

## 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 2020.

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 are 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.

<b>Stakeholder group</b>	<b>How do we engage with them?</b>	<b>How has the board considered their interests?</b>
<b>Parent company</b>	<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>
<b>Customers</b>	<p>We interact with our customers through:</p> <ul style="list-style-type: none"><li>• Regular visits and meetings</li><li>• Industry exhibitions</li><li>• Customer site tours and presentations</li><li>• Company website</li><li>• Supplying extensive samples and supporting literature</li><li>• Delivering a high standard of technical support</li><li>• Providing enhanced digital design services and support</li></ul>	<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>
<b>Suppliers</b>	<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</p>

**Employees**

We engage with our employees through site communications, briefings, performance reviews, newsletters and notice boards. Employees are also written to individually on matters which are deemed important.

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.

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.

**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.

**Approval of budget**

A key process in each year is to prepare and agree the budget for the next financial year. Having regard to the unprecedented situation across our markets due to the pandemic, this process this year would be neither accurate nor a useful use of time. Therefore the board will assess progress against the prior year comparative and re-assess budgeting in 2021

**Warehouse expansion**

The board has appraised the need for increased warehouse capacity in the UK and plans are being finalised for final approval. The board has agreed in principle, and the cost of this expansion will be in excess of £12 million, excluding stock holdings.

**Dividend**

After reviewing the profit for the year and the profit and loss account reserve, the board approved a dividend of £20 million to the parent company, James Halstead plc.

**Employee share plan**

The board has assessed different options for a share plan to enable employees to participate in the growth of the parent company, James Halstead plc. The introduction of a share plan has been deferred due to the pandemic.

Approved by the Board of Polyflor Limited on 19 November 2020