and ultimately takes responsibility for the interaction with all stakeholders. In consideration of major matters discussed at board level, the likely impact on all stakeholders is carefully considered and where possible, decisions are carefully explained and discussed with affected stakeholders before actions are implemented to ensure they understand and have any necessary support.

The company's key stakeholders and how we engage with them are set out below.

Stakeholder group	How do we engage with them?	How has the board considered their interests?
Parent company	<p>The two executive directors of the parent company, James Halstead plc, are directors of the company and part of the management team.</p> <p>Six board meetings are held each year, and there are further meetings with parent company management as required. There is also regular communication between meetings.</p> <p>Comprehensive monthly management reports are provided to the directors and parent company management.</p>	<p>The board understands that the parent company requires sustainable growth and value creation. In recognising this, it has implemented a policy which has resulted in increasing profitability and incremental shareholder return over a sustained period.</p>
Customers	<p>We interact with our customers through:</p> <ul style="list-style-type: none"> • visits and meetings • Industry exhibitions • Customer site tours and presentations • Company website • Supplying extensive samples and supporting literature • Delivering a high standard of technical support • Providing enhanced digital design services and support 	<p>Our strategy of attaining sustainable growth in profit and building goodwill in our brands will only be achieved through an understanding of the needs of our customers and the markets we serve.</p> <p>The board regularly considers the impact on customers when considering strategic decisions, for instance the major investment in a new warehousing facility has been driven by the need to improve customer service.</p>
Suppliers	<p>Engagement with suppliers and business partners is achieved by holding regular meetings, regular evaluation reviews and through audits of the supplier base.</p>	<p>The board recognises that relationships with the supplier base is important to the reputation and long-term success of the company. There is regular dialogue between our management team and our suppliers, where quality, price, sustainability and health and safety are key to the discussions. Any matters which the board needs to be aware of are reported back as appropriate</p>
Employees	<p>We engage with our employees through site communications, briefings, performance reviews, newsletters and notice boards.</p> <p>Employees are also written to individually on matters which are deemed important.</p>	<p>The board is aware that our employees are critical to the successful achievement of the strategic aims. The group prides itself on providing a friendly and safe working environment for all employees, and given the nature of our manufacturing process, health and safety is taken extremely seriously. There are a number of employees who have achieved thirty, forty and even fifty years' service. The group has operated a share scheme which enabled employees to build up personal shareholding in James Halstead plc and participate in its expansion and success.</p>

Communities	We operate from multiple sites and seek to be a good neighbour with the local communities. Where possible we create opportunities to recruit and develop local people, which helps support the local economy and look after the environment. We also support local charities through fundraising and donations.	The board has a full understanding of the importance of good community relations with both internal and external stakeholders. The impact of our operations from an environmental perspective recognised on a local and global level. Capital expenditure projects, for example, focus on improving energy efficiency and reducing environmental emissions.

The corporate social responsibility section of the latest Polyflor Sustainability Report outlines in further detail, the company's commitment to its stakeholders, including the supply chain, employees, and communities.

We define principal decisions as those that have a significant impact on the company and/or our stakeholders. Principal decisions that are currently confidential to the company are not included below. Any such decision would be included in future report and accounts if and when confidentiality is no longer a factor. The potential impact of principal decisions on stakeholders is assessed in detail by the board.

During the year the following principal decisions were considered by the board.

Post Covid-19 immunisation manufacturing

The success of the initial vaccine rollout in the UK, the very high efficacy of this vaccine and the alteration to self-isolation rules provided the opportunity, in the early part of the financial year, to return to more normal shift patterns and to increase output from our UK manufacturing sites. The board, however, needed to consider the impact of the lesser efficacy of vaccines in the Far East, from which we also source goods, and the ongoing lockdowns of a region that continued to take a zero-tolerance approach to Covid-19 cases. In order to mitigate possible supply shortages, stock levels were raised over a period of several months.

Warehouse expansion

In 2020 the board appraised the need for increased warehouse capacity in the UK and plans are being finalised for final approval. The board has agreed this in principle and the cost of this expansion will be in excess of £15 million (excluding stock holdings). Some progress has been made on this project. The land identified has been granted approval and environmental considerations are being addressed and the scale of the project agreed.

Price increases

The increase in costs over many months has been widely reported and, we, in common with many other companies have had to increase our prices and will undoubtedly have to do so again. The board has been, and remains, ever conscious of the effect of price increases on demand and it was resolved that price increases should, to an extent, lag cost increases to mitigate this risk. The increases in cost and availability concerns that were constant through the Covid-19 crisis did seem to alleviate in the autumn of 2021 though the cost of international freight continued to climb into early 2022. This situation significantly worsened since February 2022, when the Ukraine was invaded, although is now alleviating to a certain extent.

Price increases have been several during the year and continue to the time of writing. Flooring contracts can take several months from initial quotation to supply, and it has become ever more difficult to hold to the initial quotations. To the extent that we have tried to work with end users on these projects, margins have been eroded.

Ukraine conflict

Since February 2022 the fragility of global supply markets has worsened as the implications of the Ukraine conflict became clearer.

The board resolved that we should cease to undertake sales of flooring to Russia and given the close involvement of Belarus to only supply the latter with healthcare related products, after a review by the board of individual projects.

The effects on UK energy costs have been widely reported but the implications to UK manufacture go much deeper. Certainly, the cost of our UK energy of both gas and electricity has been significant but the effects on raw material supplies have also been significant. The dependency of many industries in Europe on the large refinery and chemical plants being fed oil and gas from Russia made it immediately apparent that the conflict would lead to major disruptions in supply beyond the cost of energy. The Nord Stream 1 pipeline supplying gas is significant but more disruptive to our supply chain is the Druzhba oil pipeline. For these reasons the board resolved to try and increase stock levels. The resultant record level of year end stock is a consequence.

Dividend

After considering the profit for the year and the profit and loss account reserve, the board approved a dividend of £24 million to the parent company, James Halstead plc.

Approved by the Board of Polyflor Limited on 14 November 2022