

**Lords Group Trading
Modern Slavery Statement 2023**

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Introduction

Lords Group Trading Plc (“the Group” or “LGT”) is committed to combatting modern slavery and human trafficking in all forms across its business and supply chain. Modern slavery is fundamentally unacceptable, and we expect our stakeholders and suppliers to maintain the highest ethical standards and implement the steps required to identify and prevent modern slavery. LGT is committed to collaborating with its stakeholders to promote best practice, comply with expected standards and ensure continuous improvement in the prevention of modern slavery.

LGT has embedded a governance structure to review and identify risks of modern slavery and human trafficking. The governance structure ensures that reviews of suppliers’ documents and policies take place regularly and any concerns regarding risk are escalated to the CEO and the Board.

LGT’s key stakeholders are shareholders, investors, employees, customers, suppliers, h&b Buying Group LLP (h&b), and industry body, the Builders Merchants Federation (BMF). The company endeavours to have an ongoing dialogue with employees, suppliers, the BMF and h&b in an effort to combat modern slavery and human trafficking together and promote industry alignment.

Tackling modern slavery is a key objective for LGT. Due to its importance, since the previous modern slavery statement, LGT has engaged with advisory firm, Mazars, to review the company’s approach to modern slavery risks, improve management systems, and has appointed an ESG Manager to facilitate the implementation of best practices across the Group. The consultants have conducted a desktop review of the Group’s top 40 suppliers, made recommendations on third-party supplier audits, provided guidance during the drafting process of the modern slavery statement, and reviewed the Group’s Supplier Code of Conduct (“Supplier Code”). These recommendations are in the process of being implemented and suppliers will be asked to sign and adhere to the updated Supplier Code from October 2023.

The organisation's structure, its businesses and its supply chains

Our business

Established over 35 years ago as a family business, LGT is a specialist UK distributor of building, plumbing, heating, and DIY goods operating from 43 UK sites. LGT sells to local tradespeople, plumbing and heating merchants, small to medium-sized construction companies and directly to the general public through two divisions, Merchanting, and Plumbing and Heating. LGT was listed on the AIM market of the London Stock Exchange in 2021. This Statement covers all of the Group’s brands.

The Group’s brands within the Merchanting Division are: Lords Builders Merchants, Hevey Building Supplies, George Lines Civils and Landscape Merchants, Weldit, Condell Building Supplies, MAP Building and Civils Supplies, Advance Roofing Supplies and A.W. Lumb.

The Group’s brands within the Plumbing and Heating Division are: APP Wholesale Ltd, Mr Central Heating, Column Rads, HRP Trade and Direct Heating.

Merchandising

We supply building materials and DIY goods through our network of merchant businesses and online platforms. We operate in both the 'light side' (timber and building materials) and the 'heavy side' (civils and landscaping), through 25 locations in the UK.



Plumbing and Heating

We are a specialist distributor of plumbing and heating products to a UK network of independent merchants, installers and the general public. We have an attractive multi-channel offering for customers and our 16 locations enable nationwide next-day delivery.



During the reporting year a materiality assessment was carried out to highlight the most important ESG issues for LGT and its stakeholders. The LGT leadership team and key stakeholders across the Group were consulted on their attitudes towards various ESG topics, including colleagues, customers, and suppliers. Following these consultations, LGT identified the following material topics for its organisation:

- Community
- Diversity
- Colleague morale
- Supply chain (including modern slavery)
- Energy
- Low carbon product strategy
- Productivity and efficiency
- Waste and packaging

Following the identification of these material topics, an ESG strategy was developed and an ESG Governance Structure was formalised to oversee the implementation of the strategy, with modern slavery prioritised for strategic action. The ESG Governance Structure includes the governance of modern slavery and human trafficking risk and due diligence, and the Board is ultimately responsible for the Group's ESG strategy, reviewing its effectiveness, establishing and communicating ESG-related policies, and reviewing overall progress against the ESG strategy.

The ESG Committee reports to the Board on the status of progress against the ESG strategy, sets objectives, and conducts horizon scanning for changes in the ESG landscape. These objectives are overseen by the Executive Board, which has responsibility for ESG prioritisation at the divisional level, ensuring that requirements are met. The Executive Board reviews progress and escalates any compliance issues to the ESG Committee.

The Group ESG Manager coordinates the management of ESG activities across the Group, which involves developing, improving, and maintaining the necessary infrastructure for the delivery of the ESG strategy. The ESG Manager supports the Divisional/Business Owners to embed the strategy.

The Divisional/Business Owners drive and coordinate local ESG reporting at the divisional level, facilitate ESG discussions and actively share best practice and knowledge through the Group ESG Manager. They delegate ESG activity to Materiality Owners, who are responsible for the evaluation, monitoring and reporting of each material topic.

LGT's key stakeholders include 880 employees, 11,000 customers and 1,600 suppliers. LGT is in a position to work with and support its suppliers, customers and employees to tackle modern slavery.

Governance Structure



Our supply chains

LGT's suppliers source materials and products from a variety of countries, including the UK, the Republic of Ireland, the EU, USA, Canada, Brazil, Turkey, Egypt, Mexico, India, China, Vietnam, South Korea, Taiwan, Singapore, Hong Kong, South Africa and Australia. This is not an exhaustive list and LGT is undertaking a mapping exercise; LGT aims to have reviewed a minimum of 50% of their suppliers to identify sourcing countries by the end of 2024.

Due to the nature of the risk, the Group is implementing a robust vetting process for suppliers. There are multiple factors that influence the level of risk of modern slavery, including geographic location, material type, labour profiles, and the tier in the supply chain in which the activity is taking place. If risks are identified, the Group will ensure there is an ongoing effort to explore, understand and mitigate these, in partnership with suppliers.

Policies in relation to modern slavery and human trafficking

LGT has implemented a robust governance structure to oversee the implementation of its policies in relation to modern slavery and human trafficking, as outlined above.

During the reporting period LGT updated the Supplier Code of one of its existing brands and elevated this to apply across the Group. All suppliers, new and existing, are now expected to sign and adhere to this updated Supplier Code. The Supplier Code is applicable to all suppliers and contractors who provide goods or services to LGT or any of its subsidiaries, subcontractors, affiliates, or agents. The Supplier Code applies to all LGT brands as outlined in section 1.1 of the Supplier Code. LGT's suppliers are also expected to advocate the principles of the Supplier Code in their own supply chain. We want our people, and the people in our supply chain, to work safely, look after one another and be part of a supply chain that continues to grow responsibly.

The Supplier Code is aligned with the International Labour Organisation's (ILO) Core Conventions and the ILO Declaration on Fundamental Principles and Rights at Work and requires supplier

compliance with all applicable laws and the provisions covered within the Supplier Code, including when the Supplier Code sets a higher standard than, but does not conflict with, legal requirements. The code dictates that customs or local practices never take precedence over legal requirements.

The Group is compliant with all applicable trade laws and the Supplier Code communicates the requirement that suppliers must comply with all laws governing human trafficking and slavery.

LGT believes that having a strong ethical culture will create an environment in which employees and suppliers feel free to report instances of non-compliance with the Supplier Code. The Supplier Code includes a whistleblowing mechanism. See section 1.4 of the Supplier Code, for further details.

The Supplier Code will be signed by suppliers digitally, which will improve efficiency and record keeping of the signatures being received, as well as allowing the Group to track responses more efficiently. Surveys will be used to review new suppliers to understand how and where the business operates, as well as to ensure sufficient safeguarding policies are in place.

Third-party contractors and other service providers are equally expected to have robust anti-trafficking policies in place and must comply with the Supplier Code.

The Group is committed to supporting and collaborating with all suppliers and contractors to remedy any issues which may arise. While the Group will take all necessary steps to engage suppliers to comply with the law, if all avenues have been exhausted and critical non-compliance is not addressed in a timely manner, the Group is willing to delay onboarding or terminate contracts.

LGT's employees must follow local laws and adhere to the Group's internal Code of Conduct. The behaviour of employees is central to the continued success of the company. The Group is committed to treating all employees fairly and allegations of misconduct and gross misconduct will be dealt with in accordance with internal disciplinary procedures. The Group's employees are expected to follow internal whistleblowing policies and local laws. In the first instance, employees should contact the Group's CEO or the Group HR Director.

Risk Assessment

During the reporting period, a high-level risk assessment was conducted of the Group's top 40 suppliers (by spend), based on publicly available information identified via the suppliers' websites, Companies House and the UK Government's Modern Slavery Statement Registry. The assessment identified that 31 out of the 40 suppliers were in scope to report in accordance with Section 54 of the UK Modern Slavery Act, whilst 9 were not in scope. Of the 31 suppliers in scope, 30 modern slavery statements were identified, which suggests one supplier is non-compliant with the law. LGT has reached out to them to enquire and inform them of their responsibility to report and they have subsequently shared their statement with LGT. At least one supplier has published a statement despite not being legally required to do so.

Further research identified that the most vulnerable groups of workers in the Group's supply chain are manufacturing workers in China, and workers in the extraction of raw materials in Africa and Asia, where there is a risk of forced and child labour. Forced labour, child labour and forced child labour are a known risk in the extraction of certain raw materials that LGT source, including timber, copper, and stone, and in the production of bricks and glass. Children and adults working with brick are at significant risk as there are reported cases of families held in debt bondage, with children at considerable risk as they are continually exposed to hazardous dust.

During our assessment process, suppliers are grouped into classifications based on the country in which the raw material originated. We then consider the risk of modern slavery in that country, based on the Global Slavery Index. The groups are then ranked using a traffic light system. Companies classified red (high-risk) are prioritised for further review and are then re-reviewed biannually. We also keep up to date with news stories and publications relating to relevant materials and countries in our supply chain to identify any emerging forced labour risks connected to our supply chains. A

questionnaire is currently in development, requesting prospective suppliers to declare the source country of the raw materials used and where products are manufactured.

In partnership with a buying group, LGT is exploring the implementation of a technology platform through which suppliers will provide the information requested. This information is then automatically risk assessed based on an external methodology. It is anticipated that this collaborative approach will generate a higher response rate as suppliers will be asked to complete the information once for all buying group members rather than completing separate questionnaires for each company, which would be resource intensive. This will reduce the administrative burden on suppliers and ensure that their resources can be allocated to improving their management systems to prevent modern slavery in their organisation and supply chain.

Due Diligence

Our business

Processes in place to ensure compliance with national law and modern slavery reporting include regular horizon scanning of legal changes, and collaborating and sharing knowledge with industry networks of the BMF and the buying group, h&b. This will ensure the Group updates its processes and requirements according to any legal changes.

Within the organisation, a modern slavery educational poster is being updated and distributed to all internal work areas. The poster highlights how to spot common signs of modern slavery and what to do if the signs are spotted. A training video is also being prepared to share with colleagues during their onboarding process and annual refreshers. Agency contracts will be updated to include these provisions for all staff employed by agencies.

Our supply chain

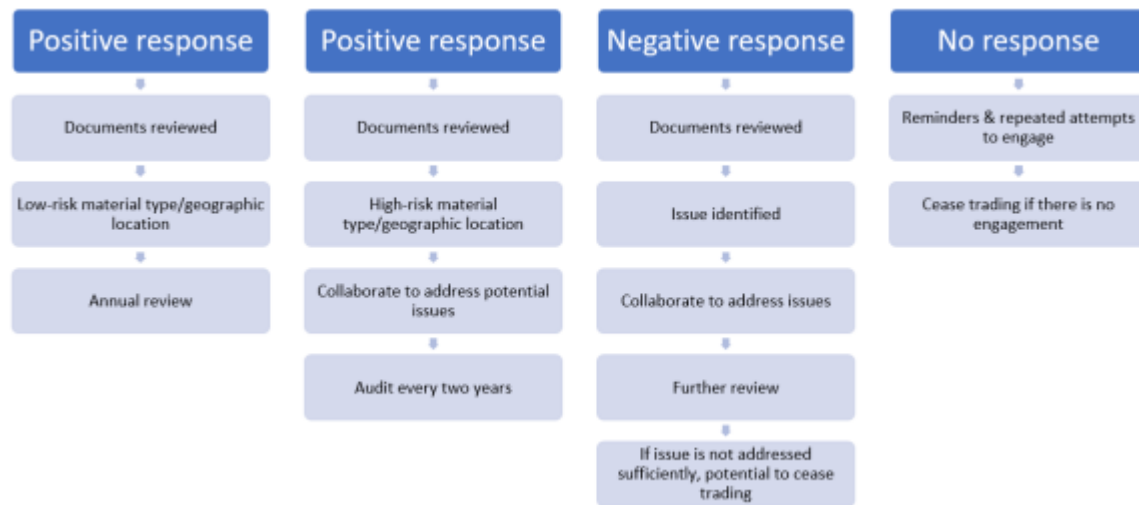
All suppliers, new and existing, will be required to complete a due diligence questionnaire, which is currently under development. Suppliers must outline their policies regarding modern slavery and human trafficking and provide information on where their products are sourced and/or manufactured. Once this information is received, it will be reviewed. If there is any cause for concern or high-risk countries or materials are mentioned, the information will be escalated using the ESG Governance Structure. These suppliers may be subject to biannual reviews, and further investigations will be triggered if deemed necessary. LGT endeavours to work collaboratively to resolve any causes for concern. If issues are not addressed, do not improve or a supplier does not engage, LGT could cease trading with the supplier.

LGT will ensure the due diligence questionnaire aligns with the UK Modern Slavery Act requirements to tackle modern slavery within the Group's supply chain. The questionnaire will ask prospective suppliers to disclose the details of all sub-contractors and recruiters, the details of the number of migrant/foreign workers, their countries of origin, their contract types, and whether they have processes in place to ensure contract workers do not pay recruitment fees, have freedom of movement and agencies adhere to all local employment laws.

While modern slavery due diligence is carried out on all suppliers, the level of due diligence varies depending on the supplier category. Our due diligence process aims to remain consistently collaborative, regardless of whether the supplier is a new or existing supplier, or where they have operations. LGT believes that a collaborative approach enables discussions to be ongoing, as there must always be a willingness to be transparent and continually improve processes. The approach is consistently applied across suppliers because it cannot be assumed that certain geographical areas or materials do not have any risk attached to them. Nevertheless, suppliers who have operations in high-risk geographies or produce goods using high-risk materials will be prioritised for review.

If a supplier does not engage with the review process or provides incomplete or concerning information, onboarding could be prevented until compliance is met. The Group has the right to investigate suppliers and contractors for instances of legal non-compliance, or non-compliance with

the Supplier Code. This will be outlined in the supplier terms and conditions that are in the process of being updated.



Suppliers are responsible for ensuring their practices and their supply chains are compliant with modern slavery legal requirements and our Supplier Code. However, the Group will endeavour to engage and work with suppliers to resolve problems if risks or areas of concern are identified.

If there is any cause for concern the information will be escalated using the ESG Governance Structure. Internal and external whistleblowers should contact the Group CEO or Group HR Director. Whistleblowing procedures are outlined in the Supplier Code of Conduct.

The Group is continually working to identify high-risk areas internally and within the supply chain, using a collaborative approach. No serious issues have been identified to date, but an escalation process has been developed to ensure that should any indicators, or reported cases be identified, these will be escalated and handled appropriately. Cross-industry collaboration is integral to support victims of modern slavery and to implement robust safeguarding policies procedures across the supply chain.

The Group collaborates with industry partners, the BMF and the buying group, h&b, to support all members to stay updated with the latest legislation, to understand their responsibilities and combat modern slavery collaboratively. These networks are working together to engage and collaborate with common suppliers to support compliance and best practice among suppliers. Implementing due diligence questionnaires as a collective should further demonstrate the commitment to tackling modern slavery and human trafficking across the network, allowing partners to address identified risk collaboratively.

Training about modern slavery

A training video for colleagues is being introduced, which will take place during the onboarding process for new starters and annual refreshers for all colleagues. The training will ensure that all colleagues understand the areas and materials that are the most high-risk, how to identify a case of modern slavery within the business and within a supplier's operations and the process for reporting any concerns.

Procurement teams will watch the training video, read, and understand the Supplier Code of Conduct, and will receive additional training on the modern slavery risks within the business and supply chain, and how to identify them.

The Group is committed to supporting the education of stakeholders on modern slavery and human trafficking. The Supplier Code of Conduct outlines the expectations of suppliers, and the Group will work collaboratively to support suppliers to combat modern slavery. Suppliers are also asked to state if policies and training are in place regarding environmental risks, health and safety, forced and child labour, and preventing discrimination, and are compliant with local laws.

Instances or suspected cases of modern slavery and human trafficking in the UK and/or overseas are to be reported to the Group CEO or Group Head of HR, who will escalate the issue to the Board.

Goals and key performance indicators (KPIs) to measure the effectiveness of the organisation's actions and progress over time

LGT is committed to the UN Guiding Principles for Business and Human Rights (UNGPs) and supports the UN Global Goals for Sustainable Development. The Group's Supplier Code of Conduct reflects this by outlining the protection of labour rights and promoting safe working environments for all workers. The Supplier Code clearly outlines our expectations on suppliers and contractors, promotes understanding on the risks of modern slavery and provides support, where relevant and appropriate.

Since the publication of the Group's last statement, ESG-related matters, including tackling modern slavery, has been a priority. An ESG Governance Structure, which includes the management of modern slavery risk, has been implemented and a strategy is being compiled for improving the Group's performance across all material ESG topics, including modern slavery. To ensure there are dedicated resources given to manage risk and opportunity in this area and to ensure that progress continues, a Group ESG Manager has been appointed. The Group is working with the consultants, Mazars, on several projects to ensure the Group receives expert guidance on developing an ESG framework, modern slavery policies, risk assessment processes and mitigation measures and more comprehensive supplier due diligence processes.

Going forward, supplier reviews and regular training for all colleagues will be implemented and monitored, with progress reported in our future statements.

As a result of the work LGT has undertaken and the actions it is committed to implement, as outlined in this statement, the following KPIs will be used to measure the effectiveness of LGT's work to prevent and mitigate modern slavery risk:

- Percentage of suppliers to have signed the Supplier Code of Conduct
- Percentage of suppliers that have completed the LGT due diligence questionnaire
- Percentage of suppliers undergoing enhanced due diligence (e.g., audit, additional document requests, investigations etc.) as a result of identified risk
- Percentage of employees trained
- Number of issues raised via the whistleblowing channel and how they have been addressed

Statement of Commitment

Shanker Patel, CEO
Lords Group Trading Plc
6th September 2023

This statement, and the actions contained herein, have been approved by the Board of Directors. This statement will be reviewed and updated annually.