GENUIT GROUP

Genuit Group plc
Annual Report & Accounts 2022

A culture of sustainable innovation

07 – CEO REVIEW

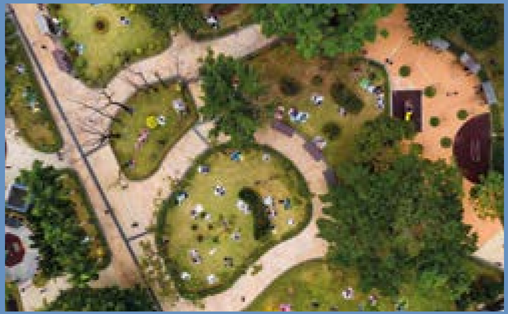
Read what our CEO, Joe Vorih, has to say about 2022

63 – GOVERNANCE

Read more about our Board members and Group corporate governance structures

06 – INVESTMENT PROPOSITION

The fundamentals underpinning Genuit Group's proposition for investors



14 – STRATEGY

Insights on our Sustainable Solutions for Growth strategy

36 – PEOPLE

Read how Genuit is continuing to build a diverse and talented team to deliver growth

21 – SUSTAINABILITY

Read how Genuit is continuing its journey to be the lowest carbon supplier of choice for its customers

FORWARD-LOOKING STATEMENTS

This Annual Report contains various forward-looking statements that reflect management's current view with respect to future events and financial and operational performance. All statements reflect knowledge and information available as at the date of preparation of this Annual Report and there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Therefore, nothing in this Annual Report should be construed as a profit forecast.

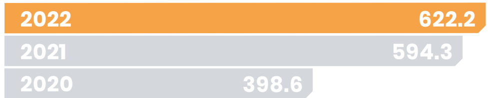
Contents

Highlights

Financial highlights

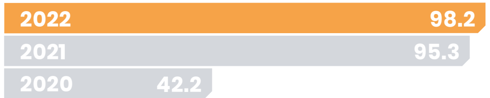
REVENUE
£m

£622.2m +4.7%



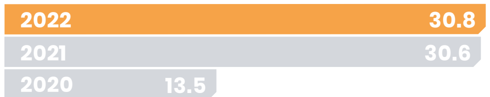
UNDERLYING OPERATING PROFIT
£m

£98.2m +3.0%



UNDERLYING BASIC EARNINGS PER SHARE
pence per share (pps)

30.8pps +0.7%

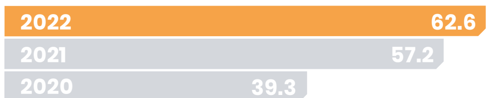


PROFIT BEFORE TAX
£m

£45.4m -27.8%

UNDERLYING CASH GENERATED FROM OPERATIONS
£m

£62.6m +9.4%



INCREASE IN NET DEBT
£m

£166.2m +0.3%

Highlights

Revenue

Revenue increase of 4.7% on a strong comparative year

Profit

Underlying operating profit increased by 3.0% driven by strong pricing and cost controls. Profit before tax was impacted by heightened levels of non-underlying items and increased borrowing costs

30.8pps

Underlying basic earnings per share of 30.8 pence, an increase of 0.7% despite increased borrowing costs

1.2 times

Strong operational cash management and balance sheet, net debt 1.2 times pro forma EBITDA

£41.1m

Continued strategic investments in the business, capital expenditure of £41.1m

Progress

Increased investment in new product development and organisational capability augmented by simplification of the business

12.3p

Proposed final dividend of 8.2 pence (2021: 8.2 pence), taking FY 2022 dividend to 12.3 pence (2021: 12.2 pence) per share

ESG Highlights

Genuit Group is making progress against its 2025 ESG targets and senior management's incentive programmes are increasingly aligned to these

Genuit Group is focused on serving the needs created by sustainability-linked growth drivers:

The built environment needs to adapt as climate change continues to impact the way we design our buildings and urban landscapes. Increased rainfall levels, higher temperatures, and the associated regulatory framework provide tailwinds for market outperformance

We continue our progress on operating sustainably, in order to be the lowest carbon supplier of choice for our customers:

- Recycled waste accounted for 48.7% of our polymer inputs
- We further reduced our Scopes 1 and 2 carbon intensity by 3.6%. Since 2019 we have reduced this by 50.2%
- We recognise the role of innovation in catering for the changing demands in our market, and in 2022 achieved a Vitality Index of 24.7%
- 3.5% of our colleagues were engaged in accredited Earn and Learn programmes as part of our initiatives supporting membership of The 5% Club

Our business at a glance

Who We Are

At Genuit Group (the Group) we are focused on creating a more sustainable built environment. This means increasing its resilience as it adapts to the challenges that climate change creates, alongside reducing the impact that the built environment has upon climate change. For us, sustainability is at the core of both the way we operate and our commercial growth strategy. Our vision is to serve the new demands placed upon the built environment while being the lowest carbon supplier of choice for our customers.

From January 2023, we re-organised into three Business Units, comprising some of the UK construction industry's best known brands. We provide a wide range of solutions for a sustainable built environment; from low carbon heating and cooling, clean healthy air and resilient surface water management through to low carbon choices for drainage and plumbing.

We want to utilise the vast experience and capability that exists in our businesses, close to their customers. At the same time, we recognise that being part of the Group can also create value through scale and unlocking synergies, for the benefit of all of our stakeholders.

Although our businesses have strong brands and individual identities, they are underpinned by a Group-wide performance driven culture that promotes accountability, empowerment and entrepreneurial thinking.

Climate Management Solutions (CMS)

Addressing the drivers for low carbon heating & cooling, and clean & healthy air

REVENUE
+2.9%

£158.6m

2021: £154.1m

EBIT

15.7%

2021: 19.8%

BRANDS

- Nuaire
- ADEY
- Surestop
- Domus
- Nu-Heat

Water Management Solutions (WMS)

Driving climate adaptation and resilience through integrated surface and drainage solutions

REVENUE
+3.0%

£180.0m

2021: £174.8m

EBIT

7.8%

2021: 10.8%

BRANDS

- Polypipe
- Plura
- Permavoid
- Alderburgh
- Keytec

Sustainable Building Solutions (SBS)

Providing a range of solutions to reduce the carbon content of the built environment

REVENUE
+6.9%

£283.6m

2021: £265.4m

EBIT

20.9%

2021: 17.3%

BRANDS

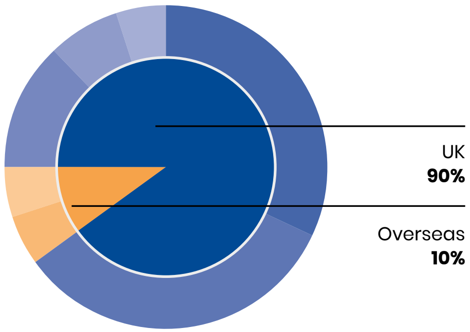
- Polypipe
- Manthorpe
- Terrain

Our three Business Units were established in January 2023, to better align with our markets, allowing us to create customer value through solution selling. These now form the basis of our future reporting.

Our business at a glance continued

The Group has evolved from its roots in plastic plumbing and drainage, through ongoing product innovation alongside a series of successful acquisitions. We now hold market leading positions in commercial ventilation, underfloor heating, residential plumbing & drainage, and large diameter water management, as well as a broad range of specialist sub-segments.

REVENUE BY CONSTRUCTION MARKET SECTOR



UK – RMI	32%
UK – New Build	33%
RoW	5%
Europe	5%
UK – Commercial – Private	13%
UK – Commercial – Public	7%
UK – Infrastructure	5%

COLLEAGUES
2021: 3,658

3,640

SITES
2021: 29

30

1980 | 1990 | 2000 | 2005 | 2010 | 2015 | 2020 | 2022

GROUP DEVELOPMENT

Founded as a manufacturer of extruded and moulded plastic

Continued new product development

1. Heritage business, with core focus on **plastic pipes** but expanding product offering
2. Shift to **refocusing on core businesses** within drainage where revenue is centred, divesting from small, unprofitable non-core businesses
3. Diversification through investment in **climate capabilities** and increased emphasis on **sustainability**
4. Movement towards **complete solution** offerings

ACQUISITIONS

Terrain, Ferrob, Surestop, Permavoid, Nu-Heat, Plura Innovations / Polypeck, Marshall Tufflex, Nuaire, Manthorpe Building Products, Alderburgh, Adey, Keytec Geomembranes

Creation of Genuit Group in 2021

At Genuit we're in the business of sustainability. Our actions are underpinned by our sustainability framework.

- Advancing the circular economy
- Developing sustainable solutions
- Tackling climate change
- Investing in an engaged and diverse workforce

Chair's Statement

Kevin Boyd, Independent Non-Executive Chair

Creating a better built environment

Sustainability continues to be at the heart of our growth agenda.

Introduction
I am delighted to be writing my first statement as Chair of the Company, following my appointment on 1 November 2022. I would like, on behalf of the Board and the Company, to thank Ron Marsh for his chairmanship and valuable contribution over the last eight years. There were a number of challenges for the Group in 2022, however, as demonstrated by these results, our performance has been strong and resilient despite the difficult ongoing micro and macroeconomic environment we faced.

Performance and results
These ongoing challenges post pandemic have continued to impact the UK and global economy, which has resulted in inflation and supply chain issues, in particular in our Adey and Nuaire businesses.

The year continued to bring difficult market conditions in UK construction as a whole, but our businesses have performed well in the circumstances. This robust performance is down to the hard work and resilience of our colleagues around the Group who have risen to, and overcome, the challenges we have faced.

The Group delivered revenue 4.7% higher than prior year at £622.2m, (2021: £594.3m). Adjusted operating profit was 3.0% up at £98.2m (2021: £95.3m), representing a margin of 15.8% (2021: 16.0%). Underlying basic earnings per share for the year was 30.8 pence (2021: 30.6 pence).

The Group also completed the acquisition of Keytec Geomembranes Holding Company Limited during the first quarter of 2022, welcoming new colleagues into the Group, as we continue to diversify our product portfolio and evolve towards being a solutions-based Group.

Review and update of strategy
During the year, a review and refresh of the Group's strategy was carried out in order to determine whether the strategic direction we articulated in 2021 needed to be refreshed. Although the Board remained convinced about the fundamental approach of aligning to key sustainability-linked growth drivers, it was agreed that further work on organisational design, and quantifying our ambitions and key initiatives could be achieved. We engaged a third party consultant to assist with this review process, and a project team of around fifty of our leaders and subject matter experts worked alongside them to complete this review. The outcome of this process is our Sustainable Solutions for Growth strategy, which we shared publicly at the Capital Markets Day (CMD) in November, setting out our mid-term goals, our new organisational and reporting structure, and further insight into how this strategy will be achieved via our three Business Units. The CMD was well attended, and feedback on the day itself and the refreshed strategy was positive.

Bringing our colleagues with us on our sustainability journey

'Wash & Squash' HDPE Recycling
In 2022 the Group launched the Wash & Squash initiative, which encouraged colleagues across the Group to bring their plastic bottle waste to their respective sites for it to be recycled at our Polymer Processing Plant in Horncastle. The Polymer Processing Plant recycles post-consumer HDPE bottle waste and converts it into engineered plastic pipe solutions that last in excess of 100 years – this initiative adding to the c.50,000 tonnes of plastic recycling processed during 2022. Sites were provided with 'Wash & Squash' recycling bags made from recycled bottles, where they could deposit clean empty HDPE bottles that were then taken to Horncastle for recycling.

This initiative engages our colleagues to bring them on our journey to support the Group's ambition to provide sustainable solutions to the built environment and be the lowest carbon choice for our customers.

Sustainability
Sustainability continues to be at the heart of our growth agenda. Expectations of the built environment to solve the urgent challenges facing our infrastructure, buildings, communities, and planet have never been greater. Across the Group we're finding solutions for these challenges; creating a more resilient business, society and planet, and we understand we have a key role to play in making the built environment more sustainable. We will do this by becoming a sustainable, low-carbon business ourselves as well as delivering sustainable solutions at scale.

We will continue to invest in innovative solutions to capitalise on key sustainability drivers, as well as driving growth through ongoing legacy material substitution and increasing our geographic reach. Our refreshed strategy showcased our continuing focus on higher growth and sustainability driven markets. Restructuring into three Business Units: Water Management Solutions, Climate Management Solutions and Sustainable Building Solutions reflects our sustainability focus. Our growth drivers will continue to propel performance in the years to come and sustainability will continue to be at the heart of how we run our businesses, so they are fit for the future.

We continue to make progress towards achieving our 2025 sustainability targets and have ensured that these targets provide alignment between management and stakeholder expectations by incorporating them into our long-term incentive arrangements for the Executive Directors and senior management. We are committed to, and will continue to make changes to ensure that where possible, sustainability underpins everything we do.

Board changes
As previously outlined in the 2021 Annual Report, Joe Vorih was appointed as Chief Executive Officer and a member of the Board in February 2022. Louise Hardy stepped down from the Board in September 2022, and on 1 November 2022 Ron Marsh retired as Chair of the Board, following nearly nine years in this role. Ron was appointed as a Non-Executive Director in 2014 when the Company listed on the LSE, and has played a key role in leading the Board since that date. On behalf of the Group and Board, it has been a pleasure working alongside Ron and we thank him for his time and dedication and wish him all the best with his future endeavours.

I am also pleased to welcome Shatish Dasani to the Group, having been appointed as a Non-Executive Director and a member of the Board on 1 March 2023, and as Chair of the Audit Committee on 7 March 2023 following a thorough recruitment process. Further detail on our Board recruitment processes are set out in our Nomination Committee Report.

Kevin Boyd
Independent Non-Executive Chair
14 March 2023

Investment proposition

Long-term sustainability

1

Market leadership

Genuit is a market leader with a balanced exposure across segments, with market outperformance underpinned by sustainability-linked tailwinds.

The Group operates in a Served Addressable Market (SAM) valued at c.£3bn, and our market share across that SAM is c.20%. Growth drivers such as low carbon heating, the regulatory frameworks around Sustainable Drainage Systems (SuDS), and the need for increasingly resilient stormwater management assist us in outperforming the construction market through the cycle.

2

Genuit Business System, focused on maximising growth, lean thinking, and leadership behaviours

We are embedding the principles and tools of lean management across our businesses to create value and drive out waste, improving margins and reducing working capital. Adopting common processes will create a flywheel to increase synergy realisation in future M&A.

3

Innovation levels which drive profitability

We believe that the climate challenges of today and tomorrow will not be solved only by the products and solutions of today. It is for that reason that we place emphasis on innovation across the Group, and our target of a 25.0% Vitality Index. The result of this is extensive IP, and differentiated products capable of sustaining higher margins.

4

Sustainability is at the heart of everything we do, with medium and long-term targets driving our decisions and focus

Sustainability is woven into the fabric of Genuit Group. Along with addressing sustainability-linked growth drivers, we will be the lowest carbon supplier of choice for our customers. As well as being the responsible way to operate, it is key to our commercial strategy.

5

Disciplined M&A as an enabler of accelerated growth

The Group has a proven track record of successful M&A, having completed ten transactions since IPO. Whilst organic growth remains core to our strategy, we recognise that portfolio completion can sometimes be achieved faster, and create better value, via acquisition. We apply disciplined evaluation criteria to our targets, including characteristics such as strong market shares, IP, sustainability credentials, and premium pricing, alongside financial metrics.

6

Resilient financial performance through the cycle with high levels of cash conversion

At our 2022 Capital Markets Day we stated our objective of achieving >90% cash conversion. Our business model is cash generative, and has historically operated at these levels.

Chief Executive Officer's review

Joe Vorih, Chief Executive Officer

Our Results: Progress in the face of challenge

I am pleased to report that the Group has delivered growth in annual underlying profit performance, against a prior year of strong comparatives with revenue from continuing operations 4.7% higher than prior year at £622.2m (2021: £594.3m), underlying operating profit 3.0% higher than prior year at £98.2m (2021: £95.3m) and underlying basic earnings per share 0.7% higher than prior year at 30.8 pence (2021: 30.6 pence), despite the impact of increased financing costs.

This was a year of considerable macroeconomic and political uncertainty with continued levels of high inflation in materials, energy and labour costs, constraints in the supply of key components (affecting us both directly, and indirectly through the supply chains of our customers) and with an isolated cyber incident in April 2022. I am proud of how our teams responded to all these challenges to deliver these results and I would like to thank them for their dedication and hard work.

As we committed last year, we have improved our commercial excellence and pricing responsiveness in the face of significant inflation. Several robust market-leading price increases throughout the year with shortened implementation periods, combined with trimming the cost base and boosting operational efficiency to help offset inflation and somewhat weaker demand in the second half. We have also prioritised higher margin business, exiting some less profitable product lines during the year. The tougher trading conditions in the latter part of the year precluded any normal Autumn seasonal uplift – especially in RMI activity – and subdued trading continued until the end of the year.

Our underlying operating margin of 15.8% (2021: 16.0%) was the result of improved pricing realisation from the second quarter largely offsetting the increase in material costs, costs of the cyber incident and constrained boiler supply. We have focused on a more streamlined organisation that will realise synergies, better positioning us for 2023 as profit margins improved to 16.8% for the second half.

We remain a highly cash-generative business, and even after significant capital investment to upgrade our manufacturing and invest in growth, we generated £62.6m cash (2021: £57.2m). Accordingly, the Board has approved a final dividend of 8.2 pence (2021: 8.2 pence).

REVENUE	2022 £m	2021 £m	Change %	LFL Change %
Residential Systems	**394.3**	372.9	**5.7**	5.0
Commercial and Infrastructure Systems	**227.9**	221.4	**2.9**	0.5
	622.2	594.3	**4.7**	3.1

UNDERLYING OPERATING PROFIT	2022 £m	ROS %	2021 £m	ROS %	Change %
Residential Systems	**79.1**	**20.1**	73.1	19.6	**8.2**
Commercial and Infrastructure Systems	**19.1**	**8.4**	22.2	10.0	**(14.0)**
	98.2	**15.8**	95.3	16.0	**3.0**

Chief Executive Officer's review continued

Robust financial performance achieved in a year of considerable macroeconomic and political uncertainty with continued levels of high inflation and constraints in supply chain.

Our customers: long term climate tailwinds, short term market turbulence
Although we are in a period of short-term turbulence, the Group continues to focus on segments that benefit from secular trends and growth drivers. The transition to low carbon and more efficient heating and cooling, the need to provide the built environment with resilience to the impacts of climate change, and the increasing demands from our customers to help them reduce the carbon content of their supply chains, all provide tailwinds that will drive above market growth in the medium term. Even now, some of these tailwinds are helping us to grow despite subdued markets. Our Nu-Heat underfloor heating and heat pump-based solutions, for example, have grown 21.0% compared to prior year as customers are attracted to the combination of more sustainable products and lower energy bills. The policy landscape also continues to provide tailwinds, with Parts L&F of the Building Regulations, as well as the roll out of the Flood and Water Management Act, all helping to increase adoption of our products through the changes in specification and design. Reducing the carbon equivalent content of our products is fundamental to how we make our business more sustainable, and increasingly it is a source of competitive advantage as our customers recognise that their purchasing decisions are a key driver of their own Scope 3 impacts.

Housing supply remains a key issue facing the UK. Although developers have reacted to the short-term issues around interest rates, affordability, and the resultant dip in reservation rates by slowing their site opening and starts, we still see a structural housing shortage as being a medium-term growth driver. Despite the Government's declared target of 300,000 units per annum, 2022 was only the second year since 2007 that saw over 200,000 units completed (Source: CPA), and despite the forecast of a dip in 2023, the sector is expected to return to growth in the latter part of the year.

Extreme weather events continue to occur with increasing frequency, and designers and engineers now need to cater for this in terms of greater rainfall and its associated impact on drainage and surface water management. Similarly, our summers are getting hotter, and the need for sustainable cooling solutions has never been greater. We continue to develop innovative solutions across all our businesses to address climate adaptation challenges and improve built environment resilience.

Our strategy: Sustainable Solutions for Growth
At our Capital Markets Day in November, we introduced the strategic evolution of Genuit with our Sustainable Solutions for Growth strategy following a thorough review and refocusing of our strategic plans. The key elements of this new strategy – which has been well-received by both markets and, importantly, our own employees – are as follows:

First, we will focus on higher growth sustainability driven markets. While the broader construction market is expected to grow at low single digits through the cycle, climate-driven investment should drive outperformance in our strategic segments including energy-efficient heating, green urbanisation, and stormwater management.

Second, we will strengthen our current position by becoming the lowest carbon choice supplier for our customers. As our customers implement their net zero commitments, access to the lowest embedded-carbon solutions – an area we already lead – will become increasingly important.

Third, we will simplify the business – making it more focused, agile and profitable. By retaining a decentralised operating model while realising more internal synergy and efficiency with our Business Units, we can invest more in our future growth and improve our profitability.

Fourth, we have committed to creating increasing value for all our stakeholders as we develop and embed the Genuit Business System in all that we do. A relentless focus on improving customer service, simplifying our operations and engendering creative problem-solving with all our people will unlock the full potential of our businesses.

Fifth, we will use this stronger platform to make disciplined and strategic M&A – when the time is right. Our Group will continue to add solution-enhancing, accretive acquisitions while maintaining appropriate levels of leverage and cash generation.

To put this strategy into action and make progress clear, we have reorganised the business into three Business Units – Climate Management Solutions (CMS), Water Management Solutions (WMS) and Sustainable Building Solutions (SBS) – each of good scale and with clear long-term green revenue drivers.

CMS is focused on solving the challenges of low-carbon heating, energy efficiency and clean, healthy air – and includes Nuaire, Nu-Heat, Surestop and Adey.

WMS has the most upward margin potential. It includes some of our compelling blue-green roof and storm water attenuation businesses with the potential to offer more complete solutions and move upstream in the design and specification cycle. Polypipe Civils and Green Urbanisation, Permavoid, Plura and Alderburgh (with our latest Keytec services acquisition) form part of this Business Unit.

Of course, SBS is Genuit's strong core – including Polypipe Building Products, Manthorpe and Polypipe Building Services businesses. With this strong market position, these businesses have the potential to continue to drive share as the lowest carbon choice for the construction industry.

We believe that this structure will leverage our larger scale and lower our cost base, while providing greater strategic alignment and clear focus on growth. Further, we will make this our reporting structure from 2023 onward – transparency that should help our own people and investors alike track the results of our strategy.

Chief Executive Officer's review continued

As we take Genuit through this transition, we have set ambitious but achievable mid-term targets. We will work to outperform the UK construction market by 2 to 4% through the cycle – organically. We intend to drive operating margin expansion to 20% and beyond – from self-help, continuous improvement, and operating leverage. We will return to, and then maintain, at least 90% operating cash conversion, and will drive our return on capital to 15% or greater. Of course, we will keep to our net zero and Science-Based Targets (SBTs) commitments and invest in our people – with a measurable goal of achieving The 5% Club Gold membership status.

Well positioned for key secular trends and growth drivers.

Our path to net zero: leading the way

We submitted our SBTs for verification in August 2022. This followed work with a leading consultancy to conduct a thorough carbon inventory so that we are now fully informed on the key components of our carbon impact. Our SBTs are initially based upon improvements by 2027, at which point we will re-calibrate and set targets for the following five years. This first phase of SBTs build upon the 2025 targets which we previously published and put us on a trajectory for being net zero by 2050.

Our Science-Based Targets as submitted are:

- Reduction of the Group's absolute Scopes 1 and 2 GHG emissions by 30% by 2027 from a 2021 base year.
- Commitment that 84% of the Group-wide supplier base, covering purchased goods and services, will have submitted SBTs by 2027.

We are also committed to a reduction of absolute Scope 3 GHG emissions by 13% for our purchased goods and services by 2027 from a 2021 base year.

Our sustainability targets are already a key component of Executive and senior management remuneration, and we are now also adding an annual measure of carbon reduction into the annual bonus arrangements for a wider cohort of our managers to ensure reward is fully aligned with our strategic priorities.

In 2022, we reduced our Scopes 1 and 2 carbon intensity by 3.6% versus prior year. Given the reduction in production volumes in 2022, it is pleasing to report that we still managed to achieve this despite the inherent pressure on efficiencies, and the increased relevance of our base load energy consumption. Since we began to measure ourselves in this way, we have reduced our carbon intensity by 50.2%.

Our use of recycled polymers was broadly similar to the prior year at 48.7% of our total tonnage (2021: 49.4%). Progress was hampered by product mix issues, particularly as housing starts slowed in the second half, and in general we are more able to utilise recyclate in below ground applications rather than, for example, above ground plumbing and heating pipes. We were also slightly delayed in implementing some of the product change projects which form the pathway to our 62% target but expect this to be rectified during 2023.

The proportion of our employees that are in structured training programmes (e.g. apprenticeships, formal graduate programs or sponsored students) reached 3.5% (2021: 3.2%). The share of our net revenue sales derived from products developed in the last five years (Vitality Index) rose to 24.7% (2021: 20.2%).

Our people and culture: purpose-driven performance

Genuit's success is founded on our great people. We are investing in the three key areas of talent, engagement and culture to unlock the full potential of the business and secure Genuit's position as a premium employee brand – crucial to attracting and retaining the best talent.

During 2022, we have strengthened our executive team with the promotion of Matthew Webber as Managing Director of CMS, and by welcoming Steve Currier as Managing Director of SBS. We have launched the Genuit Leadership Team – the seventy or so top leaders across the Group and have made key additions to this team including talent development, lean leadership and financial management.

We have rolled out a new talent development process and created a Group-wide talent pipeline. This includes expanding our commitment to graduate schemes and apprenticeships and strengthening our accredited learning programmes – which have always been important at Genuit. We are investing in technology to benefit our people – we are implementing Workday as our human resources platform, Peakon as our engagement platform and have already deployed Workplace by Meta to communicate and connect with our people.

Building a high-performance culture takes time, but I am encouraged by our progress following my first ever Group-wide leadership conference. We are focusing on the things that matter most – transparency and respect, encouraging a growth-mindset and continuous improvement, and elevating diversity and inclusion as key to our future; something I am very passionate about.

Chief Executive Officer's review continued

Outlook
This year has started well and has traded in line with expectations, although we expect challenging and uncertain market conditions to continue into 2023 amongst macroeconomic uncertainty, with continued lower volumes as seen in the second half of 2022. Our expectations for the year have been based upon the CPA Winter Forecast. If there are any deviations from this forecast, the business has proven resilience and agility to adapt in those conditions. However, the actions taken on pricing and the other self-help measures started last year, including further simplification of the business, will maintain the Group's resilience and enhance our capability to respond to improvements in the market.

Through reinvesting these synergies in our people and growth initiatives and keeping a continual focus on margins and cash flow, we are confident that we will start to make measurable progress towards our mid-term commitments. Further, our focus on climate-driven growth, leadership in sustainable materials and enhancing the power of our people through the Genuit Business System, will position us well for the long term. Most importantly, we are building a strong team, with a single sustainable purpose, and look forward to the next chapter in our Sustainable Solutions for Growth strategy.

Joe Vorih
Chief Executive Officer
14 March 2023

Q&A

Joe Vorih
Chief Executive Officer

You launched a new strategy last year which underscores your commitment to driving higher growth in sustainability driven markets. Can you explain how you will differentiate and deliver?
We will invest in higher-growth markets that benefit from climate investment. Climate Management Solutions – already a leading UK ventilation and heating business – is well-positioned to deliver solutions that will be needed for the homes and offices of the future. Water Management Solutions already provides a range of stormwater management products and installation services, as well as blue-green roof technology to help adapt to increasingly unpredictable rain and storms. We also committed to strengthening our leadership position in recycling – becoming the lowest embedded carbon choice for our customers. By expanding these solutions – through innovation and acquisition – we are committed to enabling climate-friendly construction to deliver.

How has Genuit Group continued to adapt to the changing conditions in the last year?
2022 was memorable, in the challenging sense – the highest inflation we've seen in decades, an uncertain political stage at home and in Europe, and unsettled financial markets. We reacted quickly by improving our pricing agility and leveraging Genuit purchasing scale Group-wide. We are shifting from 20 or so independent businesses to three strategically-focused platforms that have already begun to drive structural cost synergies. These self-help measures will enable us to return to and exceed historical margin performance. Most importantly, we've kicked off our lean journey and are deploying the Genuit Business System – a source of value creation for years to come.

Climate issues are key areas of focus globally. How is Genuit leveraging the opportunity?
Climate change definitely grabbed headlines in 2022. I believe we've reached a tipping point, and that business is beginning to lead the way to develop the solutions that will enable us to meaningfully mitigate and adapt to climate change. We are well-positioned, having built our climate management and stormwater solutions businesses over the last ten years through acquisitions to be the Genuit we are today. And we are industry leaders in the use of recycled plastics – ready as our customers begin to ask for lower embedded carbon products to meet their net zero commitments.

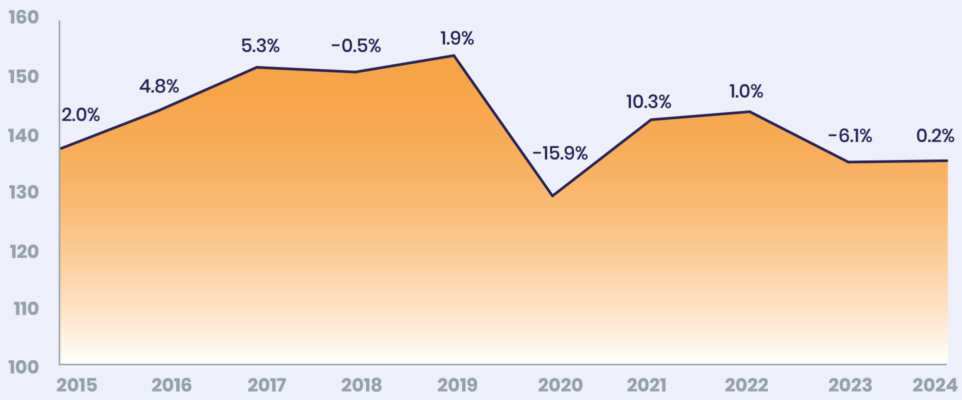
Can you explain how you are developing Genuit's talent, culture, diversity and inclusion?
Great companies are built by great teams and investing in those teams must remain our top priority. We've created our own Group-wide talent development process, recruited and promoted key leaders for the future and defined a new Group-wide Genuit Leadership Team to drive a high-performance culture, implement our purpose and strategy, and role-model inclusive and diverse leadership that will yield benefits for years to come.

What do you see as your main priorities for 2023?
Our key priorities for 2023 are to embed our Sustainable Solutions for Growth strategy, and to get every one of us at Genuit aligned to deliver for our customers. We will unlock unrealised synergies and redeploy those resources to invest in our future solutions. This is the best way to improve our margins in the face of uncertain market conditions, while we create the high-performance culture and embed the Genuit Business System and lean mindset into absolutely everything we do. I'm more positive than ever about the Group's purpose and growth opportunities, and looking forward to working with our team to realise our full potential.

Market review

In the recent Construction Products Association (CPA) Winter Forecast, total UK construction activity (excluding infrastructure) is now expected to have shown 1.0% growth in 2022 versus prior year. At the outset of 2022 the forecast suggested a growth level of 3.2% on a similar basis. Broadly speaking, this divergence began in the first half of 2022, with the impact of Russia's invasion of Ukraine and its resultant inflationary pressures. Toward the end of the year, this was exacerbated by the interest rate increases and the combined pressures on disposable incomes. Similarly, in the second half of the year, some sectors were seeing volumes fall as inflation was impacting their fixed budgets, whilst others, such as private housing and commercial construction, began to reduce activity in anticipation of a downturn in 2023. Infrastructure showed more resilience in 2022 due to the long-term nature of activity, and the relative impact of marquee projects such as HS2.

The CPA Winter Forecast was made during times of significant uncertainty and short term volatility. There are significant sensitivities to the base case forecast, largely dependent upon the length of any recession, and the associated issues around consumer confidence, unemployment rates and disposable incomes. Against that backdrop the total construction market, excluding infrastructure is now forecast to decline by 6.1% in 2023, a slight worsening compared to the autumn forecast which had predicted a decline of 5.0%; though this had been formulated prior to the obvious near term impact of the Truss-Kwarteng government. It does, of course, need to be seen in the context of the scale of construction activity and the pace of recovery post pandemic which had led to historically high levels of activity in both 2021 and 2022, particularly in sub-sectors such as Housing RMI.



Residential

The estimate of 204,061 completions during 2022 is at a level second only to 2019 since the turn of the century. The momentum post pandemic, and the continuation of that pent up demand was also assisted by ongoing government stimulus packages such as Help to Buy. The housing sector more broadly saw a reduction in transaction volumes of c.15%, after the extremely buoyant levels of 2021 which had also benefited from the stamp duty reductions alongside the other assistance packages. This reduced level of transaction activity, albeit from a historically high level, had been well established even before the turmoil of the Autumn Statement. Indeed, that created a short-term upward tick in transaction activity as people rushed to capitalise on mortgage offers that were in place as can be seen in November's level of property transactions, being 8.7% higher than the average of 2018/19. Nonetheless the year ended with 15% fewer transactions than in 2021. December 2022 also marked the fourth consecutive month of house price falls from their August peak, according to Nationwide Building Society.

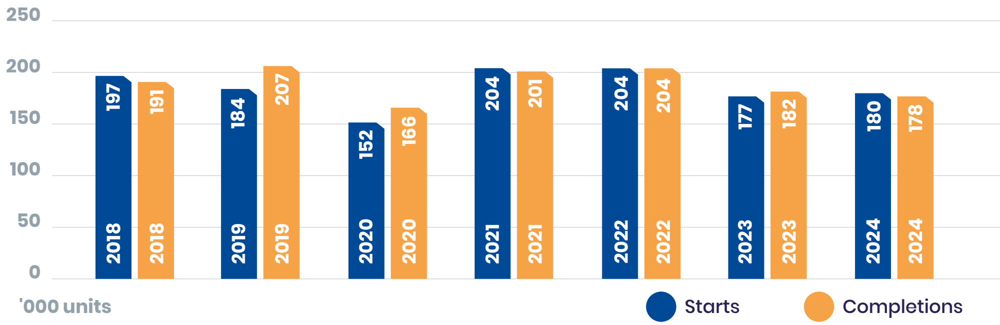
Against this backdrop, and the ongoing issues of mortgage affordability as interest rates remain higher than recent years, there is clearly uncertainty in the short term outlook for the housing sector, notwithstanding the mid-term structural drivers which continue. Housebuilders are predicted to react to this uncertainty by slowing down their site openings and build out rates, and therefore the CPA forecasts a 13.1% reduction in housing starts to 177,418 units, before a 1.6% recovery to 180,240 in 2024.

Private Housing RMI reached historic high levels in March 2022, and has been on a downward trend since then. Such a huge segment never moves homogeneously. The post pandemic RMI boom had been on the back of accumulated savings, and a desire for improved outdoor spaces as well as environments suitable for working from home; much of which happened whilst alternative types of expenditure such as foreign holidays were less prevalent. This inevitably tailed off some two years after the start of the first lockdowns. Nonetheless this sector is now the third largest aspect of UK construction behind private new housing and infrastructure. Whilst the 'Improvement' element of RMI tends to be the more volatile, it is also still the case that R&M is largely shielded from all but the most severe economic effects. It is also true that certain sub-sectors have shown some resilience, and most notably those aspects which themselves offer mitigation against issues such as the increasing costs of energy; either via a move from fossil fuel or a move to improve efficiency.

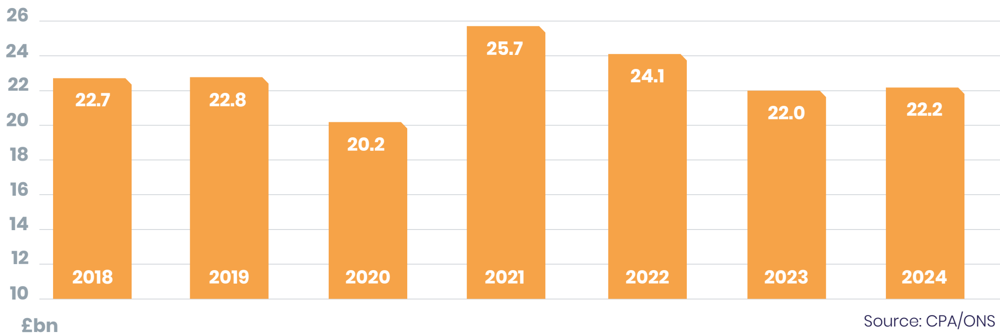
Looking forward, this relative resilience is expected to continue with a 6.9% decline in housing RMI, being slightly more robust than the 10.9% decline predicted in new housing. There is obvious downside risk given the ongoing pressure on disposable incomes, but similarly the upside potential is largely linked to a recovery in housing transactions, as one of the key triggers of a significant RMI project is the upgrade that often takes place within the first six months of a house move.

Commercial and infrastructure

New housing

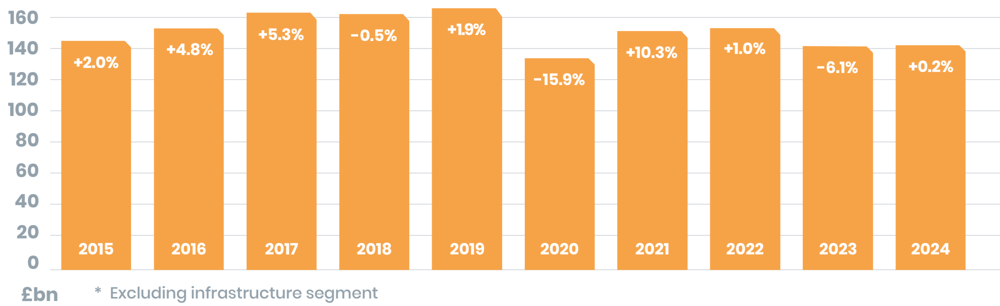


Private housing RMI



Source: CPA/ONS

Construction Market Development*



* Excluding infrastructure segment

Outside of housing the picture is somewhat mixed. Over the last two years new commercial construction has seen a shallowing of the decline that has beset it since 2017. The changes in working patterns have impacted the demand for new offices, and the sector is often the first to react during periods of uncertainty. Although the office new build sub-sector grew 4.0% in 2022, it nonetheless remains some 24% below its 2016 peak. The RMI activity in offices remains buoyant by contrast, as existing stock is adapted to accommodate working patterns, or upgraded given some of the concerns around issues such as air quality, raised during the pandemic.

Commercial construction along with sectors such as education and health construction is also impacted during times of high inflation, as projects or spending programmes are often run within fixed budgets, and so the volume of activity lessens to accommodate the cost increases. We see this in health and education new build where the forecasts are for a flat 2023 and a decline of 1.0% respectively, in volume terms, despite the headlines talking of significant expenditure increases.

The infrastructure segment remains the least significant for the Group, given that over two thirds of the sector is accounted for in power, road and rail expenditure. Having grown 4.9% in 2022, the sector is forecast to grow, albeit at a slower rate of 2.4% in 2023, partly related to the inflation impact referred to above.

+10.1%

164,083 private new home starts in 2022 are forecast to be 10.1% above the 2019 level.

Business model

Our purpose: We address the challenges caused by climate change and urbanisation by providing water and climate management solutions. We're helping construction build better.

Our resources

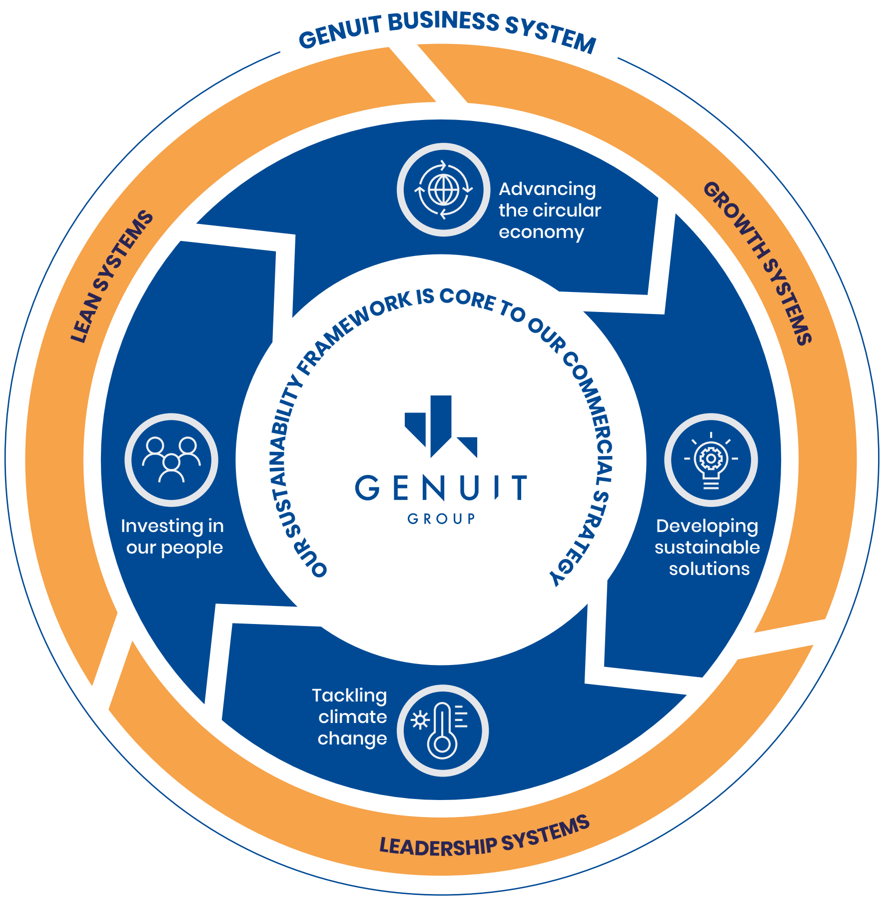
PEOPLE
Experts knowledgeable on our customers' applications and empowered to act.

IP/EXPERTISE
Innovation, continuous improvement and unique IP defends our market positions.

STRONG LEADERSHIP
Clear direction and focused resource allocation enables our colleagues to deliver our strategic vision.

CAPITAL INVESTMENT
Disciplined capital allocation to fund sustainable profitable growth, consistent with our strategic objectives.

How we create value



Climate Management Solutions
Addressing the drivers for low carbon heating & cooling, and clean & healthy air

Water Management Solutions
Driving climate adaptation and resilience through integrated surface and drainage solutions

Sustainable Building Solutions
Providing a range of solutions to reduce the carbon content of the built environment

To help our customers
Genuit Group helps professionals create sustainable, engineered water and climate management solutions for the built environment.

CUSTOMERS
- One-off installers
- Contract installers
- Civil engineers and contractors
- M&E consultants

WHO THEN DELIVER TO THE END USER
- Housebuilders
- Civils and Commercial sector developers
- Asset owners and self-builders

Competitive advantages

TRUST | VALUE | CAPABILITY | SUSTAINABILITY | RANGE | SUPPORT | COMPETENCE

Creating sustainable value for our stakeholders

CUSTOMERS
Quality and innovative products, engineered solutions that enable a sustainable built environment, support, value, range, bespoke solutions, market leading brands.

SHAREHOLDERS
Dividend, capital growth opportunity, responsible and ethical investment.

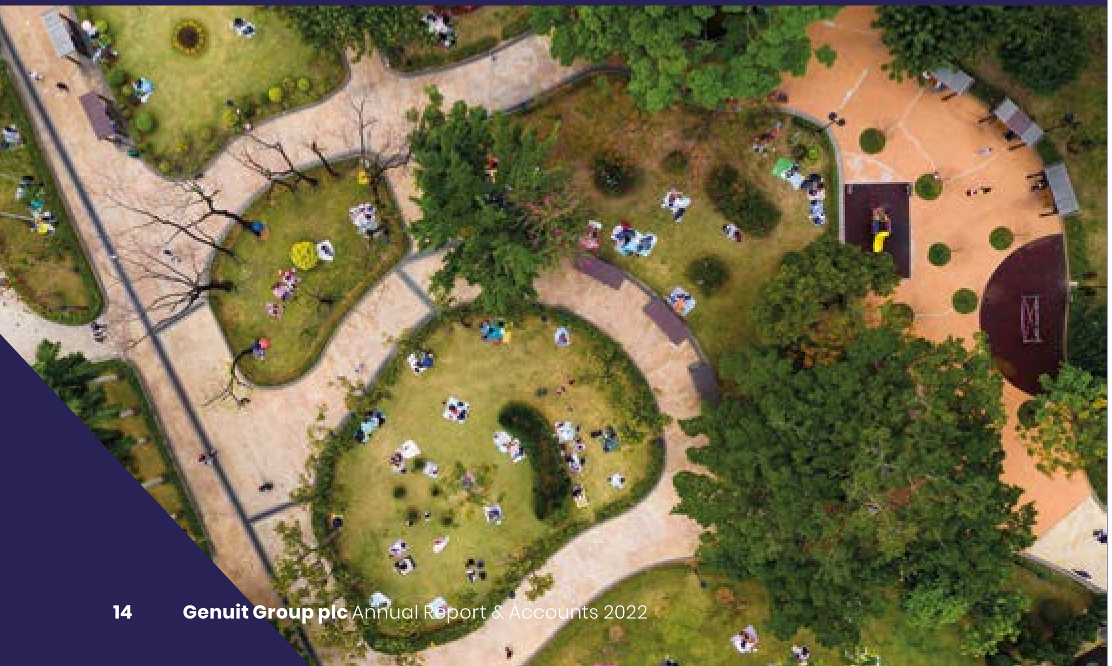
EMPLOYEES
Training and skills development, commitment to diversity, direct engagement and empowerment, providing a chance to make a difference.

SUPPLIERS
Long-standing relationships, fair negotiation, certainty on payment, reputation, visibility on revenues.

COMMUNITIES AND THE ENVIRONMENT
Working towards a sustainable built environment, sustainable products and practices, enhancing the environment, while engaging with communities and charities.

Our Strategy

At our 2022 Capital Markets Day we outlined the strategy that would enact the next stage in the evolution of Genuit Group. Our Sustainable Solutions for Growth strategy builds on our successful history, market positions and the deep knowledge and expertise of our people, whilst seeking to clarify how we will outperform the wider market and unlock value from within the Group.



1
Focus on higher growth, sustainability driven markets

Genuit operates in a served addressable market valued at £3bn in the UK alone. We occupy number one or two position in the majority of sectors we serve. Our history of expansive M&A activity has meant the Group is active in segments across water management, ventilation and cooling, heating systems and infrastructure. Within these segments we are providing solutions which link to key sustainability-linked growth drivers.

Our water management ranges address key issues around resilience and adaptation, as engineers design for increasingly frequent severe weather events, and combine the design of urban green spaces with solutions to create a resilient stormwater network. Our climate-related products are addressing the need for lower carbon heating and cooling, as well as providing clean and healthy air.

In all of these sectors there are regulatory tail winds such as Parts L and F of the Building Regulations, and the Flood and Water Management Act. These regulatory, societal and climate change-related factors combine to yield growth opportunities in excess of the construction market average. We will continue to focus our capital and efforts on ensuring our portfolio and our organic initiatives are targeting these higher growth segments.

2
We will strengthen our market positions by being the lowest carbon choice for our customers

The roots of our Group lie in the benefits of converting to polymer based piping products versus old fashioned legacy alternatives. Over the years, in addition to benefits such as installation speed, this transition has accelerated due to the lower life cycle emissions of those plastic solutions. Now, our customers are assessing carbon impact as part of their purchasing decisions. We recognise that in the context of the built environment, the choice of products represents a significant contributor to the Scope 3 carbon content of a project, or the participants in its supply chain.

Our efforts to increase our use of recycled plastics, and to reduce the carbon impact of our operations across the Group now mean we can offer customers a way to improve their carbon footprint. In a context where 45% of FTSE companies have net zero targets, along with many of the key developers, contractors, and merchant groups this is now a driver of customer preference. We will continue to improve our position in this regard; we have set our Science Based Targets, we have a near-term target of 62% of our polymers being from recycled inputs, and we are rolling out a programme of Environmental Product Declarations (EPDs) so that increasingly, customers can make data driven informed decisions based on carbon comparison.

Our Strategy continued

3 We will simplify the Business

The evolution of the Group has seen significant M&A, including ten acquisitions completed since IPO. Whilst we remain committed to the strengths of our brands, the strong customer relationships that exist in our businesses and the agility that they show, we have also recognised that in order to capture our future growth opportunities and maximise returns, we have needed to simplify the Group. Therefore, around the end of 2022 we re-organised as three Business Units, from our previous four divisions which had historically been largely a consolidation layer.

This makes the Group easier for investors and colleagues to understand how we align with our served segments, and facilitates solutions for customers in a more cohesive way. We are committed to continuing to exploit revenue and cost opportunities, and this market-aligned structure will assist in both regards.

4 Create value through the Genuit Business System

Although we recognise differences between our businesses and the needs of their customers, it is clearly also true that implementing best practice in our processes can be a key enabler to improve key financial and non-financial metrics. In Q4 2022, we began the roll out of a Lean Transformation at our Adey business, which will continue into 2023 when we will kick off parallel programmes at Polypipe Building Products, and one more site.

As well as yielding benefits at those sites, these Lighthouse Projects will also help us to build a capability that we can then use to deploy these techniques and processes more widely across the Group. We will use this programme to drive improvements in productivity, customer service, and increase the engagement of our colleagues in improving our business. The embedding of the Genuit Business System also means that we have an ongoing flywheel, allowing us to extract synergies from future acquisitions in a proven manner.

5 Investing in our people and culture

A proactive approach to developing our people and a Genuit culture, is a key cornerstone of our strategy, and forms part of our competitive advantage. We believe that a high performance culture is how we will ensure an engaged and motivated workforce. During the first half of 2023 we are working with groups of colleagues to precisely articulate those core behaviours that evidence this culture, and to which we are all held to account.

Like the Genuit Business System, although we recognise the different identities of our businesses, the Genuit culture will develop consistently across them. This is a key way to extract the benefit of scale in terms of capability and also to promote mobility of talent across the Group so that colleagues feel a wider sense of belonging to the Group, and have ambition to grow and develop in opportunities across it. We are also investing in key enablers such as the Workday HRIS system, an engagement measurement tool called Peakon, and an employee communication and engagement platform, Workplace by Meta.

6 Increasing solutions capability via growth enabling M&A

M&A has been key to the Group's expanded market footprint. For example, our Climate Management Solutions Business Unit has been formed via acquisition since IPO and our activities in underfloor heating (UFH), commercial & residential ventilation, and heating efficiency systems now account for c.25% of Group EBIT. We will focus our inorganic growth on targets that allow us to fill portfolio gaps, and build real value-added solutions. This goes beyond simply offering a wide range; it ensures that our systems complement and integrate with each other so that functionality and value increases for the customer. That is at the heart of our approach to solution selling. The size of our addressable market, and the fragmented nature of key segments provide significant capability for future M&A. As well as being clear of the role of inorganic versus organic growth, we are also clear on how we evaluate M&A opportunities, with transparent and disciplined criteria:

1. Strong management teams

2. Above market average growth opportunity

3. Premium products

4. Sustainability at the core of the business

5. Strong market share position

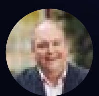
6. IP, expertise and differentiation

7. Profitable and cash-generative future

Strategy in action

Lower carbon heating and cooling

With our presence in both water and air based climate management technology, Genuit is uniquely placed to offer the solutions for the future of low carbon heating and cooling



Matthew Webber,
MD, Climate Management Solutions

Climate Management Solutions

Since our IPO in 2014, the climate management segment has been a key focus of our M&A activity, to the extent that by 2022 it represented 25.5% of total Group revenue.

This segment benefits from secular growth drivers, which provide tailwinds for above construction market growth rates. The policy environment with recent amendments to Building Regulations such as Part L and Part F, as well as the broader Future Homes Standard, are key enabling pieces of legislation to assist the built environment play its part in a lower carbon economy. The move away from fossil fuels as a sustainability imperative is now also supplemented by the economic issues around energy costs; both of which drive the demand for more efficient solutions. Indeed, products such as our Adey filters which improve the efficiency of existing installations are also offering consumers rapid paybacks as energy costs remain at historic high levels.

25.5%

In 2022 Climate Management Solutions represents 25.5% of total Group revenue

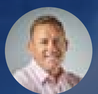
Providing value across technologies
For Genuit, we see real added value in bringing product technologies together to provide more integrated solutions. Historically the heating systems in our homes have been inefficient, but with plenty of spare capacity, so that when we were cold we simply put in more energy for instant heat. The future, and increasingly the present, uses more efficient low carbon energy inputs such as air source heat pumps as offered by Nu-Heat. This means we need to ensure our systems are working together so that technologies such as underfloor heating can be complemented by Mechanical Ventilation & Heat Recovery (MVHR). This combination of base load heating being supplemented by other low carbon heat sources will be the future of heating our homes and workplaces. Genuit is in a unique position to offer these complete solutions, and we will develop interfaces to allow the technologies to interact and to benefit the user. Additionally, we will continue to build our product portfolio so that we can offer genuine solutions which meet specific customer needs rather than being wedded to one product technology.

Alongside low carbon heating, our homes and workplaces also need to adapt to increasingly warm summers. Our Nuaire business provides efficient options for cooling, whilst also providing clean fresh air, rather than simply recirculating air as conventional air conditioning systems have done. We also recognise that with the insulation and "air tight" requirements of Part F, there also comes a need to provide fresh air in a managed manner to provide a healthy environment and also to combat the issues around damp, which are a real concern across the existing housing stock.

Strategy in action continued

Enabling adaptation and resilience

> The impact of climate change on the need to accommodate extreme weather events is clear. We are committed to designing solutions which address that need, and in doing so also provide for higher quality urban spaces. Our significant usage of recyclate also means that we are minimising our own impact upon the climate



Steve Durdant-Hollamby,
MD, Water Management Solutions

Water Management Solutions

Our Water Management Solutions Business Unit is helping adaptation and resilience through integrated surface and drainage solutions. The built environment is increasingly under stress from extreme weather events which are happening with greater frequency, and require solutions which cater for increased volumes of water, whilst also being sympathetic to the requirements of landscape planning. These issues lie behind the key regulatory and policy tailwinds, such as the Flood and Water Management Act which is long overdue in its implementation in England, and also the Sustainable Drainage Systems (SuDS) requirements which now form the backbone of environmentally sympathetic drainage development.

A holistic approach to design

Our Water Management Solutions Business Unit has considerable expertise in holistic design. For example in our Polypipe Civils & Green Urbanisation business we provide solutions for storing and managing the flow of stormwater, or attenuation, whilst at the same time using that water to sustain green spaces on the surface. This may be in podium decks, blue-green roofs, or rain gardens; all ways to improve urban spaces and the air quality within them, whilst ensuring the resilience of the drainage system below the surface. These are key ways of re-introducing green surfaces into what has become an increasingly concretised urban landscape.

Our Horncastle site is home to the Group's largest investment in recycling, with our wash plant facility that in 2022 processed c.8,000 tonnes of post consumer waste such as plastic milk cartons, detergent bottles and other HDPE products. The facility converts that 'waste' into pipe systems which have design lives in excess of one hundred years, addressing real societal needs, and underpins our position as leading the European piping industry in terms of use of recycled polymers.

>30,000t

In 2022 our WMS Business Unit consumed over 30,000 tonnes of recycled post-consumer waste

Strategy in action continued

Driving out carbon

With our leading brand positions, we are well placed to help our customers reduce their carbon impact. We are committed to an innovation programme which will build on the progress we have already made

Steve Currier,
MD, Sustainable Building Solutions

Sustainable Building Solutions

Our mission in our Sustainable Building Solutions Business Unit is to reduce the carbon impact of the built environment. Our brands such as Polypipe Building Products, Terrain, and Manthorpe already lead their respective sectors and have strong reputations built on innovation and high quality. Much of their history has been to position their products against legacy materials such as copper or cast iron. Hitherto much of those sales arguments had centred upon issues such as ease and speed of installation, and whilst those points remain valid it is increasingly the case that customers are choosing these ranges because of their lower carbon impacts.

65%

In 2022 we launched a new product in our Terrain range following the £2.5m investment on our Aylesford site which allows us to produce a range with 65% recycled content

Removing carbon; for us, and our customers

We will continue to drive carbon out of our product ranges so that we are the lowest carbon supplier of choice for our customers. As well as being consistent with our desire to be a sustainable business with clear goals such as Science Based Targets, we also see the growth opportunities that this presents given that for many of our customers, their choice of products is a key driver of their own Scope 3 emissions. Our drive for carbon reduction is a key component of their pathways to net zero.

We continue to explore ways to increase our use of recycled materials in place of virgin polymers, and in 2022 we launched a new product in our Terrain range following the £2.5m investment on our Aylesford site which allows us to produce a range with 65% recycled content. We are also rolling out a programme of Environmental Product Declarations (EPDs), which are third party accredited meaning that customers are able to make objective informed choice based on the actual carbon content of our products rather than industry generic statistics. Our Advantage offering from Polypipe Building Services provides contractors with a way to access the benefits of Modern Methods of Construction (MMC), with our precision design, and fabrication of bespoke systems in a manufacturing environment. This reduces waste as well as transport, and consequently the carbon impact of the installation. With large contractors, asset owners and developers increasingly committing to net zero futures, our low carbon solutions offer a source of competitive advantage.

Key Performance Indicators

We continually review the Group's performance indicators that are critical to the measurement and delivery of our strategic objectives and sustainable shareholder returns.

We have defined our Key Performance Indicators (KPIs) to measure alignment between our operating activity and strategic goals.

Focus on higher growth, Sustainability driven markets	1
Lowest carbon choice for our customers	2
Simplify the business	3
Create value through the Genuit Business System	4
Investing in our people and culture	5
Increasing solutions capability via growth-enabling M&A	6

NON-FINANCIAL KPIs

RECYCLING

%

48.7%

Link to strategic objectives 1 2

The proportion of the Group's overall polymer consumption fulfilled by recycled materials.

Importance to Genuit
The Group has a commitment to achieving the highest standards of environmental performance, preventing pollution and minimising the impact of its operations including reducing waste to landfill.

Commentary
Our use of recycled material in the year was broadly similar to the prior year at 48.7% of our total tonnage consumption. Progress was hampered by a slight delay in implementing some of the product change projects which form the pathway to our 62% target but we expect this to be rectified during 2023.

ACCIDENT FREQUENCY

Frequency per 100,000 hours worked

3.62

Link to strategic objectives 5

The number of reported accidents as a proportion of the number of production hours across the whole Group.

Importance to Genuit
Beyond mere compliance, this is an indicator of the state of health and safety at our various sites and the degree to which the workers are protected from work-related hazards at their workplace. Our aspiration is to achieve zero accidents every year.

Commentary
The Group has seen a continued and sustained improvement in reported accidents. Incident rates across the Group have been decreasing year-on-year, in line with an increase in engagement and positive leading indicator performance.

DEVELOPING OUR WORKFORCE

%

3.5%

Link to strategic objectives 5

The proportion of our UK colleagues actively participating in The 5% Club recognised Earn and Learn programmes such as apprenticeships, graduate trainee and student sponsorships.

Importance to Genuit
Developing and investing in our colleagues drives sales growth, operational efficiency and profitability, whilst facilitating employee retention and enhancing workforce morale.

Commentary
In 2022, we maintained Silver Membership status of The 5% Club. This demonstrates our commitment to investing in our workforce through a broad range of Earn and Learn programmes. At the end of 2022, we had over 110 colleagues participating in accredited Earn and Learn programmes.

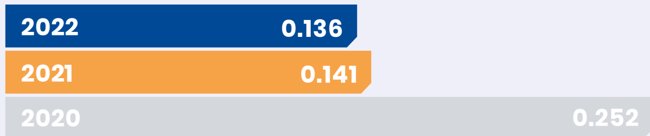
GREENHOUSE GAS EMISSIONS

Intensity ratio

0.136

Link to strategic objectives 1 2 5

The intensity ratio is defined as the total tonnes of Scopes 1 and 2 CO_2e produced per total tonnes of production.



Importance to Genuit
The year-on-year improvement in this measure demonstrates our commitment to operating in an environmentally sustainable manner, as the Group continues to grow.

Commentary
Our Scopes 1 and 2 carbon intensity has reduced by 3.6% and we are on track towards our goal of a 66% reduction since the 2019 baseline data was established. To date we have achieved a cumulative intensity reduction of 50.2%. The Group continues to develop its strategy and framework to further reduce emissions through energy efficiency.

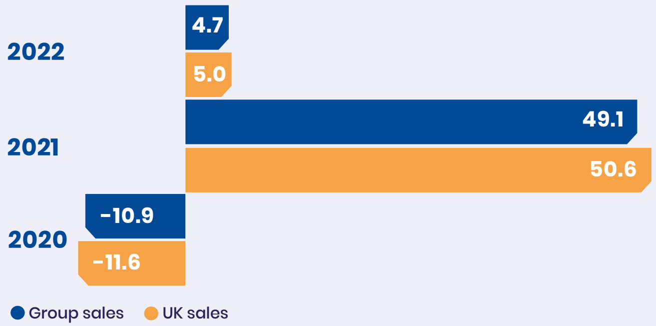
FINANCIAL KPIs

SALES GROWTH 4.7%

%

Link to strategic objectives 1 3 4 6

The annual percentage growth in both Group and UK (by destination) revenue.



Importance to Genuit
Our strategy is to ensure that investment in our people and operations drives sales growth which outperforms the construction market, thus enhancing our market leadership position.

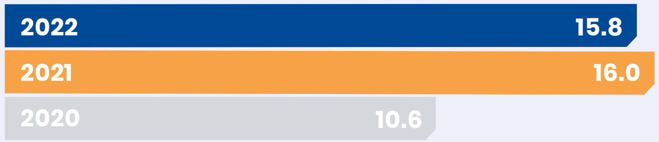
Commentary
Group revenue increased 4.7% against a strong comparative year. UK revenue increased by 5.0% during a period of economic uncertainty that worsened in the second half of the year.

UNDERLYING OPERATING MARGIN 15.8%

%

Link to strategic objectives 1 3 4 5 6

Underlying operating profit as a percentage of revenue.



Importance to Genuit
Indicates that we are investing in the right initiatives and operating efficiently, by driving out non-value-added costs and delivering productivity gains.

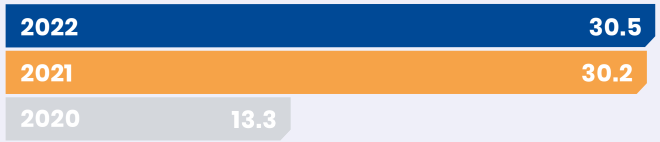
Commentary
Underlying operating margin percent was broadly similar to 2021 at 15.8% (2021: 16.0%). Without the isolated cyber incident and more importantly the supply chain constraints we estimate underlying operating margin would have been 16.4%.

UNDERLYING EPS 30.5pps

pps

Link to strategic objectives 1 3 4 5 6

Underlying diluted earnings per share.



Importance to Genuit
Provides the Company's investors, in particular, with a consistent indication of the Group's underlying financial performance.

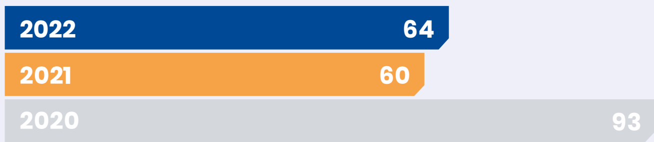
Commentary
Underlying diluted earnings per share increased by 1.0% despite the impact of increased borrowing costs.

CASH CONVERSION 64%

%

Link to strategic objectives 1 3 4 5 6

Operating cash flow excluding non-underlying items less net capital expenditure to underlying operating profit.



Importance to Genuit
Our focus on cash conversion demonstrates our focus on efficiency, as well as enabling us to fund future organic and inorganic growth.

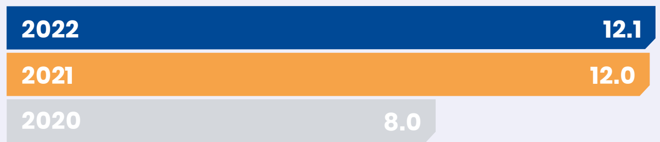
Commentary
Our cash conversion improved by 4.0 percentage points. This was achieved despite increased capital expenditure and investment in defining the Solutions for Growth strategy.

RETURN ON CAPITAL EMPLOYED 12.1%

%

Link to strategic objectives 1 3 4 5 6

Return on capital employed is the ratio of underlying operating profit, adjusted for the full year benefit from acquisitions during the year, where relevant, to average net assets excluding loans and borrowings, cash and cash equivalents and taxation.



Importance to Genuit
A key indicator of the efficient deployment of capital on the right initiatives and of Group's overall business performance.

Commentary
Return on capital employed marginally increased in 2022, as the Group continued to invest in its asset base.

Sustainability

Making the built environment more sustainable

Genuit Group is making the built environment more sustainable and helping create a more resilient planet, society and business.

Our Sustainable Solutions for Growth strategy is centred around being the lowest carbon supplier of choice for our customers, alongside serving segments which have growth drivers linked to climate change. Therefore driving carbon from our business is not only the right thing to do from a societal perspective, but it is also commercially fundamental to us.

Genuit Group has set a 2025 target of reducing the intensity of its Scopes 1 and 2 carbon emissions by 66%. As you can see from our SECR GHG report on page 24, our 2022 results show a further progress of 3.6% against this. This means that on a like-for-like basis we have now removed over 50% of Scopes 1 and 2 carbon from the business since the target was put in place in 2020. We continue to source our electricity from accredited renewable sources.

As we trailed last year, we have moved our company car fleet scheme to one based around PHEV/EV choices, and since the scheme was activated, 140 of our colleagues have selected these vehicles. Our bio-diesel trials in our commercial fleet have also provided useful learnings, and we anticipate further progress against this in 2023.

During 2022, we submitted our Science Based Targets (SBTs) for verification by the Science Based Targets initiative (SBTi). These are in line with the 1.5 degree Business Ambition methodology. Our SBTs dovetail with our existing targets for 2025, but extend the timeline to 2027 for the next milestone on our pathway toward net zero. We will then continue to restate targets every five years thereafter. The SBTs submitted for the 2027 measurement period are based from a comparator year of 2021 and broaden our existing targets.

Our sustainability framework

	Advancing the circular economy	Developing sustainable solutions	Tackling climate change	Investing in an engaged and diverse workforce
Our sustainability framework	We want to lead the industry in recycling and waste management. It is our ambition to increase recyclability to its maximum threshold and to become a zero-to-waste operation.	Given our focus on growth drivers which are linked to the sustainability agenda, we recognise that these challenges will only be met by new products, produced in the most sustainable ways.	We are committed to reducing the carbon footprint from our operations and products by focusing on reducing overall emissions without resorting to carbon offsetting.	We recognise the contribution a diverse group of colleagues makes to achievement of our goals. We also believe that providing development pathways in the workplace is a key enabler of social mobility.
Our 2025 targets	62% of our polymer tonnage to be from recycled inputs. This represents the current available ceiling, given the standards regimes governing the use of recycled materials	25% Vitality Index. One quarter of our revenue coming from products launched within the preceding five years	66% reduction of CO_2 emissions intensity (Scopes 1 and 2)	5% of colleagues to be in accredited Earn and Learn programmes
Our progress in the year	During the year the mix of housing activity moved from starts and toward completion, resulting in more plumbing and heating systems, which are less conducive to the usage of recycled inputs.	Our performance in the year was an excellent improvement to our trajectory. Some key product ranges came to market, significantly at Nu-Heat, our underfloor heating business. We also launched our new Terrain branded high recycled content soil pipe, and saw encouraging sales of early adoption.	Our continuing focus on Scopes 1 and 2 have allowed us to make a further 3.6% reduction in our GHG intensity, and we are now well on track toward our goal of a 66% reduction, as we have achieved a cumulative intensity reduction of 50.2% since the 2019 baseline data was established. As well as our efficiency programmes in our manufacturing processes, we also continue to drive out carbon across the business and have now processed orders for 140 EV/PHEV cars.	At the year end, over a hundred colleagues were in qualifying Earn and Learn programmes. Programmes such as our HGV Driver Academy provide opportunities, while addressing a skills shortage. Our Earn and Learn programmes cover a spectrum from engineering and maintenance apprenticeships through to digital marketing, and we will see this number increase further.
	Recycled materials: 48.7%	**Vitality Index:** 24.7%	**Carbon intensity: Cumulative reduction of** 50.2%	**People: Percentage in Earn and Learn** 3.5%

Sustainability continued

On Scopes 1 and 2 we will target absolute reduction rather than intensity based reductions, and having completed an accurate inventory of our Scope 3 emissions, we now set targets related to Scope 3. The targets are as follows:

30%

Scopes 1 and 2 – Genuit Group commits to reduce absolute Scopes 1 and 2 GHG emissions by 30% by 2027 from a 2021 base year

84%

Genuit Group commits that 84% of its supplier base, covering purchased goods and services will have submitted Science Based Targets by 2027

We commit to reducing absolute Scope 3 GHG emissions by 13% for our purchased goods and services by 2027 from a 2021 base year, and being net-zero across Scopes 1, 2 and 3 GHG emissions by 2050 from a 2021 base year. In addition to our SBTs, during 2023 we will be establishing our detailed transition plan to provide a clear pathway to net zero, which will build out from the 2027 targets and highlight further key building blocks and milestones.

Driving carbon from our supply chain is an important initiative for the Group, given that 76.2% of our total 2021 carbon emissions fell within purchased goods and services.

In parallel with this, we continue to reduce the carbon impact of what we purchase. Our raw materials make up the majority of this category, and we continue to see mechanical recycling as the key medium term method for reducing the carbon impact of our products. We have a target of 62% of our polymer inputs being from post consumer waste by 2025, and can report that in 2022 this figure was 48.7%, or c.50,000 tonnes. Although this is a slight decline compared to our prior year value of 49.4%, we remain on track for achieving our 62% target in 2025. We currently have visibility of significant projects which will allow us to transition away from virgin polymers in key product ranges, and remain committed to implementing these in the short-term. As part of our Sustainable Solutions for Growth strategy, we have stated that we will provide solutions which are the most sustainable, economically viable solutions at that point in time.

That has historically been true by offering polymer alternatives to legacy materials such as concrete or copper, and increasingly this statement is made more relevant by our move to mechanical recyclate. However, technology is not at a standstill, and we continue to invest Research and Development (R&D) resource in areas such as bio-polymers and chemical recycling to investigate ways to raise the bar of sustainability even higher. We are also increasingly involved in lobbying for standards regimes to be less prescriptive on how products are made, without compromising on performance. From a technical perspective we will soon be in a position to increase our use of recyclate above the 62% target.

However, we will need standards regimes to be modernised, otherwise we will leverage the trusted status of our brands to reassure customers of the performance of our products, even though they fall outside the perimeter of those historical standards. We aim to use our leadership position as a way of driving change, and ensuring that our customers have access to products which will reduce their Scope 3 carbon impacts. With this in mind, we are also conscious that designers, engineers and building owners need empirical evidence to allow them to make informed decisions regarding carbon impact. With this in mind we are implementing a process of accredited Environmental Product Declarations (EPDs) which allow quantitative carbon impact comparison.

It is because we recognise the need to innovate to reduce carbon that we also target our innovation rate as part of our enablers of sustainability. We aim for 25% of our revenue being from products launched within the preceding five years. Our data for 2022 shows a Vitality Index of 24.7%, which represents an improvement versus the prior year result of 20.2%.

It is excellent progress that we are already nearing our 2025 target. Of particular note, some of the areas of growth include sustainability-linked solutions such as our underfloor heating and heat pump sales in our Nu-Heat business, which had a very strong year in 2022 as customers seek low carbon solutions which also provide the additional benefit of some shield against the recent volatility in household energy costs.

The environment and greenhouse gas emissions

We aim to minimise the lasting impact of our operations on the environment, and sustainability is a key feature of our products and their impact on the environment.

Our modern and efficient injection moulding and extrusion operations use significant amounts of electricity. We monitor very closely our electricity usage, even at a machine level, and take a proactive approach to improve energy efficiency. The Group collects and analyses electricity and natural gas usage information from each of our sites on a monthly basis.

The following tables detail the energy consumption and greenhouse gas (GHG) emissions from the activities of the Group during the period 1 January 2022 to 31 December 2022. Our GHG, reportable under SECR during the period specified above, was 19,712 tonnes CO_2e. This figure has been calculated using the UK Government's most recent GHG Conversion Factors for Company Reporting (2022). This is in line with standard industry practice and allows fair comparison with other UK businesses. This figure includes all the material Scopes 1 and 2 emissions, required to be disclosed by the specified legislation, plus additional Scope 3 emissions. The Scope 3 emissions include transmission losses and well-to-tank losses and have been included voluntarily, in line with previous submissions.

Sustainability continued

It can be seen in Table 1 that the Group GHG emissions were 13.3% lower than in the 2021 reporting period. Although there was a decrease in emissions from stationary and transport-related fuel combustion, refrigerant usage increased.

Genuit is committed to improving the scope and quality of its data collection for GHG calculations across the Group and this has partially contributed to the increase in Scope 1 activity, as well as any acquisitions made during the financial year.

It can also be seen in Table 1 that the activity of the Group decreased by 10.3% when compared to the previous reporting period. This resulted in the Group achieving an emissions intensity of 0.147 tonnes CO_2e per tonne of production during 2022, a 3.3% decrease on the previous submission year.

There has been a greater focus on data collection and data accuracy during 2022 on electricity and gas consumption, transport usage, and production output tonnage. The estimated values account for 2.5% of the total values recorded.

Table 1 Group greenhouse gas emissions (tonnes CO_2e) by source and reporting period

	Percentage Share	2021	2022	Change
Source				
– fuel combustion (stationary)	24.5%	5,489	4,821	-12.2%
– fuel combustion (mobile)	58.4%	13,704	11,514	-16.0%
– fugitive emissions (F-gas)	2.7%	385	536	+39.2%
– purchased electricity*	14.4%	3,147	2,841	-9.7%
Total emissions (tCO_2e)	100%	22,725	19,712	-13.3%
Output (tonnes of production)		149,490	134,022	-10.3%
Intensity (tCO_2e) per tonne of production		0.152	0.147	-3.3%

* The 2022 emissions figure for purchased electricity above (and used throughout) reflects our investment in a zero-carbon electricity tariff for the majority of the estate. In the terms of the Greenhouse Gas Protocol, this is called 'market-based' reporting – as opposed to 'location-based' reporting. Location-based reporting does not take into account the electricity supply contracts a company has and instead *uses* a national carbon emissions factor for electricity. Following the location-based methodology (which is required to be also reported under SECR alongside market-based figures), our 2022 emissions from electricity were 17,057 tCO_2e (including transmission and distribution losses), giving total emissions of 33,928 tCO_2e and an intensity of 0.253 tCO_2e per tonne of production – an 0.12% decrease on 2021. The remaining electricity emissions figure above of 2,841 tCO_2e is from electricity not covered by our zero-carbon tariff, and from transmission and distribution losses.

UK legislation requires the public reporting of Scopes 1 and 2 emissions, with Scope 3 emissions for quoted companies being optional. As mentioned previously, Scope 3 emissions resulting from transmission and distribution, associated with losses during the use of grid electricity have been included in this report, as well as business travel in private vehicles (grey fleet).

The split in reported emissions by Scope is shown in Table 2 below:

Table 2 Group greenhouse gas emissions (tonnes CO_2e) by scope and reporting period

Emissions Scope	2021	2022	% Share	Change
Scope 1	19,547	16,839	85.4%	-13.8%
Scope 2	1,487	1,412	7.2%	-5.0%
Scope 3	1,691	1,461	7.4%	-13.6%
Total emissions (tCO_2e)	**22,725**	**19,712**	**100%**	**-13.3%**

When split by Scope, it is Scope 1 which is associated with fuel combustion in transportation and combustion of fossil fuels at the site that make up the largest portion of the portfolio (85.4%).

Sustainability continued

The introduction of SECR means that companies are required to publish annual energy consumption as well as emissions. The table below shows the total energy consumption for the Group and the split in energy source/fuel type. It is apparent that there have been reductions in energy consumption in both electricity and transport fuel, when compared to 2021.

Our Group energy consumption in Megawatt Hours (MWh) by type and reporting period were as follows:

Table 3 Energy consumption (MWh) by type and reporting period

	Percentage Share	2021	2022	Change
Energy Source (MWh)				
Electricity	52.9%	81,102	80,812	-0.4%
Transport Fuel	29.8%	60,868	45,482	-25.3%
Other Fuel	17.3%	30,092	26,409	-12.2%
Total	**100%**	**172,062**	**152,703**	**11.3%**

UK and Global Consumption

A requirement of SECR reporting for applicable companies is that they provide a split of their Scopes 1, 2 and 3 emissions between those that are emitted by UK sites and those emitted by sites in their portfolio outside of the UK.

Table 4 Energy consumption (MWh) by type and reporting period

Territory	Scope	tCO_2e	MWh
UK		16,800	71,659
Global	1	39	105
UK		1,045	71,776
Global	2	367	1,739
UK		1,427	7,265
Global	3	34	159
Total		**19,712**	**152,703**

Boundary, methodology and exclusions

An 'operational control' approach has been used to define the GHG emissions boundary. This approach captures emissions associated with the operation of all buildings such as warehouses, offices, and manufacturing sites, plus Company-owned transport. This covers all Group operations. This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines 2019. Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope. The reporting period is 1 January 2022 to 31 December 2022.

Building on the foundations laid in 2021, during the year the Group has carried out additional analysis and data collection activities for Scopes 1, 2 and 3 emissions. As stated on page 23, the Group has submitted SBTs in 2022. Subsequently the Group has undertaken a wider and deeper review of its Scope 3 emissions beyond the historic and existing criteria. The Group's Scope 3 emissions at 397,006t CO_2e account for 95% of total emissions. This proportion is consistent with other businesses who rely on raw material supply to support their manufacturing processes.

Energy efficiency initiatives

SECR legislation requires us to provide some basic information in our Directors' Report on the energy efficiency initiatives carried out during the financial year. Further to demonstrating our commitment to sustainability through the recycling of end-of-life material at the Horncastle facility, we (as members of the UK's Climate Change Agreement (CCA) scheme) agreed to achieve a 3.8% improvement on 2018 efficiency, by the end of 2022. Eight of the Group's manufacturing sites fall under CCA. To support achieving this target we committed to reviewing our approach to energy management, and by the year end, three of the manufacturing sites across the Group had achieved ISO 50001 certification. Additional sites across the Group are planning on certification beyond general energy management and efficiency improvements, and this will be reviewed during 2023.

Task Force on Climate-Related Financial Disclosures

At Genuit Group, we understand the serious threat that climate change poses to our planet and recognise our responsibility in mitigating its impacts through sustainable business practices and climate resilient products.

We acknowledge the scale of action required and the role the construction industry and building material suppliers play in increasing the resilience of the wider economy against the threats posed by climate change. Our business has evolved from its heritage in plastic pipes to being a leading player in sustainable water and climate management; with sustainability at the heart of what we do and forming the basis of our strategic choices. Our aim is to be the lowest carbon choice for our customers, and we understand that we need to communicate our progress to our stakeholders in a consistent and comprehensive way. Through collaboration and the adoption of international frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD) and Science Based Targets initiative (SBTi), we hope to give our stakeholders more insight into the processes and evaluations behind our strategic decisions within the context of climate change, providing detail on the year-on-year progress we have made in achieving them. We therefore recognise the benefits of using the TCFD and will work on improving our disclosures throughout the next few years, further embedding the risks that climate change poses to everyday operations across our Group. You can read more about our Science Based Targets (SBTs) on page 23.

Last year we published our first TCFD statement which provided narrative to the impact of climate change on our Group operations. During 2022 we prioritised developing the process for identifying and assessing climate-related risks and opportunities, as well as educating senior leaders in climate-related risk management. Throughout the year and in early 2023 we completed numerous climate-related risk and opportunity training sessions and held workshops with senior management teams and Executive Directors. The outcome of these sessions resulted in identification of those risks and opportunities deemed most significant in line with the Group risk management framework, as well as those appropriate for scenario analysis. We outline further in this report the process we followed and the risks and opportunities that were identified, as well as further detail on the qualitative scenario analysis conducted on those selected risks and opportunities.

This qualitative scenario analysis will lay the foundation for continued, relevant and evolving disclosures (including financial disclosures) which we will further embed into our operations during FY 2023. We intend to perform quantitative scenario analysis on these risks and opportunities during 2023, to further our impact and mitigation assessments, as recommended by the TCFD framework.

The table below outlines where specific information relevant to our disclosure can be found in this Annual Report and Accounts. Further signposting is detailed in the sections that follow, where appropriate.

We comply with the FCA's Listing Rule 9.8.6R(8), with Strategy B pillar as partially compliant, and make disclosures consistent with the 2017 and amended 2021 TCFD recommendations and recommended disclosures across all four of the TCFD pillars.

TCFD Pillar	TCFD Recommendation	More detail
Governance	a) Board oversight b) Management's role	Pages 27 to 29 Pages 86 to 89
Strategy	a) Climate-related risks and opportunities b) Impact on the Company's business, strategy, and financial planning c) Resilience of the Company's strategy	Pages 29 to 35
Risk management	a) Risk identification and assessment process b) Risk management process c) Integration into overall risk management	Page 28 Page 55
Metrics and targets	a) Climate-related metrics to assess climate risks and opportunities b) Scope 1, Scope 2, and, if appropriate, Scope 3 GHG metrics and the related risks c) Climate-related targets and performance against targets	Pages 19 and 20 Page 22 Pages 24 and 25

Governance

The Board oversees and approves the Group's strategy and cultural framework which includes sustainability drivers and targets and has responsibility for the final disclosures included within this report as well as our SBTs and pathway to net zero. The Chief Executive Officer is ultimately responsible for the implementation of this strategy and climate-related risk management. Responsibility for identifying and monitoring climate-related risks and opportunities sits with our Risk Committee, which is chaired by our Chief Financial Officer.

We recognise the importance of effective governance for managing climate-related risks and opportunities. The Board has overall responsibility for the Group's internal control framework and risk management systems. This includes reviewing the effectiveness of the Group's risk and control processes and ensuring the identification, assessment, and ongoing monitoring of risk (including environmental matters and climate-related risks). It delegates monitoring and management of these to the Risk Committee. Details of the membership, activities, responsibilities, and frequency of meetings can be found in our Risk Committee Report on pages 86 to 89. We are committed to assessing climate-related risks and opportunities throughout our businesses, to support our customers and the wider community with low carbon benefits (through our low-emissions products and services), or mitigation against physical risks (such as flooding) through integrated surface and drainage solutions. It is a key factor in decision-making and considered by senior executives when setting ambitions for Group strategy. During 2022, we continued to integrate the monitoring and reporting of climate-related risks and opportunities into our individual businesses. Climate-related risks detailed within Business Unit risk registers are reviewed and captured on our Group risk register, which is reviewed by the Risk Committee. This structure allows the Board, management teams and Committees to have adequate information to make strategic and local decisions, with consideration for climate-related risks and opportunities. Details of the governance reporting structure for the Group can be found in our Governance Report on page 73, and the risk management framework can be found on page 87.

Climate-related risk and opportunities in the context of TCFD is a standing agenda item at each Risk Committee meeting and was considered at all meetings during 2022. The Board is updated after each meeting on the key discussions and decisions at the Risk Committee meetings via a written report, as well as a verbal summary from the Risk Committee Chair, to allow Board members to effectively challenge and question decisions and outcomes. In respect of climate-related risk, the report and verbal update includes a summary of the discussion, as well as any other relevant items such as climate risk training and workshops completed during the year. The Board also has sight of any detailed analysis reports produced which outline climate risks and opportunities relevant to the Group, as part of this assessment, if relevant or available. These discussions took place with the Board at each Board meeting after each scheduled Risk Committee meeting. Further detail on the Board meetings during the year can be found in the Governance Report on page 74. Mechanisms, such as the implementation of a specific pro forma template for those Committee papers which provide updates on climate-related risks and opportunities, will be effected during 2023. This will continue to increase education and awareness of climate-related risks and opportunities across the Group.

During 2022 the Board approved the Group's submission of our SBTs, consistent with the 1.5 degree business ambition. These are assessed in a regulatory and reputation-based context, given the importance of these issues for the Group's stakeholders and have been verified by the SBTi.

1.5°C

Science Based Target consistent with business ambition approved by the Board

The Board monitors climate-related targets through the non-financial KPIs relating to Scopes 1 and 2 emissions, as outlined within the Strategy section of this Report on pages 30 to 32. Most notably this includes our commitments to carbon reduction, and continuing to reduce our use of virgin polymers.

Sustainability has always been at the heart of what we do, and the Group updated its Remuneration Policy in 2021 to include sustainability targets in its long-term incentive plan; carbon reduction targets being one key element of this. This further reflects the importance of sustainability to the Group by incentivising senior leaders to continue to drive the sustainability agenda. More detail on how these incentives are structured can be found in our Remuneration Report on pages 115 to 116.

Risk management

The Group understands the importance of monitoring climate-related risk across its businesses and manages changing environmental regulations and disclosures through impact assessments and reviews in its risk register. Formal review and ongoing management of the risk register is a responsibility of the Risk Committee.

Initial steps toward integrating climate-related risk into the Group risk management framework were taken in 2021 to include climate change as a principal risk. This was upgraded from an emerging risk, after considering its aggregate potential impact and likelihood over the longer term. Further data was made available following improvements to Group GHG data collection processes, and scenario testing. This enabled us to include the additional detail of the potential impact climate change would have on the Group, as well as implementing mitigating actions. More detail on the structure of the Group risk management framework and climate risk as a principal risk can be found in our Principal Risks and Uncertainties on pages 55 to 62 of the Strategic Report.

Taking ownership of climate change risk at all levels within the Group is fundamental to the accurate identification and mitigation of climate-related risk. Business Unit Managing Directors and Finance Directors present to the Risk Committee on a rotational basis which includes any climate-related risks and mitigating actions. Methods and mitigation for managing these risks are communicated by senior management to the businesses. This ensures full integration into risk reporting processes and consistency across the Group.

A TCFD working group was established outside of the Risk Committee, led by the Group Strategy and Marketing Director (an Executive Committee member and member of the Risk Committee), to drive the TCFD agenda throughout the year, providing updates to the Risk Committee as appropriate. This working group participated in an initial TCFD workshop to understand the Group's status in demonstrating compliance with each TCFD recommendation, and a review of climate risks and opportunities was agreed as a priority. Following this, an initial long list of risks and opportunities were identified and mapped against current principal risks and uncertainties. Based on the outputs of these exercises, the climate risks and opportunities were shortlisted, and categorised into those which were of highest priority to the Group.

The priority risks were discussed in a second climate workshop which included the TCFD working group, plus other key members of the Risk Committee, Business Unit Managing Directors, and the Group Sustainability Graduate. This workshop enabled debate and discussion around those climate-related risks and opportunities that had been identified during the year, relevant to each of the Business Units. It provided further education on the increasing impact of climate-related risk on the Group's operations, confirming the opportunities that it presented which are inherent to the Group's strategy.

These debates and discussions around the impact of climate change, further embedded climate-related risk into the Group risk management framework. Relevant risks and opportunities were graded, relative to each Business Unit's operational activities over the short, medium, and long term. Through heat-mapping and using the Group risk management framework, a qualitative assessment of the risks and opportunities was performed to understand the potential significance, and priorities for further action. This resulted in an agreed shortlist of those categorised as significant, as outlined in the Strategy section of this Report. A set of recommendations on how to further assess the risks and opportunities was circulated to the Risk Committee for review thereafter, and the final risks and opportunities deemed most important to the Group were selected for disclosure in this report.

In order to ensure the Group is informed of future regulatory direction, we participate in industry bodies within the UK and Europe, such as TEPPFA, and commission expert input where required. These form key inputs into our assessment of identified transition risks relating to carbon tax, climate reporting obligations and the physical risk of material supply.

The ongoing management of these risks and opportunities forms part of the Group risk management framework and will be reviewed by the Risk Committee at each meeting in 2023. Planned quantitative analysis during 2023 will complement this, by providing further detail on scenarios that present differing potential impact, allowing the Risk Committee to determine whether the considerations are adequately reflected in the Group's strategy.

The Risk Committee will continue to drive the integration of climate-related risks into the risk management framework across the Group, as well as monitoring the opportunities it presents, ensuring progress continues to be adequately reported to the Board.

Strategy

Climate change continues to pose significant challenges to the built environment. We are aware that transitioning into a lower-carbon economy may entail changes to policy, legal, technological, or other market changes which may cause varying levels of financial and reputational risks to us as a Group.

Nonetheless, sustainability is core to our commercial strategy. As part of our assessment of climate-related risks and opportunities, we have identified transition and physical risks that climate change poses that we wish to address and mitigate. However, we acknowledge that with these risks come various opportunities, given our sustainability framework (read more on pages 21 and 22 of the Strategic Report). It should be noted, therefore, that whilst climate change was assessed to have evolved from an emerging to a principal risk, it was through considering the potential impact and likelihood over the longer term. In our short-term scenarios, we do not consider the Group to be at significant risk of adverse impact from climate change. In the medium-term, this risk increases, however, we are well positioned to help mitigate climate-related risks through supporting our customers in providing low carbon and climate resilient solutions. In preparing the Group's financial statements, we have considered the impact of climate-related risks on our financial position and performance, and have not identified any significant adverse impact on the financial statements or judgements within; notably around issues of economic life or asset impairment.

As part of the input to the Company's Viability Statement, the Group assesses climate change and its impact over a three-year time horizon. During 2022 a review of climate-related risks and opportunities was conducted to identify those which could impact strategy and financial planning across our operations and Business Units. Due to the nature of our operations, we are well placed to support customers in tackling the impact of climate change, particularly the increase in severity and frequency of extreme weather events. This provides significant opportunities through the development of low emission and climate resilient products and services. The climate-related risks and opportunities review considered the current operations across the Group without any future strategic changes and was based on inherent risk, to give a clearer picture of the actual risks and opportunities. This was then used to assess the residual risk, following any implementation of appropriate mitigations.

Time horizons consider when the risk could likely have an impact. Associated impacts were considered under current operating levels, using the following time horizons, in accordance with our risk management framework:

Short-term (0–3 years):

This covers current year plus our outlook for budgets and short term financial planning, and assessments such as viability statements.

Medium-term (3–10 years):

This period is consistent with our view on SBTs, and the planning horizon we have to 2032, which is our second SBT milestone.

Long-term (10+ years):

This time period extends beyond our current knowledge on legislation and regulatory changes, but considers an extrapolation of trends and themes up to 2050.

Task Force on Climate-Related Financial Disclosures continued

The shortlisted risks and opportunities were evaluated further to consider the likelihood of the risks occurring and the potential severity of the impact on the Group and those deemed significant. Significant risks are defined as those which have potential to have considerable impact on our operations, strategy or financial performance if they are not suitably controlled. Significant opportunities are those which have potential to enhance the financial performance of the business. Five risks (two physical, and three transition) and two opportunities were identified as having the greatest combination of probability and impact, and consequently of significance to the business. These are as follows:

RISK	TCFD CATEGORY	POTENTIAL IMPACT	MITIGATING ACTIONS	TIME HORIZON/METRICS/TARGETS
Physical risk				
Supply chain disruption				
Potential financial impact of disruption to supply of raw materials and products due to increased incidence and severity of extreme weather events.	Acute/Chronic	Financial: Increased price of raw materials, particularly polymers, resulting in reduced profit margins. Supply Chain: Disruption in supply of raw materials could reduce stock availability and cause delays in fulfilling customers' orders.	The Group monitors and reviews its supply chain and does not rely on one single supplier for critical materials, as well as considering geographic location of suppliers. The Group review will be expanded to include climate-related risks.	**TIME HORIZON** Medium – long **METRICS** Non-financial KPI, Recycling (use of recyclate reduces exposure to internationally sourced virgin raw materials) **TARGETS** 2025 target of 62% of tonnage from recycled plastics
Transition risk				
Climate reporting obligations				
Potential financial impact if perceived by stakeholders as failing to meet climate reporting expectations/requirements or reporting poor performance against climate commitments.	Policy & Legal/ Reputation	Financial: Additional costs due to increased reporting requirements and stakeholder demands. Loss of investor confidence if seen to be climate greenwashing, impacting access to capital.	The Group has access to external resources and has representatives on national and international working groups. As such, we ensure that we have good sight of changes that impact the business.	**TIME HORIZON** Short – medium **METRICS** Annual carbon inventory in line with SBTs GHG emissions, Scopes 1, 2 and 3 **TARGETS** 2027 SBTs 2025 66% reduction of CO_2 emissions intensity (Scopes 1 and 2)

Identified as most significant to the Group and selected for scenario analysis

RISK	TCFD CATEGORY	POTENTIAL IMPACT	MITIGATING ACTIONS	TIME HORIZON/METRICS/TARGETS
Physical risk				
Business interruption and damage to assets				
The potential financial impact of damage to and closure of Genuit's offices, warehouses and factories caused by extreme weather.	Acute/Chronic	Financial: Reduced revenue due to closure of sites; increased repair/capital costs due to weather damage; increase in insurance premiums; reduced revenue and higher costs. Operations: Sites could close while repairs take place; impacts of changing climate on employee working conditions.	The Group internally assesses the controls in place to deal with site level business interruption. The Group is audited by our insurers reviewing Group business continuity and interruption.	**TIME HORIZON** Medium – long **METRICS** Annual carbon inventory in line with SBTs Proportion of sites deemed as at flood risk during annual review process **TARGETS** No worsening of flood risk assessment
Transition risk				
Carbon taxes				
The potential financial impact of current and future potential carbon taxes applied to Genuit's own operations and supply chain.	Policy & Legal	Financial: Increase in energy, fuel and associated operating costs; indirect carbon taxes passed to Genuit through its supply chain. Operations: Requirement for more comprehensive datasets and assurance of Scopes 1, 2 and 3 carbon emissions.	The Group continually monitors changes in tax legislation through internal specialists and guidance from our advisers. Changes which impact the Group are communicated to the Board and action taken where appropriate. Our SBTs and journey to net zero will mitigate our exposure to carbon related tax.	**TIME HORIZON** Medium **METRICS** Annual carbon inventory in line with SBTs GHG emissions, Scopes 1, 2 and 3 Non-financial KPI, Vitality Index **TARGETS** 2027 SBTs 2025 target of 25% of sales from products launched within preceding five years 2025 66% reduction of CO_2 emissions (Scopes 1 and 2)
Transition risk				
Increased raw material costs				
The potential financial impact of increased demand of low carbon materials causing reduced supply and increased cost. This could lead to challenges in competitive pricing and reduced profit margins.	Market	Financial: Reduced revenues due to limited supply of materials, reductions in profit margins as materials required to aid the transition to net zero increase in price. Operations: Challenges in continuing operations or reduction in product offerings if materials become too costly.	The Group has established relationships with several raw material suppliers to ensure competition across its supplier base. Our move to increase our use of recyclate also mitigates against raw material volatility.	**TIME HORIZON** Short – medium **METRICS** Non-financial KPI, Recycling Margin over direct materials **TARGETS** 2025 target of 62% of tonnage from recycled plastics Achievement of Group EBIT margin targets

Task Force on Climate-Related Financial Disclosures continued

Identified as most material to the Group and selected for scenario analysis				
OPPORTUNITY	**TCFD CATEGORY**	**POTENTIAL IMPACT**	**ACTIONS TO CAPITALISE**	**TIME HORIZON/METRICS/TARGETS**
Transition				
Low emission products and services				
The potential revenue generated from further developing Genuit's low emissions products and services.	Product & Services	Financial: Overall revenue growth from increased sales of low emission products and services. Access to new sources of finance. Operations: Reduced exposure to increasing carbon taxes due to reduced carbon intensity of products. Decrease in Scope 3 GHG emissions.	A key pillar in the Group strategy is to provide low carbon products to the market. Business Units are currently innovating techniques to further reduce the carbon content of our products as well as operating efficiencies. The Group will continue the plan to produce Environmental Product Declarations for its products to assist customers in making informed decisions. Our drive to increase our Vitality Index is also based around increasing our revenues from low carbon products.	**TIME HORIZON** Medium **METRICS** Revenues from low carbon products Non-financial KPI, Vitality Index Non-financial KPI, Recycling Measuring the carbon content of ranges as per Environmental Product Declarations **TARGETS** 2025 target of 25% of sales from products launched within preceding five years 2025 target of 62% of tonnage from recycled plastics
Transition				
Increased demand for flooding mitigation technology				
The potential revenue generated from further developing Genuit's water management solutions.	Market	Financial: Increased revenue due to demand for reliable drainage systems and growing SuDS requirements in new major developments. Operations: Positive reputational impact through being a part of a key climate adaptation strategy.	The Group continues to develop water management solutions and pursue opportunities to expand the portfolio. The Group recognises the demand for a full solution and is working with customers and partners to provide comprehensive technology-based solutions.	**TIME HORIZON** Short **METRICS** Measured via revenue from qualifying product ranges **TARGETS** This is not disclosed due to commercial sensitivity

Task Force on Climate-Related Financial Disclosures continued

These identified risks and opportunities are a key factor in the financial and operational planning process, both in the long-term strategic decision-making and short to medium term. Our transition plan is based upon the 1.5 degree Business Ambition, and our SBTs for 2027, as well as the 2025 targets. In order to achieve these goals, our key focus is on continuing to drive out carbon across Scopes 1, 2 and 3. During 2023, as part of our pathway to net zero, we will expand and evolve the projects supporting our SBTs and form our longer-term actions to achieve net zero. Given the significance of the carbon impact of virgin polymers, much of our focus is on continuing to increase our usage of recycled materials, which we target at 62% of our total tonnage by 2025, and are formulating strategies to go beyond that in the medium term. We also continue to roll out our transition to EV/PHEV across our car fleet and the move of our commercial fleet away from fossil fuels. We are now implementing an annual carbon impact assessment, consistent with our SBT methodology and can track this across the key sub-categories within each Scope. Given the profile of our revenue streams in 2022 with 90% being derived in the UK, the primary jurisdiction for evaluation of our net zero commitments is the UK, and we are in line with the UK Governments current targets. We are also consistent with the UAE 2050 target for net zero, which is our largest market outside of the UK and EU. Should this profile alter, we will seek to ensure we are in keeping with the relevant jurisdiction targets as part of our economic evaluation of those opportunities.

Following identification and assessment of climate risks and opportunities relevant to our business through workshops with key stakeholders (see the Risk Management section of this Report on page 28), we carried out qualitative climate scenario analysis on a subset of the most significant risks and opportunities. The potential qualitative impacts of these risks and opportunities were assessed under a selected set of climate scenarios. This was performed to gain a better understanding of the resilience of our business model and strategy to the potential impacts of these risks and opportunities under hypothetical climate scenarios and outcomes. During this analysis our climate risks and opportunities were considered against the following reference time horizons within the public scenarios: short-term (2025), medium-term (2030) and long-term (2050). 2030 and 2050 are the typical milestones included within public scenarios against which hypothetical climate outcomes are described. These referenced time horizons are broadly aligned with the business-specific time horizons we have identified and assessed our climate risks and opportunities against.

Climate scenarios used

WARMING TRAJECTORY BY 2100	Transition scenarios (IEA[1])	Physical scenarios (IPCC[2])
1.5°C	Net Zero Emissions (NZE)	
<2°C	Announced Pledges Scenario (APS)	SSP1[4]-2.6[3] (low challenges to mitigation and adaptation)
2-3°C	Stated Policies Scenario (STEPS)	SSP2-4.5 (medium challenges to mitigation and adaptation)
>3°C		SSP5-8.5 (high challenges to mitigation, low challenges to adaptation)

1 IEA – the International Energy Agency has constructed scenarios to assess different transition pathways based on varying assumptions of how the energy system may evolve.

2 IPCC – The Intergovernmental Panel on Climate Change RCPs are the market accepted reference scenarios which outline the possible consequences of climate change.

3 RCP – Representative Concentration Pathways are commonly used by climate scientists to assess physical climate risk. Each pathway represents a different greenhouse gas concentration trajectory, each of which is associated with varying levels of impact. Under RCP 2.6, Physical climate impacts are expected to be the lowest and greatest impacts under RCP 2.6 and RCF 8.5 respectively.

4 SSPs – Shared Socio-economic Pathways illustrate different socio-economic contexts or baselines (i.e. technological, economic and demographic context), in the absence of further climate policy, (i.e. technological, economic and demographic context).

These climate scenarios were selected because they:

- Align with the TCFD recommendations to assess business resilience under different climate-related scenarios, including a <2°C scenario.
- Consider up to a 2050 timeframe, which aligns to the Paris Agreement and other governmental Net Zero 2050 targets.
- Broadly align with scenarios commonly used in TCFD reporting, facilitating better comparison between disclosures.
- Include reputable and broadly used data and assumptions.

Task Force on Climate-Related Financial Disclosures continued

The shortlist of risks and opportunities included in this analysis are set out in the table below. The relative magnitude of each of these risks and opportunities was assessed using our Group risk management framework and probability impact matrix, under the context of the different climate scenarios. This assessment excludes the impact of any current or future mitigating actions. The results are set out in the table below. Overall, transition risks were found to have the highest potential impact in the short to medium term, with carbon taxes representing the greatest potential impact under all transition scenarios examined. Transition opportunities were found to have the most potential positive impact in the medium to long term. The opportunity arising from demand for low emissions products and services is dependent on the transition to a low carbon economy. The opportunity arising from increased demand for flood mitigation technology is reliant on the impact of physical risk, where flood risk is enhanced. In contrast, physical risk is expected to have the most significant potential impact in the longer term under the worst-case warming scenario examined. Following the risk assessment and subsequent scenario analysis, we believe our business strategy shows resilience to the impacts of climate change up to the medium term. Nonetheless, in line with our periodic strategic review and risk management processes we will adjust and introduce mitigating measures as required. Thus far we have taken a qualitative approach to assessing the significant risks and opportunities. In 2023 we will undertake quantitative evaluation which will better allow us to assess the business case for any counter measures or mitigations.

CLIMATE RISK/ OPPORTUNITY	Scenario	Assumptions	Short (< 5 years)	Medium (2030)	Long (2050)	Results
Business interruption and damage to assets	SSP1-2.6 (<2°C)	The frequency and size of heavy precipitation, flood, wind and drought events is likely to increase. An increase in the frequency of extreme coastal flooding events due to sea level rise is very likely.				The risk of business interruption and damage to our assets increases from SSP1-2.6 (<2°C) to SSP5-8.5 (>3°C). Financial impacts are expected to be greatest under the SSP5-8.5 scenario and may include: – Increased costs in the medium to long term due to damage and disruption from extreme weather events requiring asset restoration. – Revenue lost due to business disruption in the medium to long term under all scenarios. – Impairment of asset values due to increased exposure to physical risk.
	SSP2-4.5 (2-3°C)	Similar to trends observed in SSP1-2.6, with increased frequency and size of extreme weather events.				
	SSP5-8.5 (>3°C)	Compared to SSP1-2.6, a marked increase in frequency and severity of extreme weather events is projected. Heavy precipitation and drought events are likely to double in frequency vs. SSP1-2.6.				
Carbon Taxes	NZE (1.5°C) Early Action	Early implementation of a carbon pricing mechanism to all economies with a net zero commitment. 2030: £140/tCO_2 2050: £250/tCO_2				The potential impacts of the application of carbon taxes to our Scopes 1, 2 and 3 were examined. Overall, the impacts are predicted to be potentially significant under both the NZE and APS scenarios in the medium to long term. Carbon taxes are expected to increase in line with Government's commitments to decarbonise. Given our value chain predominantly operates in countries with net zero commitments, this could result in the following potential financial implications: – Increased expenditure due to the cost of carbon taxes and indirect costs passed through our supply chain; and – We may have to absorb this cost, leading to reduced profit margins. Or, alternatively, we may need to increase prices, potentially impacting our competitiveness within the market and resulting in reduced revenue.
	APS (<2°C) Late Action	Pricing mechanisms are introduced later on and at lower rates. 2030: £135/tCO_2 2050: £200/tCO_2				
	STEPS (>3°C) BAU	Only existing or announced carbon pricing schemes are applied under lower rates. 2030: £90/tCO_2 2050: £113/tCO_2				
Material Costs	NZE (1.5°C) Early Action	A carbon price is introduced (see Impact of Carbon Taxes), increasing the cost of carbon-intensive materials. Advanced economies increase their demand for low carbon materials to achieve net zero.				Under each of these scenarios, the demand for low carbon materials is likely to increase as the introduction of a carbon price shifts consumer preferences towards low-carbon products and services. Overall, the resulting financial impacts could potentially be significant under NZE in the medium to long term: – Demand-side inflationary pressure on the price of these materials as supply adjusts to market demand. This may increase our procurement costs, thereby impacting our profit margin. – In some cases our ability to procure low-carbon materials may be affected which could impact fulfilment of customer contracts and revenues generated.
	APS (<2°C) Late Action	Similar to NZE, the introduction of a carbon tax is delayed with a lower carbon price. Demand for low carbon materials is expected to increase overall, but at a lower rate than NZE.				
	STEPS (>3°C) BAU	A carbon tax is introduced for EU-based suppliers for highly emitting manufacturing activities. Demand for low carbon materials is expected to increase at the lowest rate.				

Key

Low Risk/High Opportunity — Medium Risk/Medium Opportunity — High Risk/Low Opportunity

Task Force on Climate-Related Financial Disclosures continued

CLIMATE RISK/ OPPORTUNITY	Scenario	Assumptions	Short (< 5 years)	Medium (2030)	Long (2050)	Results
Low Emission Products and Services	NZE (1.5°C) Early Action	Early implementation of climate policy (see Carbon Taxes) and consistent signalling to the market by policy-makers is expected to increase market demand for low emissions products and services.	Medium Risk/Medium Opportunity	Low Risk/High Opportunity	Low Risk/High Opportunity	The scenarios examined varying levels of regulatory pressure and the impact on market demand for low emissions products, which could translate into financial opportunity for Genuit. – In NZE and APS scenarios, an overall increase in revenue could be realised due to increased sales of low emissions products as demand increases. Realisation of these opportunities could support our strategic ambition for 25% of revenue to come from sales of new products by 2025. – Utilising low-carbon materials could also reduce our exposure to carbon taxes.
	APS (<2°C) Late Action	Similar to NZE, however, later implementation of climate policy and less consistent signalling to the market by policy-makers (i.e. via more severe and more ambitious measures, with shorter lead times) is expected. This may result in delayed market demand for low emissions products compared to NZE.	Medium Risk/Medium Opportunity	Medium Risk/Medium Opportunity	Low Risk/High Opportunity	
	STEPS (>3°C) BAU	Policy and market pressure limited due to lack of policy ambition compared to NZE and APS. Minimal external forces driving innovation of low emissions products and services.	Medium Risk/Medium Opportunity	High Risk/Low Opportunity	High Risk/Low Opportunity	
Increased Demand for Flooding Mitigation Technology	SSP1-2.6 (<2°C)	Heavy precipitation and flood events are likely to increase in frequency and severity, however to a lower extent than the other higher emissions scenarios.	Medium Risk/Medium Opportunity	Medium Risk/Medium Opportunity	Medium Risk/Medium Opportunity	The potential size of the opportunity increases from SSP1-2.6 (<2°C) to SSP5-8.5 (>3°C). The financial opportunity may be greatest under scenario SSP5-8.5 in the medium to long term as the market for flood mitigation technology expands in line with the increased frequency of, severity of and exposure of new areas to flooding events. – There is potential for significant increases in revenue as demand for resilient drainage systems increases under higher emissions scenarios across all time horizons.
	SSP2-4.5 (2-3°C)	Similar to trends observed in SSP1-2.6, with increased frequency and size of extreme weather events.	Medium Risk/Medium Opportunity	Low Risk/High Opportunity	Low Risk/High Opportunity	
	SSP5-8.5 (>3°C)	Compared to SSP1-2.6, a marked increase in frequency and severity of extreme weather events is projected. Heavy precipitation and drought events are likely to double in frequency vs. SSP1-2.6.	Medium Risk/Medium Opportunity	Low Risk/High Opportunity	Low Risk/High Opportunity	

Key

Low Risk/High Opportunity | Medium Risk/Medium Opportunity | High Risk/Low Opportunity

Metrics and Targets

Following the implementation of our sustainability framework in 2020, the Group identified relevant metrics and targets to monitor progress towards achieving its sustainable goals. These metrics and targets form part of our strategic operations and inform decision-making. These have been mapped against our identified climate-related risks and opportunities, as detailed in the table on page 30 to 32. This enables the risks and opportunities to be adequately monitored and mitigated as required. Additional metrics, such as revenue from qualifying product ranges, margin over direct materials and a specific proportion of sites deemed as at flood risk have also been included where relevant, to enable effective and targeted monitoring on an annual basis.

As our scenario analysis has so far consisted only of qualitative analysis, we anticipate that further metrics and targets will be established following our planned quantitative scenario analysis during 2023.

As outlined earlier in this report, we have committed to being net zero by 2050 which is based upon the 1.5 degree Business Ambition, and our SBTs for 2027, as well as the 2025 targets which have been disclosed publicly and form part of management's incentive programmes. Progress towards achieving these 2025/2027 targets forms part of the ongoing monitoring and metrics identified.

Details of Scopes 1, 2 and 3 emissions are included in the emissions disclosed through SECR, included on page 24 within the Strategic Report. Moving forward the Group will conduct carbon measurement across Scopes 1, 2 and 3 as part of its obligations to report to SBTi. Our non-financial KPIs in respect of recycling and greenhouse gas emissions for the 2022 financial year, including progress during 2020 and 2021 are detailed on pages 19 and 20 of the Strategic Report. Progress towards achieving our 2025 sustainability targets is included on page 22 of the Strategic Report, and historical data for these sustainability targets can be found in the Strategic Report of our 2021 Annual Report and Accounts.

People

Building a diverse and talented team

The delivery of our Sustainable Solutions for Growth strategy is underpinned by the continuous focus on people, to create value and enable growth through employee capability, expertise and contribution. We continue to invest in developing our workforce, through the strengthening of our strategic people programmes and development opportunities and enhancing our focus on diversity and inclusion.

In 2022, the foundations of the HR strategy were firmly laid. During the year, the Group HR team was strengthened with the appointments of a Group Talent Director, Group Reward Director and Group Head of Communications and Engagement. These roles drive strategic programmes across the Group.

Talent development

Talent management across the Group has been a focus in 2022, to gain greater value through sharing, attracting and retaining great talent and ensuring the organisation has the capability in place to deliver its strategy.

Significant efforts have been made to improve the standard of senior-level recruitment, focusing on implementing a standardised approach, rigorous selection methods and enhanced assessments. In addition, new partnerships with targeted recruiters have been formed.

A consistent approach to enable more talent moves across the Group and promote and recruit key talent into our most influential roles was also introduced.

With greater visibility of opportunities across the Group and increased capability assessment, there has been a positive impact on the candidate experience and outcome of talent within this important population.

A Group-wide talent identification and succession planning programme for the top 120 roles was implemented to recognise and develop employees with potential, mitigate succession planning risks and focus development activity on the right capabilities. The outcome has informed a focused action plan for 2023, and highlighted succession gaps.

People continued

Our D&I ambition:

We believe a diverse team of talented people, who truly feel they belong, will enable us to deliver our strategic goals. We will create an environment that is engaging and where everyone is comfortable to bring their whole self to work.

Diversity and inclusion (D&I)
Creating an environment where all our employees feel a sense of belonging is our opportunity to drive increased levels of employee engagement, attract and retain good talent and create an organisation all our stakeholders can be proud of.

Throughout 2022, employee insight sessions were held across sites, that provided an opportunity for over 400 employees to share their views on D&I. The Board and Executive Committee participated in externally facilitated education and awareness sessions, which was subsequently delivered to all senior leaders. This programme will continue throughout 2023.

The outputs of these awareness and engagement sessions supported the development of a D&I ambition and strategy, that was launched during National Inclusion Week 2022. Delivery of the strategy focuses on four pillars: leadership, education, policy and process and communication.

The renewed and focused D&I programme is already realising the benefits of promoting a more inclusive organisation. Across the Group, Pride month was celebrated, and achievements of our colleagues were shared during Women in Construction week. Ongoing campaigns will be shared throughout 2023 to raise awareness and celebrate inclusivity.

During 2023, the Group will continue to highlight causes and campaigns that help us demonstrate and celebrate the contributions of all, beginning with International Women's Day, which was celebrated on 8 March 2023.

Developing our upcoming talent

Developing Apprentice and Graduate Careers

This year, we maintained Silver Membership status of The 5% Club that demonstrates our proven commitment to investing in our workforce through a broad range of Earn and Learn programmes. We continue to progress our plans as part of The 5% Club, with renewed focus and aim to reach 'gold standard' by 2025.

In addition, our graduates continue to progress their careers, with involvement in strategic programmes. Dylan Stoppard, Sustainability Graduate, shared his experience.

"My two years at Genuit Group have been very rewarding, and I can say that I have developed more than I ever thought I would in such a short space of time. Working in such a dynamic field means that I often get the chance to work on new and exciting initiatives, with the ultimate goal of continually improving the Group's sustainability. So far, I have led multiple carbon reporting projects, rolled out a successful Environmental Product Declaration (EPD) project for a vast product portfolio and worked on the implementation of the Science Based Targets initiative (SBTi), where we set decarbonisation targets in alignment with climate science. Being involved in numerous sustainability-related trade association working groups has given me the chance to meet new people. With sustainability being so critical, I look forward to leading the way in ensuring that we continue to take responsibility for our actions and be the sustainable choice of products for the construction industry."

Celebrating our talent

> I've always aspired to have a challenging and interesting career, so after studying engineering in secondary school I knew it was the right direction for me.

Celebrating Women in Construction and Engineering

We celebrated International Women in Engineering Day by highlighting our talented engineers across the Group.

Bethany Borley-Stow, a Senior Team Leader and engineer at our Polypipe Civils and Green Urbanisation site in Horncastle shared her experience.

"I chose engineering because I've always aspired to have a career that would be challenging and interesting. Engineering is such a broad area and I knew that there would be so many opportunities in the industry for future progression.

I began my career in the industry in 2017 where I started a four year Engineering Apprenticeship at Polypipe. During my apprenticeship I gained valuable experience from other engineers. I completed a HND in Electrical and Electronics and will be continuing to study a Bachelor's Degree in the subject. I went on to become a reactive breakdown engineer to open up new challenges and increase my engineering knowledge."

We also celebrated with Catherine Fyfe, Divisional Marketing Director, who was announced as the winner of the Women in Construction category of the National Building & Construction Awards 2022.

Across the Group, we continue to encourage and develop our female talent, and aim to provide an environment where we recognise and celebrate the skills and contribution of all.

People continued

Employee communication and engagement

It is recognised that enabling better communication within the Group is key to realising our goals and creating an engaging and inclusive environment.

Improved communications and increased employee engagement has been a key focus in 2022 and with the appointment of a Group Head of Communications and Engagement, emphasis was placed on establishing an integrated communications framework that connects everyone and allows for more knowledge and information sharing.

A new leadership communications framework was implemented, bringing all leaders together on a monthly basis, enabling better sharing of strategic progress and leadership visibility.

A new Group-wide communications platform, Workplace from Meta, was launched at the end of the year with the objective of connecting everyone across the Group and providing key communications, at all levels, in one place. All employees are able to access the platform, allowing for timely and engaging communications, live broadcasts, sharing of best practice and ideas and facilitating feedback. Through 2023, the embedding of Workplace as a central communications space is a priority.

As part of our Corporate Governance Code responsibilities, a programme of Board Engagement sessions was introduced, hosted by Louise Brooke-Smith, the designated Non-Executive Director responsible for employee engagement. The sessions involve creating discussion and feedback with employee representatives from all functions. Four meetings were held at our sites in Horncastle, Aylesford, Plura and Doncaster in the last half of the year, that provided valuable insights to inform key strategies, like Diversity and Inclusion.

The schedule will continue to run throughout 2023 and 2024, to cover all remaining sites across the Group.

In addition, a new external communications strategy was launched, to improve engagement with our external stakeholders, and will continue to progress through 2023.

Throughout 2022 and continuing into 2023, significant effort has been made to improve awareness and understanding of our key policies, and to drive compliance with our regulatory obligations. During the year, the Whistleblowing policy was relaunched to ensure all employees are aware of how they can raise concerns, and feel confident and supported to do so. The training completion rate remains at 95% across both office and operations employees. In addition, the Group's Data Protection policy was relaunched, with the aim of making all employees aware of the responsibilities of the business and individuals in being vigilant and compliant in data protection activities.

HR Systems

To drive HR as a strategic business partnering function, significant investment has been made to deploy a best-in-class HR solution, Workday, to create efficiencies and drive governance and compliance.

Workday will offer real-time and extensive people data to drive decision-making and management of people information throughout the employee lifecycle. The platform will be launched during 2023.

Challenging the Three Peaks

Fundraising Hike for Construction Youth Trust & Maddie Rose Campaign

In October 2022, a team of 100 employees from across the Group took on the Yorkshire Three Peaks Challenge in the UK.

In torrential rains and gale force winds, the teams hiked over 24 miles of terrain, across Ingleborough, Whernside and Pen-y-ghent, raising funds for the Maddie Rose Campaign, in association with the Construction Youth Trust.

The total raised funds was in excess of £16,500, that contributed towards a total of over £108,000 raised for the Construction Youth Trust in support of the Maddie Rose Campaign.

The teams look forward to planning another challenge in 2023.

Steve Durdant-Hollamby, Managing Director of our Water Management Solutions Business Unit commented:

"It was an absolute delight to see so many people taking up the challenge from the Genuit Group. The teams were in great spirit considering the brutal conditions and everyone just got on with the job in hand.

Thank you to everyone who has donated, celebrated and shared the Maddie Rose Campaign. The funds raised will enable Construction Youth Trust to raise awareness of the huge variety of jobs available in the suppliers and builders' merchant sector as well as the wider construction industry, and support young people to overcome barriers and enter the world of work."

Health & Safety

Improving the quality and safety of the working environment for all of our colleagues

We are strongly committed to providing a work environment across the Group where everyone feels encouraged to speak up and challenge each other, to ensure that we work safely for ourselves and our colleagues.

The Group understands that manufacturing is a hazardous industry and endeavours to maintain high standards across all businesses within the Group. This is achieved through an ongoing programme of improvement projects which supplement the compliance work conducted throughout the Group, applying a continual improvement methodology. The Group implements, as standard, the health and safety risk hierarchy of controls, with focus on the early phases such as design and planning when implementing changes, allowing risks to be identified and effectively eliminated.

The Group has a Health, Safety and Environment (HSE) policy in place that sets out the overriding principles of health and safety for all employees, and must be adhered to at all times. The Group's businesses operate to externally accredited ISO/OHSAS standards. External audits in addition to internal reviews continue to provide valuable feedback and opportunities to improve and share learnings across the Group. We continue to set guiding principles and minimum standards through policy and procedures to ensure consistent delivery of key HSE areas. Our agreed approach to management training, guidance, incident reporting and investigation remains fundamental to the further development of Group standards.

In 2022 we made further updates to our reporting structure and review process of HSE performance. In addition to site and business reviews, the Group leadership team, including the Executive Committee, reviewed performance on a monthly basis enabling them to identify trends and good practice that could be shared across the Group. The focus went beyond KPI reporting and focused on root causation and learnings.

The Group recognises the importance of understanding, maintaining and continually improving its health and safety culture. Highly engaged, informed and trusting employees enhance health, safety and environmental performance. We continue to focus on individual and collective desired behaviours, with management and senior leadership engagement when discussing the business culture, its maturity, and our ambition. Ongoing training and information on collective and individual decision-making continues to be well received and will be further developed in 2023.
Safety ambassadors in addition to established formal consultation teams, continually monitor, advise and improve site HSE performance in addition to increasing the positive profile of the cultural change plan.

Health & Safety continued

The Group continues to operate a formal system for reporting and recording hazards and near misses. The 'See it, Sort it, Report it' scheme encourages individuals across the Group at all levels to report hazards, observations and suggest solutions, and allows trends to be analysed. This reporting procedure continues to be the catalyst for multiple operational and safety related projects. The Group leadership team have visibility and review on a regular basis. These are one of the Group's leading indicators and contribute to the Group HSE target and object setting process.

The core function of our Occupational Health is providing mandatory annual health checks (health surveillance) and screening for those colleagues across the Group who are exposed to health hazards through work. Occupational Health also work closely with managers and Human Resource (HR) colleagues supporting attendance and providing advice and support for all colleagues to remain in work or return to work during periods of ill health or absence by providing modifications or adjustments as part of a rehabilitation plan.

Health & Safety achievements in the year

The Group has seen a continued and sustained improvement in reported accidents. Incident rates across the Group have been improving year-on-year, in line with an increase in engagement and positive leading indicator performance.

Following nine consecutive RoSPA Gold Awards, the Group achieved the Gold Medal Award for exceptional performance and dedicated support for health and safety within the organisation.

There remains a strong focus within Occupational Health on the health and wellbeing of employees across the Group, and as such, onsite health events/health fairs are regularly hosted as part of wider Group initiatives. An onsite counselling service was introduced in 2021, and this provision was expanded during 2022 to offer three clinics per week across the Group, which provides for 24 appointments per week with an attendance rate of 98%. The onsite physiotherapy service introduced in 2020 has also been expanded to offer three clinics per week across the Group, which provides for 30 appointments per week with a 92% attendance rate.

The table below includes the KPIs used by the Group to monitor accident performance:

FREQUENCY PER 100,000 HOURS WORKED

	2020	2021	2022
Minor accidents	3.30	4.45	**3.06**
Lost Time Incidents	0.97	0.61	**0.56**
HSE reportable accidents*	0.48	0.43	**0.21**

* HSE reportable accidents based on specified injuries and the current seven-day absence from work reporting requirement in the UK and although there is no direct equivalent in Mainland Europe or the Middle East, the same definition is applied.

Group physio keeping colleagues safe at work

The Group has utilised the onsite physiotherapy service and their expertise in identifying risks and improvements to general operations.

Work carried out at Broomhouse Lane focused on transport and despatch departments where cross functional teams, alongside the physiotherapist, assessed specific tasks and added further insight to musculoskeletal risks and subsequent mitigations. This approach has had a visible positive impact on our colleagues who carry out these tasks, and we have seen a reduction in reported manual handling incidents and wider reduction in musculoskeletal injuries.

Engaging with our stakeholders

Effective engagement with stakeholders is integral to decision-making at all levels of management within our Group, driven by our Board. We recognise the benefits that come with involving our stakeholders in decision-making, as we prioritise working to address their concerns and feedback. By doing this in an effective and proactive manner, we can build a strong and sustainable business which delivers value for all stakeholders.

Customers

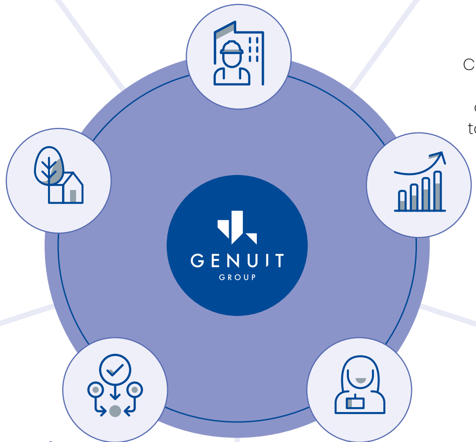
We endeavour to create quality products with engineered solutions that enable a sustainable built environment for our customers, placing our customers' needs at the heart of our strategic decision-making.

Communities and the environment

The impact of our operations on the local communities and environments within which we operate are of paramount importance to the Group.

Shareholders

Creating a competitive advantage generates long-term value for our shareholders. Our strategy is to allocate capital in a disciplined way to fund sustainable profitable growth, yielding consistent returns to shareholders over the long term.



Suppliers

We value our suppliers and understand the benefit of maintaining long-standing relationships across the Group. We encourage fair negotiation with all suppliers, as well as certainty on payment.

Employees

We are committed to developing the pool of talent of our employees across the Group, helping to develop their expertise and knowledge in their specific fields, fostering a culture which is diverse, inclusive, and a great place to work.

We continue to prioritise the development of a culture which puts the needs of our stakeholders at the forefront of decision-making. We believe that doing so will help to realise and drive our long-term strategic goals, whilst remaining focused on the priorities of our stakeholders.

Each stakeholder has a vital role to play in the Group's future viability and success, as we engage with them to help build trust, drive innovation, reduce risk and improve performance. Considering the viewpoints of each respectively is imperative to ensure we continue to provide high quality innovative and sustainable solutions for our customers; our employees are part of a safe, flexible, diverse and inclusive working environment, which considers and prioritises their needs and development however possible; our suppliers experience fair payment terms and social practices, encouraging healthy competition and reliable supply; and our impact on the climate is minimised, which is supported by our strategic goal of being the lowest carbon choice for our customers, as we continue to support the local communities in which we operate.

We recognise the role that we must play in meeting the requirements of climate change adaptation and resilience, both in our operations and the sustainable solutions we provide to customers. Engaging with and understanding the needs of our stakeholders therefore forms an integral part of our decision-making processes. The impact of Board decisions on the Company's stakeholders is regularly considered by the Board in the context of its key decisions, and the Company Secretary acts as a key driver in ensuring such engagement.

Engaging with our stakeholders continued

Engaging with our employees

Why is it important?

Effectively engaging with our employees helps improve engagement and increase job satisfaction, creating an inclusive and collaborative working environment. This helps foster a productive, transparent and flexible workplace, empowering employees to share ideas and drive innovation.

KEY TOPICS

- Diversity and inclusion
- Priority of physical and psychological safety and wellbeing, through increased mental and occupational health advisers and support
- Effective communication
- Learning, development and future capabilities
- Onboarding of new employees following any acquisition

HOW WE ENGAGE

- Employee and senior leader diversity & inclusion insight sessions
- Town halls, email communications and internal and external training sessions promoting health, safety and wellbeing
- 'Colleague Connect' programme providing a forum for employees and senior managers to discuss key priorities and needs
- Increased communication channels via Workplace by Meta, Microsoft Teams and in-person in warehouses and production
- Collaboration through community initiatives
- Dedicated Leadership & Development (L&D) resource
- Regular updates on Company performance

OUTCOMES OF ENGAGEMENT

- Diversity & inclusion ambition and its three-year strategy defined
- Increased focus on safety in the workplace, creating a safer working environment
- Empowered employees, who are engaged and invested in the future growth of the Group
- Effective leadership training to create a dynamic and inclusive working environment
- Increased investment in employee infrastructure including HRIS and Workplace by Meta

VALUE CREATED

- Board and executive members setting diversity & inclusion commitments
- Educated employees on the importance of diverse and inclusive working environments
- Commitment from employees on health and safety standards, as they are collectively raised and challenged
- Motivated, loyal and engaged workforce, sharing a common sense of belonging and pride
- Knowledgeable and innovative workforce with transferable skills to future-proof the Group workforce strategy
- Attraction and retention of high-quality employees

Engaging with our customers

Why is it important?

Engaging with our customers is critical to the Group to build strong relationships, increase loyalty and drive innovation. Building a strong brand reputation individually across our businesses, as well as collectively as 'Genuit' and a Group, is imperative to retain existing customers, as well as attract new ones.

KEY TOPICS

- Sustainable product solutions
- Reliability, convenience and transparency
- Being informed about and supportive of their specific requirements
- Understanding the impact of the changing economic landscape and supporting their needs where possible

HOW WE ENGAGE

- Meet regularly with customers to understand the obstacles they face and the solutions they require in relation to energy efficiency, waste reduction and traditional construction methods. This allows us to maintain strong relationships, and ensure customers know they are valued and heard
- Customer satisfaction surveys distributed to obtain feedback, to allow us to implement and make improvements where required
- Endeavour to offer a complete product offering, so customers are able to find sustainable solutions with ease
- Host events, seminars and exhibits, as well as engaging in the development of technical specifications

OUTCOMES OF ENGAGEMENT

- Provides opportunities to identify areas for improvement, allowing us to continually improve the experience for our customers
- Deploy energy efficient components delivering innovative designs and sustainable, low carbon solutions
- Safer, higher quality and faster installation and delivery of value engineered solutions
- Establishment of long-term partnerships through collaborative working, as well as providing new opportunities for business with customers or projects
- Development of brand recognition for Genuit and its businesses

VALUE CREATED

- Revenue and profit growth
- Improved efficiencies for the customer in terms of service, knowledge and sustainability
- Strategic partnering and closer business relationships
- Creation of value for our customers by delivering high quality, efficient and innovative products and solutions
- Improved performance and reputation for our customers with the end users
- Awareness and benchmarking of peer positioning

Engaging with our stakeholders continued

Engaging with our shareholders

Why is it important?

Regular engagement with shareholders enables the Group to build trust and transparency, increasing investor confidence and driving long-term business performance. By providing regular updates to our shareholders and being open to feedback, we aim to build a positive relationship to create a strong foundation for future growth.

KEY TOPICS

- Impact of inflation
- Russian invasion of Ukraine, and economic recession on shareholder returns
- ESG and sustainability
- Resilience of Group strategy
- Risk management

HOW WE ENGAGE

- Regular Capital Markets Events held to address the salient issues and articulate the Group strategy and ambition more clearly
- Roadshows and salesforce briefings after each results announcement and one-to-one meetings held on request
- Regular attendance at broker and analyst conferences
- Up to date information through publications on our website and through our various publications
- Engagement via our Remuneration Committee Chair on key remuneration matters

OUTCOMES OF ENGAGEMENT

- Continued demand for the Company's shares (heightening shareholder returns)
- More access to opportunities to raise capital, as showcased through our Sustainability-Linked Loan
- Support for strategy, including that pertaining to ESG
- Support for investment decisions including M&A and capital expenditure
- Confidence in management and their ambition to achieve an operating margin in excess of 20% over the medium term

VALUE CREATED

- Stable blue chip register
- Reduced cost of capital and access to capital that remains in keeping with our sustainability ambitions
- Potential for dividend payments
- Prevention of the worst effects of the current market-wide challenges and pessimism due to the macroeconomic uncertainty

In November 2022 we held a Capital Markets Day at the Group's Adey business in Gloucestershire. The event was hosted by Joe Vorih, Chief Executive Officer, Paul James, Chief Financial Officer and Matt Pullen, Chief Operating Officer, alongside some key members of the leadership team.

Our 2022 Capital Markets Day was a chance for management to engage directly with shareholders on our strategic direction for the future, our sustainability ambitions, and our new streamlined structure of three Business Units: Climate Management Solutions, Water Management Solutions and Sustainable Building Solutions.

This was an exciting opportunity given the last Capital Markets Event had been held virtually in November 2020 and thus in the midst of the Covid-19 pandemic.

It was well attended by current and potential investors, in addition to being live-streamed. The day included a presentation by senior management in the first instance, followed by a Q&A session, allowing in-person and virtual attendees to raise questions and receive direct feedback from management.

This was followed by a tour of the Adey facilities and a demonstration of Adey's heating efficiency products. There was also a trade show, showcasing a variety of Group products in more detail.

A recording of the presentation is available on our website at www.genuitgroup.com.

Engaging with our stakeholders continued

Engaging with our suppliers

Why is it important?

It is imperative that engaging with our suppliers remains high on the agenda, building stronger relationships, improving supply chain performance, enhancing product quality and mitigating risk. Effective engagement helps realise supply chain efficiency and build collaborative and transparent relationships.

KEY TOPICS

- Continuity of supplies and management of supply chain constraints, including risk mitigation measures such as dual sourcing
- Strategic partnering
- Ensuring product quality meets agreed standards and pricing
- Accurate demand forecast
- Sustainability

HOW WE ENGAGE

- Develop Service Level Agreements
- Set clear and achievable goals
- Face-to-face and virtual meetings, digital communications for general items and policy updates, formal tenders for sourcing and procurement
- Conduct supplier audits
- Invite suppliers for tours around the businesses to invigorate new product development
- Issue forward forecasts
- Communicate efficiently in relation to product quality

OUTCOMES OF ENGAGEMENT

- Stronger partnering relationships to minimise disruption in supply
- Maintain expectations for quality
- Technical input into product development or resolution of technical issues
- Multiple sourcing and stable and predictable production for suppliers

VALUE CREATED

- Service and materials that match our own brand proposition to our customers
- Competitive advantage in terms of margin and cost out
- Marketing leverage from supporting Genuit's sustainability aspirations
- Reduced risk to the business through supply relationships and partnering with key suppliers
- Keeping our suppliers leading in their field, yet remaining competitive
- Innovation
- Sustainable and ethical supply chains
- Long-term partnerships

Engaging with our communities

Why is it important?

We recognise the benefits of engaging with our local communities, as well as the wider environment. We understand the value in building trust within these local communities and promoting sustainability, to create a positive outcome for all stakeholders. Through effective engagement, we can minimise the impact of our operations on the environment, reduce risk, and demonstrate our commitment to responsible business practices.

KEY TOPICS

- Sustainable operations and minimising environmental impact
- Supporting local education to develop career aspirations, as well as local charities

HOW WE ENGAGE

- Sponsorship through local initiatives and charities, working with schools and communities, supporting food banks and local fundraising events across all businesses
- Educational initiatives and support in heating, engineering and reduction of carbon emissions
- Collaboration with strategic partners to broaden the education amongst installers and homeowners
- Provide funding to level-up the local areas to our sites to enable regeneration and reduce anti-social behaviour
- Through Group initiatives, such as the Maddie Rose Campaign and Yorkshire Three Peaks challenge

OUTCOMES OF ENGAGEMENT

- Donations made to local and national charities and participation in Kickstart and Tempus Novo schemes
- A pipeline of work-ready students with engineering and digital specialisms
- Long-standing sponsorship of local sports clubs, regular charitable events and fundraising
- Cleaner and friendlier areas for the local communities
- Increasing awareness of climate resilience and adaptation

VALUE CREATED

- Development of financial and practical skills beyond the classroom, to increase employment opportunities for those from low socio-economic backgrounds
- Commitment to the delivery of effective education to disadvantaged student populations in local areas
- Reducing the impact of our overall activities on the environment and giving something back to the local communities within which we operate
- Local business and Genuit brand awareness and development of reputation

Section 172 statement

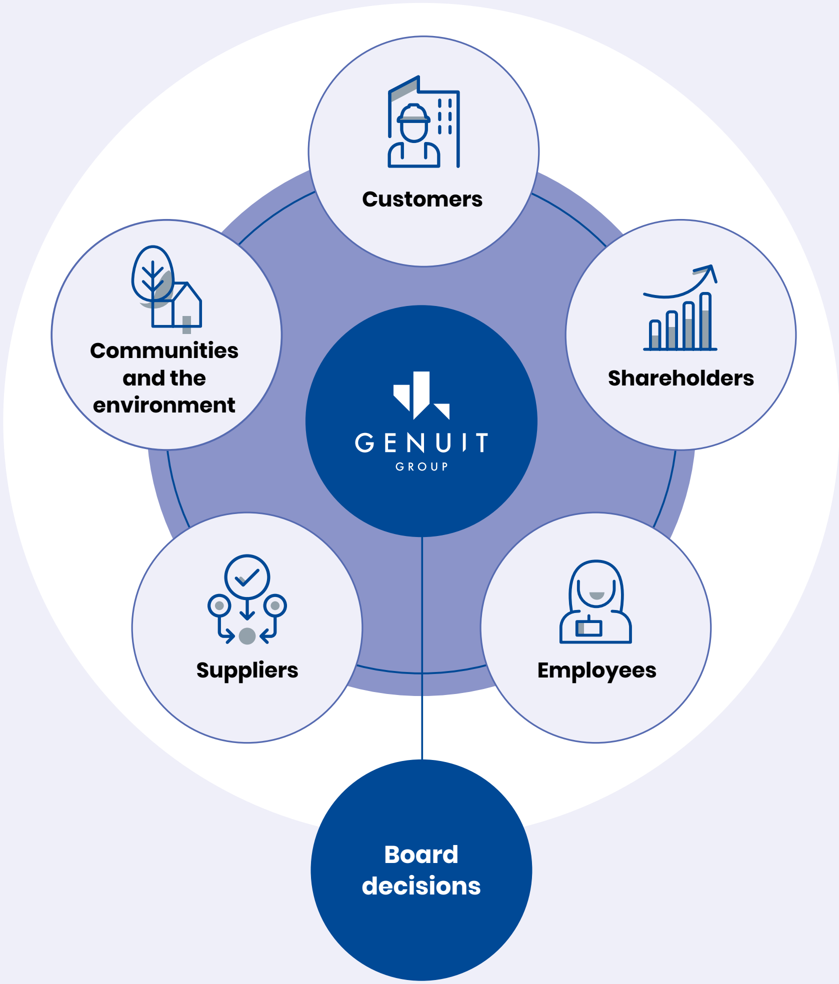
This Section 172 statement for the year ended 31 December 2022 gives further insight into some of the strategic decisions taken by the Board during the 2022 financial year where key stakeholders have influenced those decisions, and aims to help stakeholders better understand how the Directors have discharged their s172 duties.

Adequate consideration of key stakeholder groups in Board decisions has always been part of Board discussions and the decision-making process at Genuit. We recognise the long-term benefits of doing so, whilst upholding the Directors' duties as outlined in s172 of the Companies Act 2006. The Board is aware that it must promote the success of the Company for the benefit of its shareholders as a whole, whilst having regard to other stakeholders.

In performing their duties during 2022, the Directors have had regard to the matters set out in s172 of the Companies Act 2006, as demonstrated within this statement and elsewhere in the Annual Report and Accounts as follows:

Key	s172 consideration	Page
●	**The likely consequences of any decision in the long term**	
	– Purpose and Business model	13
	– Strategic objectives	14
	– Principal risks	55 to 62
	– Sustainability	21 to 25
●	**The interests of the Group's employees**	
	– People	36
	– Health and safety	40
	– Stakeholder engagement	43
	– Employee engagement	76
●	**The need to foster the Group's business relationships with suppliers, customers and others**	
	– Business model	13
	– Strategy	14 to 18
	– Non-financial statement	49
	– Stakeholder engagement	45
●	**The impact of the Group's operations on the community and the environment**	
	– Purpose	13
	– Greenhouse gas emissions	24
	– Sustainability	21 to 25
	– TCFD	26 to 35
●	**The desirability of the Group maintaining a reputation for high standards of business conduct**	
	– Cyber	95
	– Health and safety	40
	– Whistleblowing	95
	– Internal controls	94
	– Non-financial statement	49
●	**The need to act fairly as between members of the Company**	
	– Stakeholder engagement	42 to 45
	– Dividend	53

Our key stakeholders



Our key stakeholders are integral to the Group's long-term strategy. The Executive Committee is responsible for ensuring their needs form part of everyday decision-making on behalf of the Board. Using the feedback from senior management on these needs, the Board considers and then makes its strategic decisions against the backdrop of what it considers to be in the best interest of the long-term financial success of the Company.

Some of the key Board decisions made during the year and how these impact our stakeholders, are demonstrated overleaf.

Section 172 statement continued

Approval of Group strategy

Context
The Board approved the refreshed Group strategy, including the reorganisation from four divisions into three Business Units (BU): Climate Management Solutions, Water Management Solutions, and Sustainable Building Solutions.

Customers
The refreshed strategy provides focus on delivering quality products and solutions to the customer, notably the benefit of the increased synergies through complete solution offerings.

Employees
Driving the diversity and inclusion agenda enables the Group to create a modern, flexible and inclusive working environment and the refreshed strategy places specific focus on investing in our people and culture.

Shareholders
Providing sustainable solutions for growth and identified clear pathways to shareholder value creation through sustainable growth in free cash flow and capital allocation.

Community
Mitigating the impacts of climate change by:

- Addressing the drivers for low carbon heating, cooling and clean, healthy air through our Climate Management Solutions BU
- Driving climate adaptation and resilience through integrated surface and drainage solutions through our Water Management Solutions BU
- Providing a range of solutions to reduce the carbon content of the built environment through our Sustainable Building Solutions BU

s172 consideration

Stakeholders

Outcome and impact
The approval of this refreshed strategy has further developed the Group's future capabilities for growth, transitioning the Group into a leading player in sustainable water and climate management.
This transition is underpinned by structural trends in the built environment, and will bring:

- Deep expertise and brand equity in water and climate solutions
- Proven leadership and partner of choice in sustainability
- An integrated portfolio providing value-adding solutions
- Extracting benefits of scale via a simpler, better aligned operating model
- Achieving efficiency via the Genuit Business System focused on growth, lean systems and leadership
- A modern, flexible, inclusive work environment

Approval to proceed with the acquisition of Keytec

Context
In line with the Group's long-term M&A strategy, the Board gave approval to proceed with the acquisition of Keytec Geomembranes Holding Company Limited.

Employees
This saw the onboarding of 15 additional new employees into the Group, further diversifying the Group's skills and knowledge.

Shareholders
As part of the decision-making process, the Board considered the potential synergies and financial benefits of the acquisition, as well as the environmental credentials of the target business and the benefit the acquisition would bring to shareholders and other stakeholders in terms of the long-term growth of the enlarged Group and potential returns.

s172 consideration

Stakeholders

Outcome and impact
Keytec has strengthened the Group's ability to supply and install attenuation systems for a broad range of applications, and further strengthens the Group's product and service offering, national leverage and knowledge in this fast-growing sector.

Approval of Science Based Targets

Context
The Board approved the commitment of the Group to a series of targets under the Science Based Targets (SBTs) framework, following its Pledge to Net Zero in 2021.

Shareholders
The approval of SBTs enables effective engagement with shareholders by communicating sustainability progress and detail in an understandable, consistent and readable format. This gives shareholders confidence in the Group's commitment to net zero and aligns to the Group's sustainability framework.

Community
The Board recognises the significance of reducing the impact of climate change and the SBTs allow the Group to accurately assess how much and how quickly it needs to reduce its greenhouse gas (GHG) emissions to help prevent the impact of climate change.

s172 consideration

Stakeholders

Outcome and impact
Approval of the SBTs ensures that any Board strategic decisions are made with these targets in mind, demonstrating how the Board recognises that creating a climate-secure world is crucial for the Group's successful, sustainable, business operations, and that remuneration and incentives closely aligned with these sustainability goals aligns stakeholder and management interests.

Section 172 statement continued

Approval of Human Resources Information System (HRIS)

Context
The Board approved the procurement and implementation of a HRIS for application across the Group, to be a single, fit for purpose, scalable platform to enable the effective delivery of the HR strategy, aligned with the development of the business, business insights and governance and compliance requirements.

Employees
The approval of the HRIS optimises HR scalability for development and growth by streamlining administrative processes and reducing waste. Other benefits include improved efficiency, workplace mobility, self-directed learning and self-service features, compliance risk management, improved data quality, insights and analysis, and automated business processes.

s172 consideration

Stakeholders

Outcome and impact
Greater access to people information to enable more effective people management, creating value and enabling growth through employee capability, expertise and contribution particularly through effective performance management and talent development. Approval of this system is aligned with the Group's refreshed strategy to continue to invest in our people and culture.

The duties under s172 form an integral part of the activities and decision-making of the Board.

How the Board complied with its s172 duty
The Board recognises that each decision it makes will have an impact in some form on all stakeholders, and thus integrates this into its culture. The duties under s172 therefore form an integral part of the activities and decision-making of the Board. It uses varying methods of engagement depending on the stakeholder to ensure it is fully informed of their needs, and ensures it applies the most appropriate method of engagement for the circumstances. These include but are not limited to; press releases, announcements, surveys, one-to-one contact, newsletters, forums, emails, videos and town hall leadership sessions.

Louise Brooke-Smith is the designated Non-Executive Director responsible for employee engagement on the Board's behalf. Further steps have been taken during the year to increase the level of direct engagement, as detailed on page 76 of the Corporate Governance Report. Effective engagement ensures that the Board is fully aware of any potential issues or likely impact, allowing it to promote those initiatives which are expected to have a positive outcome and minimise those which may have a negative impact. This allows for a detailed and thorough discussion at meetings, enabling a considered, informed and balanced approach to decision-making.

Non-financial information statement
The following table details the non-financial information required by Section 414CB of the Companies Act 2006, and highlights where more information can be found elsewhere within the Annual Report and Accounts.

Each stakeholder has a vital role to play in the Group's future viability and success, as we engage with them to help build trust, drive innovation, reduce risk and improve performance.

Non-financial and sustainability information statement

NON-FINANCIAL INFORMATION REPORTING REQUIREMENT	DEVELOPMENT AND ACTIONS	OUR IMPACT AND ANY RELATED PRINCIPAL RISKS	PAGE
Environmental matters – Advancing the circular economy – Tackling climate change	Providing solutions to the environmental challenges facing infrastructure, buildings and communities is at the heart of the Group's strategy and growth agenda, and forms part of its refreshed strategy. In addition to the ambitious targets to achieve by 2025, the Group has SBTs with initial targets of 2027, as well as formulating its detailed transition plan to reduce CO_2 emissions as part of its Pledge to Net Zero, and an increase in its tonnage of recycled plastics.	– Our Business Model	**13**
		– Non-Financial KPIs	**19**
		– TCFD	**26 to 35**
		– Sustainability	**22**
		– Principal Risk 5 – Climate change	**58**
Employees – Talent development – Developing apprentice and graduate careers – Diversity and inclusion ambition – Health and safety – Culture	As part of its efforts to consolidate and promote a healthy culture, the Group places focus on motivating and developing its employees so they feel valued and engaged in the strategic direction of the Group, and understand their contribution to its growth. Attracting and retaining a diverse workforce and investing in employees' future opportunities is of paramount importance to the Group, which can be seen from the appointment of a dedicated Chief People Officer, as well as initiatives such as the Graduate Scheme, our Apprentice programme and our membership of The 5% Club.	– People	**36 to 39**
		– Health and safety	**40**
		– Stakeholder Engagement	**42 to 45**
		– Culture	**75**
		– Principal Risk 6 – Recruitment and retention of key personnel	**58**
		– Principal Risk 8 – Health, Safety and Environmental	**60**
Social matters – Developing sustainable solutions	The Group is committed to carrying out its business responsibly, and ensuring it promotes sustainable operations and minimises adverse environmental and social impacts. Employees are actively encouraged to participate in initiatives within their communities which reduce the impact of climate change and offer support and education to their local communities.	– Stakeholder Engagement	**42 to 45**
		– Culture	**75**
		– People	**36 to 39**
Human rights	Whilst the Group does not have a specific human rights policy, it does have an Anti-Slavery policy and Modern Slavery Act transparency statement which is available on the Company's website, within which we state our zero-tolerance approach of any modern slavery or human trafficking rights violations. The Group is currently implementing a new supplier onboarding process, which will include a supplier Code of Conduct, to ensure our suppliers conform with ethical working practices.		
Anti-corruption and anti-bribery	The Group seeks to prohibit all forms of bribery and corruption within its businesses and complies with the requirements of all applicable anti-bribery and corruption laws. The Group requires all relevant employees to confirm biannually that they remain in compliance with the Group's Anti-Bribery policy.	– Audit Committee Report	**95**
		– Principal risk 9 – Breach of legislation including Data Protection, Competition Law, the Bribery Act and Sanctions Compliance	**60**

Chief Financial Officer's Report

A strong performance despite uncertainty

The Group continues to experience a strong performance despite macroeconomic and political uncertainty, ongoing high inflation and supply constraints.

Revenue and operating margin

Group revenue for the year ended 31 December 2022 was £622.2m (2021: £594.3m), an increase of 4.7% on a strong comparative year. UK revenue increased by 5.0% during a period of economic uncertainty that worsened in the second half of the year. This outperformed UK construction more broadly, which grew 1.6% (Source: CPA) versus prior year, or 1.0% when the impact of infrastructure expenditure is excluded. New housing is expected to have grown by 2.4%, after a strong first half, where starts were some 5.0% ahead of prior year (Source: UK Government DLUHC). Housing RMI declined from its 2021 historic peak by 3.1% as economic uncertainty and disposable incomes worsened during the year, as well as the macro-effect of the decline in residential property transactions of 14.8% versus prior year (Source: HMRC). The performance in the Rest of Europe was impacted by the Group's decision to exit the Russian market.

Underlying operating profit was £98.2m (2021: £95.3m), an increase of 3.0% despite considerable inflation, housing market uncertainty and supply chain disruption. The Group improved pricing processes, began the simplification of the business to unlock synergies and lower structural costs to enhance resilience for 2023. The Group underlying operating margin decreased marginally by 20 basis points to 15.8% (2021: 16.0%).

This has been expedited in 2022 through a transformation project, which has involved reviews of direct and indirect purchasing costs and also transition to the new operating structure from 2023 announced at the November 2022 Capital Markets Day.

REVENUE AND OPERATING MARGIN	2022 £m	2021 £m	Change %
Revenue	**622.2**	594.3	4.7%
Underlying operating profit	**98.2**	95.3	3.0%
Underlying operating margin	**15.8%**	16.0%	(20bps)

REVENUE BY GEOGRAPHIC DESTINATION	2022 £m	2021 £m	Change %
UK	**560.8**	534.1	5.0%
Rest of Europe	**32.4**	38.3	(15.4)%
Rest of World	**29.0**	21.9	32.4%
Group	**622.2**	594.3	4.7%

Chief Financial Officer's Report continued

Business review

REVENUE	2022 £m	2021 £m	Change %	LFL Change %
Residential Systems	**394.3**	372.9	5.7	5.0
Commercial and Infrastructure Systems	**227.9**	221.4	2.9	0.5
	622.2	594.3	4.7	3.1

UNDERLYING OPERATING PROFIT	2022 £m	ROS %	2021 £m	ROS %	Change %
Residential Systems	**79.1**	**20.1**	73.1	19.6	8.2
Commercial and Infrastructure Systems	**19.1**	**8.4**	22.2	10.0	(14.0)
	98.2	**15.8**	95.3	16.0	3.0

Profit before tax was £45.4m (2021: £62.9m), a decrease of 27.8%, driven by several factors including a write down of intangibles and increased borrowing costs.

The Group continued to invest in product development and innovation throughout the year. In 2022, underlying operating profit benefited from £1.2m of HMRC approved Research and Development expenditure credit, relating to the year ended 31 December 2022.

Residential Systems

Revenue in our Residential Systems segment was 5.7% higher than the prior year at £394.3m (2021: £372.9m), partially driven by the full year effect of the acquisitions of Adey and Nu-Heat in February 2021 with like-for-like revenue excluding acquisitions 5.0% higher than 2021.

The process of integrating Adey and Nu-Heat is now complete. Both these businesses have fitted well into the Group in a commercial, operational and a cultural sense – so much so that Adey's CEO at the time of acquisition has just been promoted to be Managing Director for one of the three new Business Units. We are driving both revenue and cost synergies aggressively. Adey has been adversely affected by the constraint in upstream boiler manufacturing caused by the shortage in the global supply of printed circuit boards (PCBs). This shortage is ongoing. Nu-Heat is performing well, benefiting from the positive mix effect of remaining market RMI spend moving into funding more efficient forms of heating homes.

During 2022 at our Broomhouse Lane and Neale Road sites in Doncaster, we took delivery of and installed 25 moulding machines for the manufacture of our mainstream products. This underpins our commitment to sustainability as the new machines will give significant energy savings over those that they replaced. The new machines will also allow us to become more flexible in our approach to using recycled content in our moulding facility than previously, which again supports our commitment to sustainability.

New product innovation remains strong. In Residential Systems, we launched several new ranges in the first half of the year, including Nuaire's DX Cooling modules designed to work in conjunction with existing Mechanical Ventilation with Heat Recovery (MVHR) ventilation units to tackle the challenges of overheating in apartments. Adey launched a number of new products to expand their range of performance enhancing heating system additives, including the new MCXS leak sealant additive.

Robust price leadership and cost saving initiatives helped Residential Systems deliver strong underlying operating profit growth of 8.2% to £79.1m (2021: £73.1m) representing a 20.1% margin (2021: 19.6%).

Commercial and Infrastructure Systems

The UK commercial and infrastructure markets proved to be a tougher operating environment and the segment's revenue was 2.9% higher at £227.9m (2021: £221.4m). On a like-for-like basis, excluding the effects of the Plura acquisition in February 2021 and the Keytec acquisition in March 2022, year-on-year revenue was broadly flat.

Divisional performance was impacted in Q2 by an isolated cyber incident that impacted Group profitability by over c.£4m at the time. It was ultimately an unsuccessful attempt but resulted in temporary disruption to manufacturing and sales in April and May.
We implemented new, stronger protection across the Group in the first half and I am pleased to report that most of this business was recovered in the second half of the year as systems came back on stream. However, our Nuaire commercial business was further impacted in the second half of the year by a shortage in supply of key components such as blowers. Thanks to the arduous work and ingenuity of our local teams, alternative sources of supply have now been secured for 2023 and beyond, although difficulties remain.

In Commercial and Infrastructure Systems, our Polypipe Civils and Green Urbanisation business launched SciClone X, a new stormwater treatment device for removing pollutants from surface water runoff.

We expanded our site at Horncastle via a land purchase that allows optimisation of site layout and flexibility for any possible future manufacturing footprint reviews. This site also commissioned a new Polysewer line in 2022 with product due to be supplied from early 2023 that will reduce carbon emissions by reducing long-distance transportation. Material handling capabilities have also been modernised using high efficiency vacuum pumps whilst reducing the risk of material spillages. At our Aylesford site in Kent, we made a major investment in multi-layer extrusion technology, allowing us to significantly increase recyclate use, propelling us on our journey towards the medium-term ESG target that 62% of our input materials must come from recycled sources.

Commercial and Infrastructure Systems delivered an underlying operating profit of £19.1m (2021: £22.2m) and represents an 8.4% margin (2021: 10.0%). The key driver of reduced margin in the year in this segment relates to operational leverage on reduced UK volumes, particularly driven by constraints in supply of key components.

Chief Financial Officer's Report continued

Acquisitions

On 31 March 2022, the Group acquired Keytec Geomembranes Holding Company Limited (Keytec), a supplier and installer of stormwater attenuation products, geomembranes, and gas protection products for an initial cash consideration of £2.5m on a cash free and debt free basis plus a deferred consideration of £0.6m due no later than 12 months from completion. The total initial cash consideration of £2.9m included a payment for net cash and working capital commitments on completion of £0.4m.

Non-underlying items

Profit before tax was £45.4m (2021: £62.9m), impacted by an increase in non-underlying items. These increased to £40.0m (2021: £34.1m) after tax. These were driven by non-cash amortisation of £15.2m (2021: £14.2m) and total impairment charges of £14.8m (2021: nil) respectively. The impaired goodwill of £12.0m originally arose from the 2021 acquisitions, and the £2.8m impairment of intangible assets arose from a customer relationship agreement ending early. Of the other items, £3.3m (2021: £6.6m) of costs related to acquisitions and other M&A costs, a product liability claim of £1.0m (2021: £2.6m), one off costs of £1.2m relating to an isolated cyber incident at Nuaire and restructuring costs of £9.3m (2021: £1.1m).

Non-underlying items comprised:

	2022 £m	2021 £m	Change %
Amortisation of intangible assets	**15.2**	14.2	7.0
Impairment of goodwill	**12.0**	–	–
Impairment of intangible assets	**2.8**	–	–
Restructuring Costs	**9.3**	1.1	745.5
Contingent consideration on acquisitions	**3.1**	1.9	63.2
Product liability claim	**1.0**	2.6	(61.5)
Acquisition costs	**0.2**	4.7	(95.7)
Isolated cyber incident	**1.2**	–	–
Fair value adjustments on acquisitions	**–**	3.7	–
Unamortised deal costs	**0.4**	–	–
Non-underlying items before taxation	**45.2**	28.2	60.3
Tax effect on non-underlying items	**(5.2)**	(3.4)	(52.9)
Impact of change in statutory tax rate	**–**	9.3	–
Non-underlying items after taxation	**40.0**	34.1	17.3

+4.7%

Revenue up despite some market softness in the latter part of the year

+3.0%

Underlying operating profit driven by strong pricing and cost controls.

Exchange rates

The Group trades predominantly in Sterling but has some revenue and costs in other currencies, mainly the US Dollar and the Euro, and takes appropriate forward cover on these cash flows using forward currency derivative contracts in accordance with its hedging policy.

Finance costs

Underlying finance costs increased to £7.6m (2021: £4.2m) due to significantly higher Standard Overnight Index Average (SONIA) interest rates partially offset by lower level of RCF borrowings. Interest cover was 16.0x for the year (2021: 31.3x).

Interest was payable on the RCF at SONIA (2021: LIBOR) plus an interest rate margin ranging from 0.90% to 2.75%. The interest rate margin at 31 December 2022 was 1.60% (2021: 1.40%). With effect from 4 January 2022, LIBOR was replaced by SONIA.

Taxation

Underlying taxation

The underlying tax charge in 2022 was £14.1m (2021: £16.0m) representing an effective tax rate of 15.6% (2021: 17.6%). This was below the UK standard tax rate of 19.0% (2021: 19.0%). Patent box relief contributes to a lowering of the underlying effective tax rate by some 1.8 percentage points.

Taxation on non-underlying items:

The non-underlying taxation credit of £5.2m (2021: £5.9m net charge) represents an effective rate of 11.5% (2021: 20.9%).

EARNINGS PER SHARE	**2022 £m**	2021 £m
Pence per share:		
Basic	**14.7**	16.7
Underlying basic	**30.8**	30.6
Diluted	**14.6**	16.5
Underlying diluted	**30.5**	30.2

The Directors consider that the underlying basic earnings per share (EPS) measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance.

Underlying basic EPS increased by 0.7% in 2022.

Chief Financial Officer's Report continued

Dividend
The final dividend of 8.2 pence (2021: 8.2 pence) per share is being recommended for payment on 24 May 2023 to shareholders on the register at the close of business on 21 April 2023. The ex-dividend date will be 20 April 2023.

Our dividend policy is normally to pay a minimum of 40% of the Group's annual underlying profit after tax. The Directors intend that the Group will pay the total annual dividend in two tranches, an interim dividend and a final dividend, announced at the time of publication of the interim and preliminary results, respectively, with the interim dividend being approximately one half of the prior year's final dividend.

Balance sheet
The Group's balance sheet is summarised below:

	2022 £m	2021 £m
Property, plant and equipment	**169.9**	151.7
Right-of-use assets	**22.3**	20.6
Goodwill	**455.4**	467.7
Other intangible assets	**159.7**	175.1
Net working capital	**33.9**	22.0
Taxation	**(47.9)**	(47.4)
Other current and non-current assets and liabilities	**0.1**	(6.3)
Net debt (loans and borrowings, and lease liabilities, net of cash and cash equivalents)	**(166.2)**	(165.7)
Net assets	**627.1**	617.7

The net value of property, plant and equipment has increased by £18.2m following the acquisition of additional land at one of our sites and the Group's continued strategic investment in its businesses. The value of right-of-use assets has increased by £1.7m.

Pensions
The Group does not have any defined benefit pension schemes and only has defined contribution pension arrangements in place. Pension costs for the year amounted to £6.5m (2021: £5.4m) reflecting the inclusion of the acquisitions made in the previous year and an overall increase in the number of scheme participants.

Cash flow and net debt
The Group's cash flow statement is summarised below:

	2022 £m	2021 £m
Operating cash flows before movement in net working capital	**113.6**	111.4
Add back non-underlying cash items	**9.6**	6.9
Underlying operating cash flows before movement in net working capital	**123.2**	118.3
Movement in net working capital	**(19.7)**	(27.0)
Capital expenditure net of proceeds from sale	**(40.9)**	(34.1)
Underlying cash generated from operations after net capital expenditure	**62.6**	57.2
Income tax paid	**(7.0)**	(9.5)
Interest paid	**(3.7)**	(2.9)
Non-underlying cash items	**(9.6)**	(6.9)
Settlement of deferred and contingent consideration	**(0.5)**	–
Acquisition of businesses	**(2.6)**	(236.4)
Issue of Euro-Commercial Paper	**–**	–
Buyback of Euro-Commercial Paper	**–**	–
Net proceeds from issue of share capital	**–**	93.5
Debt issue costs	**(3.1)**	–
Dividends paid	**(30.5)**	(21.7)
Proceeds from exercise of share options net of purchase of own shares	**0.4**	2.1
Other	**(4.0)**	(5.7)
Movement in net debt – excluding IFRS 16	**2.0**	(130.3)
Movement in IFRS 16	**(2.5)**	(7.7)
Movement in net debt – including IFRS 16	**(0.5)**	(138.0)

Chief Financial Officer's Report continued

Delivery of good cash generation remains core to the Group's strategy. Underlying cash generated from operations after net capital expenditure at £62.6m (2021: £57.2m) represents a conversion rate of 63.7% (2021: 60.0%). The Group remains committed to achieving a conversion rate of 90.0% over the medium term.

Working capital movement in the year was driven by a rebuilding of inventory to improve customer service performance following the recovery in demand after the pandemic, as well as the effects of cost inflation.

Net capital expenditure investment increased to £40.9m (2021: £34.1m) as the Group continued to focus on investing in key, strategic and innovative projects. In 2023, we anticipate that capital expenditure will be approximately £40.0m.

Net debt of £166.2m comprised:

	2022 £m	2021 £m	Change %
Bank loans	**(195.9)**	(198.0)	2.1
Cash and cash equivalents	**50.0**	52.3	(2.3)
Net debt (excluding unamortised debt issue costs)	**(145.9)**	(145.7)	(0.2)
Unamortised debt issue costs	**2.8**	0.6	2.2
IFRS 16	**(23.1)**	(20.6)	(2.5)
Net debt	**(166.2)**	(165.7)	(0.5)
Net debt (excluding unamortised debt issue costs): pro forma EBITDA	**1.2**	1.2	–

Financing

The Group has a Sustainability-Linked Loan (SLL) committed through to August 2027 with two further uncommitted annual renewals through to August 2029 following a refinancing with the existing bank syndicate during the year. The facility limit is £350.0m with an uncommitted 'accordion' facility of up to £50.0m on top. At 31 December 2022, £170.9m of the RCF was drawn down. Additionally, the Group entered a fixed rate £25.0m seven-year private placement loan note until August 2029 with an uncommitted shelf facility of an additional £125.0m.

The Group is subject to two financial covenants. At 31 December 2022, there was significant headroom and facility interest cover and net debt to EBITDA covenants were comfortably achieved:

Covenant

	Covenant requirement	Position at 31 December 2022
Interest cover	>4.0:1	16.0:1
Leverage	<3.0:1	1.2:1

Going concern

The Group continues to meet its day-to-day working capital and other funding requirements through a combination of long-term funding and cash deposits. The Group's bank financing facilities consist of a £350.0m Sustainability-Linked Loan with an uncommitted 'accordion' facility of £50.0m and a seven-year private placement loan note of £25.0m with an uncommitted £125.0m shelf facility. At 31 December 2022, liquidity headroom (cash and undrawn committed banking facilities) was £229.1m (2021: £154.3m). Our focus will continue to be on deleveraging, and our net debt to EBITDA ratio stood at 1.2x pro forma EBITDA at 31 December 2022 (2021: 1.2x), increasing to 1.4x (2021: 1.4x) pro forma EBITDA including the effects of IFRS 16. This headroom means the Group is well-positioned with a strong balance sheet.

As a result, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for a period of at least the next 21 months. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Forward-looking Statements

This report contains various forward-looking statements that reflect management's current views with respect to future events and financial and operational performance. These forward-looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond the Group's control, and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. All statements (including forward-looking statements) contained herein are made and reflect knowledge and information available as of the date of preparation of this report and the Group disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this report should be construed as a profit forecast.

Paul James
Chief Financial Officer
14 March 2023

Principal Risks and Uncertainties

Risk Management

Framework for managing risk

The Board has overall responsibility for ensuring that the Group maintains an effective risk management system, enabling it to deliver its strategic objectives. It determines the Group's culture and approach to risk management and is responsible for maintaining appropriate processes and controls. The Board reviews and approves the risk appetite and determines the policies and procedures to mitigate exposure to risk. The Board is central to the Group's risk review process, including the scenario planning and detailed stress testing associated with the Group's Viability Statement. The Board is assisted in this role and with its responsibilities by the Risk Committee, a formal sub-committee of the Board.

Process

The Board continually assesses and monitors the Group's key risks, and the Group has developed a risk management framework to identify, report, and manage its principal risks and uncertainties, and emerging risks. This process includes the recording of all principal risks and uncertainties on a Group Risk Register. Emerging risks are those that could significantly impact our industry and/or our Group. These emerging risks are evolving and often new, and thus, their full potential impact is still uncertain. The Risk Committee regularly reviews these emerging risks and, where deemed appropriate, they are added to the Group's Risk Register.

Principal and emerging risks are analysed, allocated owners, scored for both impact and probability to determine the exposure for the Group, prioritised, assessed for what mitigation is required, and updated at least every six months.

External risks include macroeconomic conditions, climate change, Government action, policies and regulations, raw material supply and pricing, and information systems disruption. Internal risks include reliance on key customers, and recruitment and retention of key personnel. The Board seeks to mitigate the Group's exposure to both external and internal risks. The effectiveness of key mitigating controls is continually monitored and subject to rotational testing by the Group's internal auditors.

Top down
Identifying, assessing and mitigating risk at Group level

Bottom up
Identifying, assessing and mitigating risk at business operational level

The Board
The Board continually assesses and monitors the Group's key risks, and the Group has developed a risk management framework to identify, report, and manage its principal risks and uncertainties; and emerging risks.

This includes:

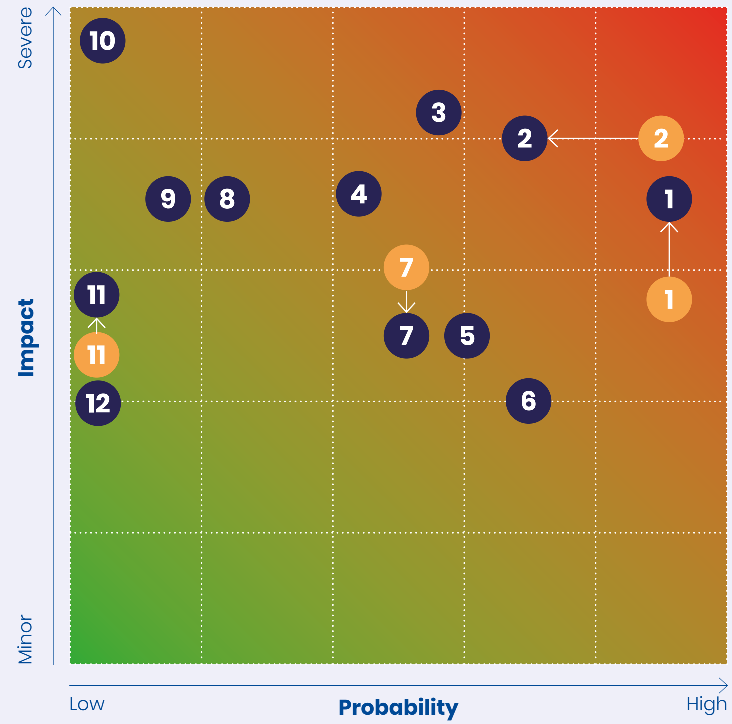
- The recording of all principal risks and uncertainties on a Group Risk Register, and an emerging risks register, which are updated at least every six months
- Analysing risks and allocating owners
- Scoring risks for impact and probability to determine the exposure for the Group
- Outlining which risks should be prioritised and what mitigation is required

Internal audit
The effectiveness of key mitigating controls is continually monitored and subject to rotational testing by the Group's internal auditors.

Operational level
The risk management processes are embedded into the different operational areas within the Group.

The following heatmap sets out the impact and probability scores for our principal risks and further detail of these risks, and emerging risks, is set out in the tables below. The analysis is not intended to be a comprehensive list of all risks actively managed by the Group.

1. Macroeconomic and political conditions
2. Raw materials supply and pricing
3. Business disruption
4. Reliance on key customers
5. Climate change
6. Recruitment and retention of key personnel
7. Failure of information systems or cyber breach
8. Health, Safety and Environmental
9. Breach of legislation including Data Protection, Competition Law, the Bribery Act and Sanctions Compliance
10. Product failures
11. Liquidity and funding
12. Acquisitions do not perform as expected



The heat map highlights the principal risks and uncertainties that could have a material impact on the Group's performance and prospects, net of our mitigating activities which are aimed at reducing the impact or likelihood of a major risk materialising. These risks have all been considered by the Board when developing the Group's Viability Statement. The Board does recognise, however, that it will not always be possible to eliminate these risks entirely. In addition, the principal and emerging risks listed below do not comprise all of the risks that the Group may face.

Risk appetite

The Board determines the appropriate level of risk for operating the Group and delivering its strategic objectives. A key focus of the Board is minimising exposure to operational; financial; regulatory and compliance; health, safety and the environment; and people risks.

Principal Risks and Uncertainties continued

Increased | Decreased | No change

RISK	POTENTIAL IMPACT	MITIGATIONS	CHANGE IN POTENTIAL IMPACT AND/OR PROBABILITY
1. Macroeconomic and political conditions			
The Group is dependent on the level of activity in its end markets, especially the construction industry, and is therefore susceptible to any changes in its cyclical economic conditions, Government policy, interest rates, any political and economic uncertainty and impacts of the Russian invasion of Ukraine. Over the longer term, supply chain issues could be caused by physical or transition risks of climate change.	The UK is currently experiencing a "cost of living crisis" with inflation and interest rates at levels not seen for several decades. These current economic conditions could have an impact on broader economic sentiment and ultimately demand for our products. In addition, governments could move away from Green deal commitments to regulate and support energy efficient solutions, in the short-term. Lower levels of activity within our end markets, especially the construction industry, could reduce sales and production volumes, thereby adversely affecting the Group's financial results.	– The Group benefits from the diversity of its businesses and end markets; and the proactive development of its brands, products and services. – The Group continues to target those end markets where profitable growth prospects are greatest. – The Group closely monitors trends and lead indicators, invests in market research and is an active member of the Construction Products Association. – The Group actively manages its demand forecasts and costs through regular operational review meetings. – The Group undertakes scenario planning to support business resilience. – Our response to climate change risks and opportunities is described in our TCFD disclosure on pages 26 to 35, including Carbon taxes on page 31.	Increased
2. Raw materials supply and pricing			
The Group is exposed to security of supply risks in respect of raw materials, components and haulage, including associated cost volatility, due to (amongst other matters) the consequence of economic uncertainty, the Russian invasion of Ukraine, supply interruptions in China (potentially due to Covid-19), the relationship between the UK and the EU post Brexit, fluctuations in the market price of crude oil and other petroleum feedstocks, foreign currency exchange rate movements, and changes to suppliers' capacity. The increased friction and potential for a trade war or other geopolitical disputes, including between the US and China, could destabilise supply chain activity. Over the longer term, supply chain issues could be caused by physical or transition risks of climate change.	Supply chain disruption could lead to inefficient production and/or distribution which could adversely affect the Group's financial results. Supply chain constraints could reduce sales and organic growth, and increased costs could reduce margins. Our product development efforts may be redirected to find alternative materials and/or components.	– During the year, the Group has appointed a Group Procurement Director, undertaken a strategic review of its procurement activities (assisted by PwC LLP), and generally upweighted its procurement and supplier relationship management capabilities. – The Group benefits from the diversity of its businesses and end markets. – The Group utilises sales pricing and purchasing policies, such as dual sourcing, to mitigate these risks. – The Group focuses on supplier relationships, flexible contracts and the use of hedging instruments to mitigate supply and cost risks. – The Group owns and manages a significant proportion of its required haulage capacity. – Significant contracts are reviewed by Group Legal to avoid unfavourable and/or inflexible terms. – Our response to climate change risks and opportunities is described in our TCFD disclosure on pages 26 to 35, including Supply chain disruption on page 30 and Increased raw material costs on page 31.	Decreased

Principal Risks and Uncertainties continued

RISK	POTENTIAL IMPACT	MITIGATIONS	CHANGE IN POTENTIAL IMPACT AND/OR PROBABILITY
3. Business disruption			
The Group's manufacturing and distribution operations could be subjected to disruption due to incidents including, but not limited to, fire, failure of equipment, power outages, workforce strikes, pandemics, or unexpected or prolonged periods of severe weather. Over the longer term, business disruption issues could be caused by physical or transition risks of climate change.	Such incidents could result in the temporary cessation in activity, or disruption, at one of the Group's production facilities impeding the ability to deliver its products to its customers, thereby adversely affecting the Group's financial results.	– The Group has established business continuity, crisis response, and disaster recovery plans. – The Group performs regular maintenance to minimise the risk of equipment failure. – Finished goods holdings across the operations act as a limited buffer in the event of an operational failure. – The Group continually invests in the maintenance and upgrade of IT infrastructure and information systems which, amongst other matters, facilitates remote working. – The Group maintains sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. – The Group maintains appropriate insurance to cover business interruption and damage to property from such incidents. – Independent insurer inspections take place across all sites to identify and assess potential hazards and business interruption risks. – Our response to climate change risks and opportunities is described in our TCFD disclosure on pages 26 to 35, including Supply chain disruption on page 30 and Business interruption and damage to assets on page 31.	–
4. Reliance on key customers			
Some of the Group's businesses are dependent on key customers in highly competitive markets. We may fail to adequately manage relationships with these key customers.	Any deterioration in our relationship with a key customer could lead to a loss of business thereby adversely affecting the Group's financial results.	– The Group's strategic objective is to broaden its customer base wherever possible. – The Group focuses on delivering exceptional customer service, which is constantly monitored, and maintains strong relationships with major customers through direct engagement at all levels. – The Group continually seeks to innovate and develop its brands, products and services to better meet the needs of its customers. – The Group actively manages its customer pricing, rebates and credit terms to ensure that they remain both competitive and commercial. These are negotiated and approved by senior management, and governance procedures are in place to ensure that these are reviewed by Group Legal, where required.	–

Principal Risks and Uncertainties continued

Increased | Decreased | No change

RISK	POTENTIAL IMPACT	MITIGATIONS	CHANGE IN POTENTIAL IMPACT AND/OR PROBABILITY
5. Climate change			
The increase in frequency, intensity and impact of weather events such as flooding, drought and coastal erosion. The longer-term implications of climate change give rise to the transition risk to address the challenges expediently.	Adverse weather events could damage, disrupt or lead to temporary closure of the Group's production and/or office facilities. Prolonged periods of severe weather could result in a slowdown in site construction activity thus reducing demand for the Group's products. Growing stakeholder focus on corporate action to meet emissions reduction targets may result in increased reputational risk and reduced customer and/or employee loyalty, investor divestment and impacts to customer activity levels. All of the above potential impacts could adversely affect the Group's financial results.	– Climate change risk analysis has been developed and associated actions are being undertaken where relevant. – A clearly defined sustainability framework has been developed. A series of measures, action plans, metrics and targets (described in our TCFD disclosure on page 35) were adopted to accelerate the Group's progress. – Embedding its sustainability agenda across the workforce is a key focus for the Group in achieving its objectives. The Group's products and services portfolio is focused on addressing the causes and results of climate change including resilient drainage, climate management solutions for cleaner air, green urbanisation and low/zero carbon heating. – In the event of flooding in the short-term, production of certain products can be transferred to other sites. In the longer-term, climate change impact is monitored and, where deemed appropriate, flood defence systems will be installed. – Our response to climate change risks and opportunities is described in our TCFD disclosure on pages 26 to 35.	No change
6. Recruitment and retention of key personnel			
The Group is dependent on attracting and retaining people with the right skills, experience and capability as well as the continued wellbeing and mental health of our people.	Loss of any key personnel without adequate and timely replacement, and/or skills shortages, could disrupt business operations, increase salary inflation, and adversely impact the Group's ability to profitably implement and deliver its growth strategy.	– Remuneration benchmarking of all leadership and critical roles has been undertaken leading to improved remuneration packages for critical roles. In addition, a focused salary review has been completed for all factory floor employees. – Monthly tracking of staff turnover and key people indicators is performed. – Learning and development programs have continued to be rolled out across the Group. – The Group has a mental health policy and associated training in place, as well as Employee Assistance and Wellbeing Programs. – During the year, the Group has invested in specialist HR roles including a Group Talent Director and a Group Reward Director; completed detailed talent assessment and succession reviews for all leadership roles; and launched Diversity & Inclusion training across the Group. – The Group has improved employee communication and engagement with the implementation of the Workplace by Meta platform. – The Group has commenced the implementation of a Group-wide human capital management system which will enable performance management, talent management and improve employee engagement survey capability. – A culture program has been launched as part of our new Sustainable Solutions for Growth strategy.	No change

Principal Risks and Uncertainties continued

RISK	POTENTIAL IMPACT	MITIGATIONS	CHANGE IN POTENTIAL IMPACT AND/OR PROBABILITY
7. Failure of information systems or cyber breach			
The Group is increasingly dependent on the continued efficient operation of its information systems and is therefore vulnerable to potential failures due to power losses, telecommunication failures, or from a security breach including the increasing levels and evolving tactics of sophisticated cyber criminals targeting businesses.	Disruption or failure of the information systems could affect the Group's ability to conduct its ongoing operations and/or result in data loss, which could adversely affect the Group's financial results, reputation and compliance with data protection regulators.	– Best-in-class firewalls are in place to protect the perimeter of the Group's networks and any off-site access to the Group's servers and applications is through secure Virtual Private Network connections. – Advanced email and internet traffic filtering intelligence is in place to protect against potential viruses or malware entering the Group's networks. User and server computing devices have anti-virus software installed to protect from potential infection, together with an out-sourced managed virus detection and response service. – The Group undertakes cyber security risk audits and penetration testing performed by internal and external specialists, including the expedient introduction of mitigation controls and other recommended procedure updates. – The Group contracts with several third-party providers to supply off-site and/or cloud-based, business continuity arrangements for wholesale or partial recovery of the key servers and applications which are used within the various Group businesses. These continuity arrangements are subject to validation and testing. – The Group continually invests in the maintenance and upgrade of IT infrastructure and information systems. All upgrades are carefully planned and actively managed by senior personnel to minimise potential business disruption. – Employees are subject to continuous awareness training, including that of cyber risk which was further enhanced during the year. – During the year, the Group has also appointed an in-house Information Security Manager to support the information security strategy and deployment of new protective technologies, new processes and general risk management.	↓

Principal Risks and Uncertainties continued

Increased · Decreased · No change

RISK	POTENTIAL IMPACT	MITIGATIONS	CHANGE IN POTENTIAL IMPACT AND/OR PROBABILITY
8. Health, Safety and Environmental			
The Group is subject to the requirements of UK and European environmental and occupational safety and health laws and regulations, including obligations to take the correct measures to prevent fatalities or serious injury, and investigate and clean up environmental contamination on or from properties.	Lack of management focus, poor cultural attitude or failure of the Group to comply with health, safety and environmental regulations and other obligations relating to environmental matters could result in the Group being liable for fines, suffering reputational damage, requiring modification to operations, increasing manufacturing and delivery costs, and could result in the suspension or termination of necessary operational permits, thereby adversely affecting the Group's operations and financial results.	– The Group has a formal Health, Safety and Environmental policy, and procedures are in place to monitor compliance with the policy. – There is a Group Health, Safety and Environmental Director (with a team throughout the Group) with clear accountability for health, safety and environment ('HSE'). HSE performance is regularly tracked, reported and reviewed by all levels of management including the Board. – The Group performs internal HSE audits and is subject to external HSE audits. – Investigations are performed to identify cause and key learnings. If employees have failed to adhere to HSE policies, then they may be subject to disciplinary action. Key messages are constantly reinforced throughout the Group.	No change
9. Breach of legislation including Data Protection, Competition Law, the Bribery Act and Sanctions Compliance			
Failure to comply with elements of a significantly increased and still evolving governance, legislative and regulatory business environment including, but not limited to, Data Protection Regulation, Competition Law, the Bribery Act and Sanctions Compliance.	Significant increases in the penalty regime across all areas of business could lead to significant fines and financial penalties in the event of a breach, alongside damage to the Group's reputation and potential current and future business.	– The Group's in-house legal department and other specialist functions, supported by specialist external advisers, are responsible for monitoring changes to laws and regulations that affect the Group and ongoing monitoring and training. – Specific policies are in place in respect of Data Protection, Competition Law, a Code of Ethics (including the Bribery Act) and Sanctions Compliance. – Regular declarations of compliance are undertaken in respect of Data Protection, Competition Law, the Bribery Act and Sanctions Compliance. – All business in higher risk countries requires approval by Group Legal. A third-party register is used to screen companies and/or individuals located in, or linked to, sanctioned countries. – Training is provided to all relevant new employees on Competition Law, including those changing roles. The Data Protection policy and associated training was also further enhanced during the year. – The independent third-party Safecall helpline is available to employees. – During the year, the Group implemented a data security solution thus giving it the ability to automatically discover, classify and label sensitive data; and where necessary remediate potential data exposure and misconfigurations instantly.	No change

Principal Risks and Uncertainties continued

RISK	POTENTIAL IMPACT	MITIGATIONS	CHANGE IN POTENTIAL IMPACT AND/OR PROBABILITY
10. Product failures			
The Group manufactures products that are potentially vital to the safe operation of its customers' products or processes. These products are often incorporated into the fabric of a building or dwelling or buried in the ground as part of an infrastructure system and in each case, it would be difficult to access, repair, recall or replace such products.	A product failure or recall could result in a liability claim for personal injury or other damage leading to substantial financial settlements, damage to the Group's brands, costs and expenses and diversion of key management's attention from the operation of the Group, which could all adversely affect the Group's financial results.	– The Group operates comprehensive quality assurance systems and procedures at each site. – Wherever required, the Group obtains certifications over its products to the relevant national and European standards including Kitemarks, BBAs, WRCs and WRASs. – The Group maintains product liability insurance to cover third-party claims arising from potential product failures or recalls.	–
11. Liquidity and funding			
The risk that the Group will not be able to meet its short-term liquidity and long-term funding financial obligations as they fall due.	Insufficient cash deposits and/or finance facilities could result in the Group not being able to fund its operations.	– The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. – This is achieved through suitable committed and uncommitted banking facilities with significant headroom, regular communication with the Group's investors and relationship banks (including visits to the Group's businesses), regular review of its banking covenants and capital structure, ensuring its future cash flow is sustainable through detailed budgeting processes and reviews, robust forecasting and budgeting processes, and ensuring that credit risk arising from cash deposits with banks is mitigated by investments of surplus funds only being made with banks that have, as a minimum, a single A-credit rating. – During the year, the Group renewed its banking facilities and entered into a Sustainability-Linked Loan thus increasing the amount and duration of the Group's available liquidity.	↑
12. Acquisitions do not perform as expected			
The management of acquisitions activity and their integration play a part in delivering the Group's growth strategy and there is a risk that any acquisition may not perform as expected.	Ineffective management of acquisitions could lead to management distraction, a drain on financial resources, and impact on the Group's ability to successfully implement and deliver its growth strategy.	– Formal Board level approvals are required in accordance with the Group's delegation of authority matrix for any acquisition activity. – Full due diligence is performed before any acquisition is made. – The Group seeks contractual assurances from the sellers to mitigate against any identified issues or risks. – Where appropriate, the Group will pay deferred consideration linked to the ongoing performance of the acquisition. – The progress of any integration is closely monitored at Board and senior management team level.	–

Emerging risks

Recycling	As more manufacturers seek to use recycled material and demand for it more generally increases, existing supply may become constrained. The Group will: – diversify suppliers whilst maintaining good quality of supply, – continue to monitor price and market behaviour, along with recycling performance, to identify trends early, and – consider the strategic acquisition of recyclers.
Counterfeiting	Copycat and/or counterfeit products could erode the Group's market share and/or product reputation. The Group will: – continue to carefully manage its trademarks, patents and licences over its products and challenge any infringements, and – enhance existing products with added benefits and patent protection whilst developing a new range of products.
Regulatory	The regulatory environment for construction products is expected to change significantly following the passing of the Building Safety Act and the establishing of a National Regulator for Construction Products. The Group will: – continue to monitor forthcoming regulatory changes via membership of appropriate industry bodies and liaison with the Department for Levelling Up, Housing and Communities, – respond to any regulatory changes in a timely manner to ensure compliance, and – develop, enhance and implement internal systems to demonstrate regulatory compliance.
Supply chain	The Group may be affected by changes in regulatory requirements which could potentially have an adverse impact on its supply chain. The Group will: – consider and develop alternative sources of recycled PVC, and – consider and develop alternative material to recycled PVC.

Joe Vorih
Chief Executive Officer
14 March 2023

Governance at a glance

Our Board

The Board has eight directors comprising the Chair, three Executive Directors and four independent Non-Executive Directors.

Biographies of the Directors are available on pages 68 to 69 and on our website, www.genuitgroup.com.

Independent Non-Executive Chair	Executive Directors	Independent Non-Executive Directors (NEDs)	Company Secretary
– Kevin Boyd	– Joe Vorih (CEO) – Paul James (CFO) – Matt Pullen (COO)	– Mark Hammond – Lisa Scenna – Louise Brooke-Smith – Shatish Dasani	– Emma Versluys

Board governance framework

Good governance provides the structure to enable the Board, acting collectively, to fulfil its responsibility to promote the success of Genuit Group plc and create long-term value for shareholders.

Genuit Group plc Board

Nomination Committee	Risk Committee	Audit Committee	Remuneration Committee
Pages 81 to 85	Pages 86 to 89	Pages 90 to 95	Pages 101 to 126

Decision-making

The Board has made some significant decisions this year, including approving the Group's refreshed strategy, which reflects the way in which the Group has evolved from its heritage in plastic pipes to become a leading player in sustainable water and climate management solutions.

Engagement and consideration of all material stakeholders as part of this refresh was a key consideration for the Board and senior management.

Read more about other key decisions and engagement with stakeholders in our Stakeholder Engagement section on pages 42 to 45.

Board appointments

Joe Vorih was appointed Chief Executive Officer in February 2022.

Lisa Scenna was appointed Remuneration Committee Chair in September 2022, and Senior Independent Director in March 2023.

Kevin Boyd was appointed as Chair of the Board in November 2022.

Shatish Dasani was appointed as Non-Executive Director and Audit Committee Chair in March 2023.

Further information on changes to the Board can be found in the Nomination Committee Report on pages 81 to 85.

Diversity and inclusion

A Board education and insight session took place in August 2022, facilitated by an external expert which led to individual commitments and agreement to a diversity and inclusion ambition, strategy and three-year delivery plan.

Employee engagement

The Board prioritised increasing the level of direct employee engagement, and our dedicated employee engagement NED hosted employee feedback sessions across four of our UK sites. Read more on page 76 of our Governance Report.

Climate change

The impact of climate change, its related risks and opportunities and relevant mitigating actions was a key consideration for the Board. Read more in our TCFD Report on pages 26 to 35, and our Risk Committee Report on page 89.

Culture

Foundations were laid during 2022 to develop an established cultural framework in 2023, to progress the Group's employee value proposition and support our strategic plans for growth.

Chair's introduction to Governance

Kevin Boyd, Independent Non-Executive Chair

Enabling long-term value

Good governance provides the infrastructure to improve the quality of the Board's decisions and enables the more effective creation of long-term value.

I am pleased to present my first Governance Report as Chair of the Company for the year ended 31 December 2022, following my appointment as Chair on 1 November 2022.

This Governance Report, as well as the reports of the Audit, Nomination, Risk and Remuneration Committees give further insight into the Board's activities during the year, which will enable all stakeholders to determine the Company's compliance with the UK Corporate Governance Code (the Code). This Report, as well as the Directors' Remuneration Report, set out in greater detail how the principles and provisions of the Code have been applied during the year and how the Board and its Committees have fulfilled their responsibilities to ensure high levels of governance are in place across the Group. Engaging with our stakeholders is a priority, and further detail on how we have done this during 2022 can be found on pages 42 to 45.

The Board strongly believes that good governance provides the infrastructure to improve the quality of the Board's decisions and enables the more effective creation of long-term value, and we are therefore committed to maintaining high standards of corporate governance during 2023.

In addition to the appointment of Joe Vorih as Chief Executive Officer in February 2022, the year has seen further changes to the Board, with Louise Hardy stepping down from the Board and as Chair of the Remuneration Committee in September 2022, and Lisa Scenna succeeding Louise as Remuneration Committee Chair as a result. In accordance with the Code, Ron Marsh, Chair since 2014, stepped down as Chair of the Board on 1 November 2022, but remained a member of the Board until 31 December 2022 in order to effect an orderly handover of the Chairmanship. As outlined in the Governance Report on page 70, the Company was non-compliant with Provision 24 of the Corporate Governance Code with effect from 1 November 2022 as a result of the Chair also serving as Audit Committee Chair. A clear explanation of the reasons for this has been provided on page 70, and I am pleased to confirm that on 1 March 2023, Shatish Dasani was appointed to the Board as a Non-Executive Director, and appointed as Audit Committee Chair with effect from 7 March 2023. Lisa Scenna was also appointed as Senior Independent Director on 7 March 2023, in anticipation of Mark Hammond's retirement in October 2023. These changes are in line with our succession planning and recruitment policies to ensure a diverse Board with a combination of skills and experience, and I believe that we have a strong and multi-skilled Board in place with the necessary motivation and an appropriate balance of experience.

Chair's introduction to Governance continued

Section 172 Statement

In accordance with the 2018 UK Corporate Governance Code and the Companies Act 2006, the Board, in its decision-making process, considers what is most likely to promote the success of the Company for its shareholders in the long term, as well as considering the interests of the Group's employees and other stakeholders and understanding the importance of taking into account their views. The Board also considers, and takes seriously, the Group's impact on the local communities within which it operates, as well as reviewing actions being taken to mitigate any negative impacts our operations have on the environment.

Considering this, the Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole.

The Board's activities and considerations in meeting this requirement are covered in detail in our s172 Statement.

Read more on pages 46 to 48.

Board composition and diversity

The composition, size and diversity of the Board continues to be monitored and during 2022, the Board participated in a diversity and inclusion workshop at its meeting in August, further details of which are set out later in this Report. The Board supports diversity in the widest sense and acknowledges the advantages that come from having diverse viewpoints across the Group's businesses and in the decision-making processes at Board and senior management level. We believe that our Board is well-balanced and diverse, with the right mix of skills, experience, independence and knowledge to allow it to discharge its duties and responsibilities effectively and to lead the Group during the next phase of its strategic development.

I am pleased to report that as at the date of this Report, the Company has 25% female representation on its Board, 33% female representation on its Executive Committee, and 42% female representation at senior level (compared with 26% in 2021), being the Executive Committee and its direct reports. We are proud of the changes we continue to make to create a more diverse and inclusive environment and are committed to maintaining this diverse approach at all levels of recruitment. Following Shatish's appointment as a Non-Executive Director, and Lisa's appointment as Senior Independent Director, as at the date of this Report we are compliant with two of the Listing Rule recommendations.

The Board welcomes the changes to the Listing Rules in respect of diversity reporting and, in line with these recommendations, will include a full disclosure in the 2023 Annual Report and Accounts.

Our Nomination Committee is continuing to further develop its succession plans for the Board and senior management with support from the Executive Committee and the Chief People Officer. You can read more about the work of our Nomination Committee on pages 81 to 85.

Board evaluation

During the 2022 financial year we undertook an external evaluation of the Board and its Committees, in accordance with the requirements of the Code. The results of this evaluation were discussed by the Board at its meeting in March 2023. The evaluation comprised a detailed questionnaire and one-to-one interviews, covering a range of areas, including Board composition and strengths, roles and responsibilities, vision, goals and focus of the Board, structure and functionality, personal effectiveness and collective effectiveness and ability to resolve conflicts. The results of the evaluation concluded that whilst there were areas where improvements could be made, overall, the Board and its Committees continued to operate efficiently and effectively. Further detail on the results of the evaluation is set out on page 79 of this Governance Report.

Culture and purpose

Our colleagues across all our businesses are focused on 'Helping Construction Build Better' as we bring collaborative and problem-solving mindsets to the challenges faced by our customers in improving the built environment.

Sustainability is at the heart of how we run our businesses, and we want to ensure we have the most talented, empowered and diverse teams focusing on our key objectives around growth, innovation and addressing the challenges facing construction.

The Board continues to prioritise setting the culture from the top, aligning our purpose, behaviours, and strategy to the culture of the Group. The Board recognises its responsibility for shaping, monitoring and overseeing culture, and recognises that effective management of this is necessary to enable the delivery of long-term success for all stakeholders.

The strategy refresh during the year, as well as the changes to our organisational structure, continue to support our culture and our desire to embed the right behaviours across the Group. We remain of the view that decision-making by those people who are closest to their respective customers and who are experts in their fields is key to continuing to respond to our customers' needs. As a result, the Board understands the importance of promoting a culture whereby employees understand the common Group purpose and strategy, but also feel empowered to act. We therefore need to ensure that our governance structures create sufficient challenge and debate so we can be confident we continue to make good decisions for the long-term success of the Group. You can read more about the culture of the Group and some examples of the way in which the Board encourages and engages within this Governance Report on page 76.

Chair's introduction to Governance continued

Employee engagement

Following the challenges of the Covid-19 pandemic during 2020 and 2021, the Board was keen to increase and improve direct engagement with employees in 2022 and seek further opportunities to hear employees' views and consider those views in its decision-making. You can read more about the employee engagement programme during 2022 and some of the actions taken on page 76 of this Governance Report.

In addition to employee engagement more generally, there was also regular interaction during the year between the Board and members of the senior management teams across the Group through site visits, presentations, Board and Committee meetings and the annual strategy day.

Looking at 2023 and beyond

During 2023, we will continue to address the challenges caused by climate change and urbanisation by developing and producing sustainable solutions, focusing on our sustainability framework and its growth drivers, trends and opportunities. We will continue to foster a culture across our businesses that result in the right decisions and actions to promote the success of the Group for the long-term, and for the benefit of our members as a whole; whilst holding ourselves accountable against our sustainability targets and raising the bar for sustainability to promote the generation of smarter and more sustainable policies and practices across our industry. Working together, we will make the built environment more sustainable for generations to come, whilst maintaining a robust governance structure which continues to address and understand the needs of all our stakeholders.

As always, we welcome questions or comments from shareholders either via our website or in person at the Annual General Meeting (AGM) scheduled to be held at Genuit Group's offices in Leeds at 4 Victoria Place, Holbeck, LS11 5AE on 18 May 2023.

Kevin Boyd
Independent Non-Executive Chair
14 March 2023

Directors and Officers

Committees
In addition to the Genuit Group plc Board, there are four Committees:

Audit Committee	A	Risk Committee	RI
Nomination Committee	N	Chair of Committee	
Remuneration Committee	R		

N A R

Kevin Boyd
Chair

Appointed: 22 September 2020

Experience: Kevin Boyd has extensive listed plc experience in the engineering and manufacturing sectors, bringing a strong combination of financial, strategic and multi-organisational expertise to the Board. He was previously the Chief Financial Officer of global engineering group Spirax-Sarco Engineering plc and prior to that Chief Financial Officer of Oxford Instruments plc and Radstone Technology plc. Kevin has a BEng from Queens's University Belfast, is a Chartered Engineer, a Chartered Accountant and a Fellow of the Institute of Chartered Accountants in England and Wales and the Institution of Engineering and Technology. Kevin was appointed Chair of the Board on 1 November 2022.

External appointments: Non-Executive Director and the Audit Committee Chair of EMIS Group plc and a Non-Executive Director of Bodycote plc.

RI

Joe Vorih
Chief Executive Officer

Appointed: 28 February 2022

Experience: Joe joined Genuit from Spectris plc, a FTSE 250 company, where he was president of HBK, a standalone division and key platform business within the Group from January 2019, having joined Spectris in 2016. Prior to that, he worked for Clarcor Corporation, a NYSE listed business delivering filtration solutions and Danaher Corporation, also a US listed global business in industrial, test and medical equipment. He has a Bachelor of Science and a Master of Science in Mechanical Engineering from the Massachusetts Institute of Technology.

External appointments: Director of Muth Mirror Systems, LLC. and Rocky Neck Partners, LLC.

RI

Paul James
Chief Financial Officer

Appointed: 5 March 2018

Experience: Before joining Genuit, Paul served as Group Financial Controller of Dixons Carphone plc, and prior to this role held the position of Group Financial Controller and Treasury Director of Inchcape plc and senior financial positions at British American Tobacco plc in the United Kingdom, the Netherlands and Russia. He is a Fellow of the Institute of Chartered Accountants in England and Wales and has a Bachelor of Science in Civil Engineering and an MBA from Edinburgh University.

External appointments: None.

RI

Matt Pullen
Chief Operating Officer

Appointed: 1 November 2021

Experience: Before joining the Group, Matt was Managing Director of British Gypsum, a part of the Saint-Gobain Group, based in the UK. Prior to that, he worked for AkzoNobel for eight years undertaking various commercial and leadership roles of increasing seniority in the UK, Ireland and Northern Europe with his last role as Managing Director, UK & Ireland. Prior to that Matt held various operational roles within the FMCG sector.

External appointments: Trustee of the Construction Industry charity CRASH and an Industrial Cadets Ambassador.

R N A

Lisa Scenna
Senior Independent Director

Appointed: 24 September 2019

Experience: Lisa Scenna has over 20 years' business experience working at executive director level in large private and publicly listed multinational corporations with a strong background in strategic and financial business change, with her most recent executive role being with the Morgan Sindall Group as Managing Director of MS Investments. Prior to this, she held executive roles with Laing O'Rourke, Stockland Group and Westfield Group in Australia. Lisa has a Bachelor of Commerce from the University of NSW, and is a member of the Australian Institute of Company Directors and the Institute of Chartered Accountants in Australia. Lisa was appointed as Senior Independent Director on 7 March 2023.

External appointments: Non-Executive Director of Cromwell Property Group, an Australian listed company and Non-Executive Director of Harworth Group plc.

Directors and Officers continued

N A R

Mark Hammond
Non-Executive Director

Appointed: 16 April 2014

Experience: Mark Hammond's executive career spanned over 25 years in banking and private equity, most recently as Deputy Managing Partner of Caird Capital LLP at the time it led the IPO of Genuit in 2014. He has been a member of the Institute of Chartered Accountants of Scotland since 1991 and was previously a Director of David Lloyd Leisure Limited and Tuffnell Parcels Express.

External appointments: Chair of DX (Group) plc, Chair of Governors of Beechwood Park School and a Director of Chaffin Holdings Limited.

A N R

Shatish Dasani
Non-Executive Director

Appointed: 1 March 2023

Experience: Shatish Dasani is an experienced former FTSE Chief Financial Officer and current Audit Committee Chair of UK publicly listed companies, with a career in financial roles spanning over 30 years. He was previously Chief Financial Officer of TT Electronics plc, a global manufacturer of electronic components and Forterra plc, a manufacturer of building products for the UK construction industry. Shatish was previously Non-Executive Director of Camelot Group plc and Network Rail, and his historic and current experience within the construction industry, manufacturing, and engineering sectors as well as experience in the financial sector brings further invaluable knowledge, experience and skills to the Board.

External appointments: Senior Independent Director and Chair of the Audit & Risk Committee of Renew Holdings plc, and Non-Executive Director and Audit & Risk Committee Chair of SIG plc and Speedy Hire plc. He is also a Trustee and Board Chair at UNICEF UK, the children's charity.

N A R

Louise Brooke-Smith
Non-Executive Director

Appointed: 24 September 2019

Experience: Louise Brooke-Smith has extensive expertise in the property, construction and infrastructure industries, being an experienced property and planning adviser, past Global President of the Royal Institution of Chartered Surveyors and member of the Royal Town Planning Institute. She was formerly a partner at Arcadis LLP. Louise holds a Bachelor of Science from Sheffield Hallam University and an honorary doctorate, and is a Freeman of the City of London. Louise is our nominated employee engagement NED.

External appointments: Development and Strategic Planning Adviser for Consilio Strategic Consultancy Limited, Governing Board member of Birmingham City University, Chair of the Board of All We Can (International Relief & Development Agency), a regional Board member of the CBI, and a Board Trustee of The Land Trust and a Trustee of Birmingham Museum & Art Gallery.

RI

Emma Versluys
Group Legal Counsel and Company Secretary

Appointed: 28 June 2017

Experience: Emma Versluys is our Group Legal Counsel and Company Secretary and is Secretary to the Board and three of its Committees. Before joining Genuit, Emma was Deputy Company Secretary at Provident Financial plc, and has also held company secretarial roles at Serco plc and Alliance UniChem plc. She is an Associate of The Chartered Governance Institute and is also a solicitor. Emma is a member of the Executive Committee and the Risk Committee.

Executive Committee members

RI

Clare Taylor
Clare is our Chief People Officer. She is a member of the Executive Committee and the Risk Committee.

RI

Martin Gisbourne
Martin is our Group Strategy and Marketing Director. He is a member of the Executive Committee and the Risk Committee.

Corporate Governance Statement

Kevin Boyd
Chair of the Board

This statement outlines the processes the Company has followed throughout the year to comply with the UK Corporate Governance Code (the Code) and demonstrates compliance with each provision. Maintaining the highest standards of governance is integral to the successful delivery of our strategy, and the Board is committed to ensuring that these standards are continually met.

This Corporate Governance Report (Report), which is also available on the Company's website, explains key features of the Company's governance structure and aims to provide a greater understanding of how the principles of the Code, published in July 2018 by the Financial Reporting Council (FRC), have been applied and the areas of focus during the year. The Code can be found on the FRC's website at www.frc.org.uk.

The Board believes that good corporate governance is the key to providing confidence to stakeholders in the reliability and future performance of the Company, in the execution of its strategy. The Board deems good governance as essential for the long-term sustainable success of the Company. During the year, the Board kept under review the governance structures of the Group and ensured that any decisions taken in respect of this were done so following adequate consideration and discussions by the Board as a whole. It is a priority of the Board to maintain compliance with the Code at all times. In accordance with the Listing Rules of the Financial Conduct Authority, the Company has been compliant during the year with the Principles and Provisions set out in the Code, with the exception of Provision 24. Kevin Boyd (previously Audit Committee Chair) was appointed as Chair of the Board on 1 November 2022, in anticipation of Ron Marsh's retirement from the Board given his eight-year tenure.

The Board recognised the need to appoint a successor to Kevin as Chair of the Audit Committee following his appointment as Chair of the Board to ensure it complied with Provision 24 of the Code, but it was deemed appropriate and necessary to prioritise a smooth handover between the incumbent and incoming Board Chairs. It was therefore agreed that Kevin would also remain in his post as Audit Committee Chair in the interim whilst a suitable candidate was identified, a process which was expedited by the Nomination Committee during Q3 2022. The Company confirms that it is now compliant with Provision 24, following Shatish Dasani's appointment to the Board as a Non-Executive Director on 1 March 2023, and as Chair of the Audit Committee with effect from 7 March 2023.

The Report also includes items required by the FCA's Disclosure Guidance and Transparency Rules. The Board has ultimate responsibility for the approval of the Annual Report and Accounts. It has considered the content of the Annual Report and Accounts and confirms that, taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy. Further detail on the process followed to make this assessment can be found on page 93. The following table sets out where stakeholders are able to obtain further details within the Annual Report to evaluate how the Company has applied the principles of the Code.

> Good corporate governance is the key to providing confidence to stakeholders in the reliability and future performance of the Company.

Compliance with the UK Corporate Governance Code (the Code)

Leading by example

The Board

The primary role of the Board is to lead and steer the Group in such a way that ensures long-term sustainable success in accordance with its strategic goals and purpose, setting its culture and expected behaviours from the top. It has collective responsibility for this and is accountable to the Company's shareholders, as well as representing the interests of all material stakeholders. It takes the lead in establishing the Company's purpose, values, strategy, financial policy and ensuring that a sound system of internal control and adequate risk management is maintained.

The 2018 FRC Guidance on Board Effectiveness provides that the Board should ensure there is a formal Schedule of Matters reserved for the Board to assist with planning and provide clarity over where responsibility for decision-making lies. The Board may appoint committees as it thinks fit to exercise certain of its powers. Specific areas of delegation are set out in the Terms of Reference for the Committees, as outlined further in this Report, as recommended by the Code. While the Board may make use of committees to assist with its consideration of appointments, succession, audit, risk and remuneration, in accordance with the Code and the FRC Guidance, it retains responsibility for, and endorses, final decisions in all of these areas for the Group. The Schedule of Matters sets out those powers reserved for the Board, in accordance with the Code. These were reviewed during the year to ensure they continue to reflect corporate governance requirements and any updated governance structures in place across the Group. The Schedule of Matters includes, but is not limited to, the matters set out below.

The Board delegates the responsibility for implementing the Group's business model and for the day-to-day operational management of the Group to the Chief Executive Officer (CEO) supported by the Executive Committee comprising the Chief Financial Officer (CFO), the Chief Operating Officer (COO), the Group Strategy and Marketing Director, the Chief People Officer and the Group Legal Counsel and Company Secretary. The Executive Committee is supported by the senior management team. The Board has direct access to the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with and that the Board has full and timely access to relevant information.

The Board may take independent professional advice in the furtherance of its duties, if necessary, at the Company's expense.

1. Strategy and management

- Receive and approve long-term objectives and strategic direction of the Group
- Approve the Group's risk management policies and appetite
- Have oversight of the Group's operations ensuring effective and prudent management, ensuring a sound internal control framework and risk management system is maintained
- Approve the commencement of any major new business activity, including acquisitions or capital projects
- Assess and monitor culture across the Group, ensuring that policy, practices and behaviours are aligned with its purpose, values and strategy
- Take action to identify and manage conflicts of interest and ensure that third party influence does not compromise or override independent judgement

2. Financial reporting

- Approve annual budgets, the dividend policy, annual and half-yearly accounts, accounting policies and monetary limits
- Approve the issue of shares or of securities conferring rights of subscription for or conversion into shares in the Company
- Ensure formal and transparent policies and procedures are in place to ensure the independence and effectiveness of internal and external audit functions

3. Capital structure and borrowings

- Approve the granting of security over any Group asset
- Review any liabilities of materiality, such as credit notes, stock write offs or guarantees
- Review the policy for the financing of the Group

4. Legal, administration and pensions

- Approve the overall levels of insurance for the Group, including Directors and Officers insurance
- Review and approve the commencement or settlement of any major litigation

5. Communications with shareholders

- Responsible for ensuring satisfactory dialogue with shareholders
- Review and approve shareholder communications in respect of circulars and other relevant communications concerning matters decided by the Board

6. Board and corporate governance arrangements

- Review and monitor Group corporate governance arrangements at Board level and senior management level as appropriate
- Approve conflicts of interest where permitted by the Company's Articles of Association
- Oversee the operation of the Company's share option schemes as recommended by the Remuneration Committee

Corporate Governance Report continued

Board and Committees

To ensure it discharges its duties effectively, the Board has delegated other specific responsibilities to its principal committees: the Audit, Nomination, Remuneration and Risk Committees. Each Committee's responsibilities are clearly defined within their own Terms of Reference. These Terms of Reference are reviewed every year and updated as necessary to reflect legislative changes and best practice and to ensure individual and collective Committees' efficiency and effectiveness is maintained. The Terms of Reference for each Committee are available on the Company's website. The Committees carry out their required duties and make recommendations to the Board for approval. Each Committee Chair provides an update to the Board on the key discussions and decisions made at the preceding Committee meeting. This allows the Board to make reasoned decisions, and if required, take appropriate actions.

Each Committee has reported on its contribution to the Board's decision-making during the year, details of which can be found later in this Report. Biographies of the Chairs of each of the Board Committees, as well as all other Directors, are set out on pages 68 and 69.

The Board

Chair

- Provides overall leadership and governance
- Sets the Board agenda
- Promotes a culture of openness, challenge and constructive debate
- Ensures Directors understand the views of major shareholders and stakeholders

Chief Executive Officer

- Executive management of the Group's business
- Develops and implements Group strategy and commercial objectives
- Leads senior management team in effecting decisions of the Board
- Communicates with the Board, shareholders, employees and other stakeholders

Executive Directors

- The CFO implements, manages and controls the Group's financial-related activities, including the development of appropriate financial strategies and the management of investor relations
- The COO is responsible for the effective and efficient management of operations across the Group

Non-Executive Directors

- Scrutinise and constructively challenge the performance of Executive Directors and contribute to setting strategy, succession plans and remuneration strategy
- The Senior Independent Director acts as a sounding board for the Chair, appraises their performance, leads the other NEDs, and is a direct contact for shareholders if necessary

Company Secretary

- Provides advice to the Board on all governance and legal-related matters, as well as advising Directors on their duties
- Assists with all Board and shareholder meetings and related paperwork
- Facilitates induction and training programmes for Directors

Board Committees

Audit Committee

- Overseeing financial reporting
- Internal control systems
- Internal and external audit functions

Nomination Committee

- Reviewing structure, size and composition of the Board and its Committees
- Board succession planning
- Determining the skills and characteristics needed in Board candidates to ensure a diverse skill set
- Considering stakeholder perspectives when deciding on recruitment processes and selection criteria

Remuneration Committee

- Setting remuneration policy for Executive Directors
- Operating the Company's share incentive arrangements
- Senior management remuneration
- Oversight of remuneration-related policies

Risk Committee

- Setting the risk appetite, risk tolerance and risk strategy of the Group
- Reviewing and reporting on risk management, principal risks and uncertainties and emerging risks
- Overseeing and implementing internal risk controls and risk management systems

INFORMING

REPORTING

Group Executive Committee

Responsible for:

- Manage investor relations (investors, analysts, media)
- Report to and manage communication with and escalation to the Board
- Manage corporate governance, compliance and risk

Executive Management Team

Responsible for:

- Develop and execute Group strategy
- Allocate resources and resolve conflicts across the Business Units
- Oversee Group-wide initiatives and synergies, including transparent understanding and agreement on Group functions' roles and remits

Corporate Governance Report continued

Board meetings

In total, there were 11 Board meetings held during the year to discuss and review progress on issues affecting the Group. A number of Committee meetings were also held during the year. Details of attendance at Board and Committee meetings are shown in the table below.

As the table demonstrates, every effort is made to ensure that all Directors, where possible, attend scheduled Board meetings. However, in the event that a Director is unable to attend a meeting, they are nevertheless provided with the meeting papers and information relating to the meeting and are able to discuss the issues arising with the Chair and other Directors. Agendas are drafted in line with the Schedule of Matters reserved for the Board, to ensure it remains compliant with its obligations throughout the year.

Senior management from across the Group as well as external advisers, attend some of the meetings for discussion of specific items in greater depth, and to provide training and updates.

In order to provide the Board with greater visibility of the Group's operations and to provide further opportunities to meet senior management, the Board will usually visit the Group's numerous businesses on a rolling basis each year. These visits allow the Board to engage directly with employees, as a supplement to the structured employee engagement forums that take place with the dedicated Non-Executive Director (further detail on the formal employee engagement forums can be found later in this Report on page 76). It allows the Board members to have direct insight into the daily operations across the Group at site level. Board dinners are held ahead of the scheduled meetings where possible, to provide a more relaxed forum for the Board members to have additional discussions amongst themselves, as well as with the senior management team from that location. This enables the Board to partake in informal discussions outside of the Board meeting itself, which in turn enables a greater understanding of the culture across the Group. The Board visited five different sites during 2022, these being the Polypipe Building Products site in Doncaster, the Nu-Heat site in Devon, the Adey site in Cheltenham, the Plura site in the Wirral and Head office in Leeds.

Every year the Board holds an annual strategy day, where it spends a full day with senior management to discuss current performance of the Group and the strategic plan. The strategy day during 2022 was held in October and was structured as an interactive strategy session prior to the Board meeting as a presentation and Q&A forum, enabling engagement and opportunity for sufficient challenge from the Board on different elements of the strategy, and suitable focus to be given to specific details. It was further discussed in the Board meeting held later that day as a standalone agenda item.

BOARD AND COMMITTEE ATTENDANCE DURING 2022

	Board Attendance	Audit Committee Attendance	Nomination Committee Attendance	Remuneration Committee Attendance	Risk Committee Attendance
Ron Marsh[1]	**11/11**	–	4/4	4/4	–
Martin Payne[2]	**1/1**	–	–	–	1/2
Joe Vorih[3]	**10/10**	–	5/5	–	1/2
Mark Hammond	**11/11**	3/3	5/5	4/4	–
Paul James	**11/11**	–	–	–	4/4
Matt Pullen	**10/11**	–	–	–	3/4
Louise Hardy[4]	**7/7**	2/2	2/2	2/2	–
Lisa Scenna	**11/11**	3/3	5/5	4/4	–
Louise Brooke-Smith	**10/11**	3/3	5/5	4/4	–
Kevin Boyd	**11/11**	3/3	3/3	4/4	–

1. In accordance with Provision 17, Ron Marsh did not attend the Committee meeting regarding the appointment of his successor, and Kevin Boyd did not attend the meetings which considered and approved his appointment as Chair.
2. Stepped down from the Board on 28 February 2022.
3. Joined the Board on 28 February 2022.
4. Stepped down from the Board on 30 September 2022.

Board site visits

The Board held meetings at different sites during the year, which included visits to Nu-Heat, Adey, Polypipe Building Products, Group's Head Office in Leeds and for the first time, Plura Innovations; which is located in Moreton on the Wirral. These visits usually consist of a management presentation and site tour followed by an informal dinner, which provide a more relaxed forum for the Board members to directly engage with the site management teams. The meeting in September 2022 at Plura Innovations also included a separate strategy update session for the Non-Executive Directors, which was hosted by Martin Gisbourne and Joe Vorih.

This enabled the Board to take time to reflect prior to approving the strategy in the Board meeting, complementing the direct feedback and questions within the strategy session itself. An informal dinner was also held thereafter to discuss and reflect on the discussions during the day in a more informal environment. The Board agreed that the refreshed strategy was of benefit to all material stakeholders for the long-term sustainable success of the Group, and the Board approved the strategy in advance of the Capital Markets Day which was held in November 2022. Further details on the Capital Markets Day can be found in our Strategic Report on page 44.

During the year, the Chair held regular meetings with the Non-Executive Directors without the Executive Directors present. The Chair's performance was assessed as part of the external evaluation conducted by Better Boards. Further detail on the results of the external Board evaluation can be found in this Report on page 79.

> Developing a culture which is consistent and in line with the Company's purpose is key for the Group to fulfil its growth potential.

Investing in our people and culture

The Board recognises that our greatest asset for enabling the Group's achievement of its strategic goals is its people. Developing a culture which is consistent and in line with the Company's purpose is key for the Group to fulfil its growth potential, and monitoring and maintaining that culture as a consistent tool for driving change is a priority for the Board.

Monitoring culture is essential for the Board to ensure that across the Group, employees are operating in an effective and ethical manner and working together to enable it to achieve its long-term goals. A positive culture also helps to attract and retain talent and the Board receives an update at each meeting in respect of its people, which includes both qualitative and quantitative methods, as follows:

- Employee turnover and current headcount
- D&I data
- Grievances, governance and legal matters
- Policy training updates
- Recent internal communications and engagement activity
- Talent and development, including talent acquisition and retention
- Absence statistics
- Progress towards achieving The 5% Club
- Reasons for leaving
- Leadership development
- Reward, remuneration and incentives
- Strategic projects

During 2022, foundations were laid to develop an established cultural framework in 2023, with the intention of progressing the Group's employee value proposition and supporting our strategic plans for growth.

The cultural framework will encompass the overall purpose of the Group, linking it directly to its strategy, key behaviours which enable that purpose and strategy, and further plans to embed these across all people processes, including recruitment, performance management and leadership development.

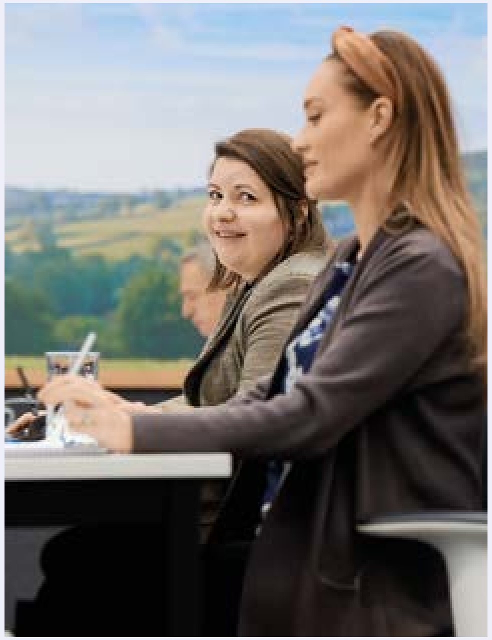
Establishing an open and transparent culture across the Group as well as fostering and maintaining a culture which is responsive to stakeholder expectations and the external environment will continue to be a priority for the Board. As we grow, collaborate, create solutions and innovate, we recognise that collaboration with a common purpose will make a difference to achievement of our strategic goals.

Employee engagement

Direct employee engagement is one of the key methods to ensuring a unified culture exists across the Group. The appointment of a dedicated employee engagement Non-Executive Director means there is a consistent mechanism in place for employee views to be shared, discussed and considered by the Board in its strategic decision-making. During 2022, employee feedback sessions were held across four sites as part of the Genuit Group Employee Engagement Programme, with Louise Brooke-Smith, as the dedicated Non-Executive Director for employee engagement, hosting each session.
Each session was structured to cover five key topics, being; strategy and vision, communication, diversity and inclusion, health and safety and governance.
Each session provided an overview of the objective of the programme and invited employees to share their views confidentially.

The views of employees within each category were summarised collectively, as well as being shared on a site-by-site basis with the Board, so that gaps which existed across the Group, could be separated from those which required further intervention at site level.
It was clear that employees felt that information on the capabilities and linkage between businesses remained important to them to help build a sense of being part of a wider Group. All employees agreed that understanding the wider organisation and continuing to improve interaction with their peers across the businesses would continue to provide opportunities to share knowledge, identify synergies and continue to build a Genuit Group sense of belonging over and above their individual business. Employees all felt a sense of pride in their respective businesses and acknowledged the renewed focus on diversity and inclusion, confirming that they felt everyone had equal opportunities across the Group. Participants who were part of minority groups expressed that they had always felt included and respected by their teams. Overall, the teams felt from a D&I perspective, the workforce was a representation of the area in which the business operated.

Alongside this positive feedback, areas for improvement were identified within each category. These are summarised in the table shown, with the corresponding actions taken to mitigate and improve these over the course of 2023:



CATEGORY	ACTION
Strategy and Vision	
Some difficulties identifying with the Genuit Group following the rebrand from Polypipe Group in 2021.	A refreshed strategy for the Group was launched in November 2022 (further details in our Strategic Report on pages 2 to 18). Strategy leadership workshops were held in January 2023 which included leaders across all areas of the Group to realise the pathways for working toward achieving these strategic goals, further embedding and communicating the strategic direction of Genuit throughout the Group at all levels.
Communication	
Ensure frequency of communication is consistent at all businesses across the Group.	The Board approved the Workday HRIS system and Workplace by Meta communications platform, to enable consistent and wide-reaching Group communications. Workplace is now in place across the Group and accessible by all employees, and Workday will be launched during 2023.
Diversity & Inclusion	
Expressed that gender balance has improved over recent years but recognised that more could be done.	'Embrace equity' campaign being rolled out across the Group during 2023, with D&I Leadership Training sessions and commitments having taken place during 2022 to raise awareness of D&I in the workplace.
Health and Safety	
It was noted that visibility and focus on HSE could be further improved.	We have refreshed and restructured agreed HSE consultation and observational tours. The observations have focused on key areas within operational sites, with actions and projects to drive improvements. These are formally and closely monitored, and learnings shared with the local management teams and cascaded across the Group where appropriate.
Governance	
Raise awareness of other policies and procedures that may not be directly relevant to an individual's role.	A policies and procedures working group was established to ensure policies and their relevance are effectively communicated to all employees.

Driving Genuit forward

Board composition, qualification and experience

A successful Board is one which has a combination of skills, experience and knowledge; allowing all Directors to actively contribute to discussions and provide challenge where appropriate. At the year end, the Board comprised the independent Non-Executive Chair, three Executive Directors and three Non-Executive Directors. Ron Marsh, the previous Chair, retired from the Board on 31 December 2022. The Non-Executive Directors were appointed for the diversity of their backgrounds as well as their personal attributes and experience.

During 2022 a review was conducted on the current skills of the Board and an updated matrix of those skills was presented to the Nomination Committee for review and approval as part of its succession planning considerations during the year. People and culture, ESG and developing technological skills were identified as emerging skills that should be given greater focus. These skills, along with all other required and expected skills of Board members, will continue to be reviewed on a regular basis and will be considered by the Board and Nomination Committee in all recruitment and succession planning decisions going forward. The skills matrix also places focus on the diversity of the Board and is a useful tool to identify where further training or education is required for individual Directors as well as the Board, collectively. The Nomination Committee and the Board have considered the independence of each of the Non-Executive Directors.

As part of the appointment process, Directors are assessed on their skills, experience, and independence, which is reviewed on an annual basis in line with the skills matrix, their roles on the Board and Provision 10 of the Code. The Board considered the Chair and all the Non-Executive Directors to be independent throughout the period (or where applicable, from appointment). In accordance with Code Provision 18, all of the Directors are subject to annual re-election. Shatish Dasani was appointed on 1 March 2023 and will offer himself for election at the 2023 AGM and for re-election annually thereafter.

Separation of the roles of Chair and Chief Executive Officer

The Company recognises Principle F of the Code which outlines the responsibility of the Chair and their accountability for directing the Company. Objective judgement is paramount, and thus the roles and responsibilities of the Chair and the Chief Executive Officer (CEO) are separate and clearly defined, with a distinct division of responsibilities. This distinguishes management authority from Board authority, which in turn empowers the Chair and CEO to pursue their respective duties without concern that interests in one position might negatively influence the other.

It is the Chair's duty to provide overall leadership and governance of the Board and to ensure that the Company is run in the best interests of its shareholders. Part of this role includes setting the Board agendas, ensuring that adequate time is available for discussion of all agenda items and promoting a culture of openness, challenge and debate at Board meetings. Along with other members of the Board, the Chair also has a role in setting the Company's strategic direction, making key decisions about mergers and acquisitions, capital raises and other important matters.

Supported by the Company Secretary, the Chair keeps under review; the adequacy of the training received by all Directors, particularly on stakeholder-related matters, the induction received by new Directors, especially those without previous Board experience, and ensures the Board is provided with accurate and timely information – as well as determining how best to ensure that the Board's decision-making processes give sufficient consideration to material stakeholders.

The CEO is responsible for executive management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board and its overall performance. The CEO leads the senior management team in effecting decisions of the Board and its Committees and is accountable to the Board, and ultimately the shareholders. The CEO is also responsible for the maintenance and protection of the reputation of the Group, ensuring that the affairs of the Group are conducted with the highest standards of integrity, probity and corporate governance. They are also responsible for communicating the Company's vision and performance to shareholders and other stakeholders, and for building and managing a strong executive management team.

Whilst the roles of the Chair and CEO are separate, the partnership between both is based on mutual trust and facilitated by regular contact between them. This strong partnership and regular communication ensures that the Company's strategic direction is aligned with the expectations of the Board and shareholders. It also helps to ensure that there is clear communication and coordination between the Board and executive management, which in turn avoids any potential conflicts or misunderstandings that could negatively impact the performance of the Group. It fosters a positive and productive culture within the Company, which contributes to retaining top talent and maintaining good morale amongst employees. This separation of authority enhances the independent oversight of the executive management by the Board and helps to ensure that no one individual on the Board has unfettered authority.

Board skills and experience

The Board uses a skills matrix to identify the balance of skills, knowledge and experience of the Board, for its composition review and succession planning. The matrix highlights where the skills and experience of Directors are particularly strong, and where there are opportunities to further enhance the Board's collective knowledge. A high-level summary of the Board skills matrix as at 31 December 2022 is included below.

BOARD SKILLS MATRIX (NO. OF MEMBERS)

Recent and relevant financial experience	4
Competence relevant to the sector in which the Company operates	7
Listed Executive Director/Non-Executive Director experience	7
International experience	6
Legal and governance	7
Financial governance	7
ESG	6
Managing Investor relations	7
Developing technological capability	6
People and culture	6
M&A	7

Corporate Governance Report continued

Role of the Senior Independent Director
Lisa Scenna was appointed Senior Independent Director (SID) of the Company on 7 March 2023. She is available to shareholders and other stakeholders if they have concerns that cannot be addressed through normal channels. The role of the SID is to provide an independent perspective on the Board's decisions, act as a sounding board for the Chair, and as an intermediary for the other Directors when necessary. The SID is also available to chair the Board in the absence of the Chair and has authority to add items to the agenda of any regular or special meeting of the Board. The role of the SID is considered an important part of the composition of the Board, acting as a check and balance in the Group's governance structure.

Appointment and tenure
The Non-Executive Directors serve on the basis of letters of appointment, which are available for inspection at the Company's registered office. The letters of appointment set out the expected time commitment of the Non-Executive Directors who, on appointment, undertake that they have sufficient time to carry out their duties.

There is no fixed expiry date. The Executive Directors' service contracts are also available for inspection at the Company's registered office. The notice period for Executive Directors is 12 months.

External appointments
In accordance with Principle H, the Board takes seriously the requirement that all Non-Executive Directors should have sufficient time to meet their Board responsibilities. Whilst it recognises the benefits that greater Boardroom exposure provides for Directors, it closely monitors the nature and number of external directorships held to ensure continued compliance with Principle H. All Executive and Non-Executive Directors' external appointments are reviewed at each Board meeting as standard, including detail of all those appointments over the previous five years. The Board reviews the nature of each appointment and the expected time commitment for each Director as part of this process, and concluded that, as at the end of 2022 and the date of this Report, none of these appointments compromise the effectiveness of any individual Director to provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. Further details of our Non-Executive Directors' external appointments can be found in their biographies on pages 68 and 69.

Directors' induction and training/professional development
The Chair, with the support of the Company Secretary, is responsible for the induction of new Directors and the ongoing development of all Directors. As reported in the 2021 Annual Report and Accounts, as part of the internal Board and Committee evaluations, a separate evaluation was conducted which assessed the quality and experience of the induction process for newly appointed Directors following Matt Pullen's appointment as Chief Operating Officer in 2021. Results of this evaluation showed the induction to be effective and the overall induction process was rated highly. Joe Vorih joined the Board during the year and completed his induction throughout 2022 in line with this feedback. The Company provided a comprehensive and tailored induction process, which included meeting with Executive and Non-Executive Directors and the Chair and having introductory meetings with senior management and external advisers where appropriate. Where necessary, new Directors are provided with training to address their role and duties as a Director of a quoted public company. Joe's induction also involved visits to all operational sites, and product briefings and training. Further detail on Joe's induction can be found in the Nomination Committee Report on page 84. The Chair and Company Secretary continue to review the induction process and endeavour to make improvements wherever possible to ensure any newly onboarded Directors are successfully integrated into the Group and their role, as quickly as possible.

As the internal and external business environment changes, it is important to ensure that Directors' skills and knowledge are refreshed and updated regularly to allow them to adapt to these changes and make informed and effective decisions. The Board was given presentations during the year by the Company's financial advisers, brokers and lawyers, as well as several presentations by senior management and diversity and inclusion training – in addition to the strategy day referred to earlier in this Report. The Risk Committee also partook in training and workshops for climate-related risk matters and changing regulatory requirements and disclosures, such as the Task Force on Climate-Related Financial Disclosures (TCFD). The Company Secretary maintains responsibility for updating the Board on new legislation and regulation as well as changes to the current legislative and regulatory regimes to which the Company is subject. This is included in a report to the Board at every Board meeting.

Directors' conflicts of interest
Each Director has a duty under the Companies Act 2006 to avoid a situation where he or she may have a direct or indirect interest that conflicts with the interests of the Company. The Company has robust procedures in place to identify, authorise and manage such conflicts of interest, and confirms that these procedures have operated effectively during the year.

All potential conflicts approved by the Board are recorded in a conflicts of interest register which is maintained by the Company Secretary and reviewed by the Board on a regular basis. Directors have a continuing duty to update the Board with any changes to their conflicts of interest.

Board and Director recruitment process
The recruitment process is designed to ensure the search for new Directors is thorough and inclusive, and ensures recruits possess the necessary experience and skills to support the Company's strategic direction, as well as showcasing an understanding of the Group's culture and purpose. The Chair leads the Nomination Committee to develop a candidate specification and brief, using the Board skills matrix as a basis for identifying gaps that should be addressed as part of the selection process. This brief is then placed with an executive search agency who must be a signatory to the Voluntary Code of Conduct for Executive Search Firms, in line with our Board Diversity Policy. Any agencies that are used as part of the recruitment process must confirm their independence on appointment and that they have no other connection with the Company or any individual Directors. The executive search agency then provides a long list of potential candidates from various backgrounds and industries based on this candidate brief, which is then shortlisted following discussions between the Chair, Senior Independent Director and other members of the Committee (or appointed sub-Committee, as appropriate). The candidates are interviewed and assessed against pre-determined criteria and in line with the specific candidate brief, which often involves meeting various Board members on a more informal basis to determine interpersonal dynamics. The successful candidate is then recommended for appointment to the Board, by the Nomination Committee, with the Company Secretary tasked with the formalities.

Corporate Governance Report continued

Board evaluation and effectiveness

In accordance with Code Provision 21, following the internal evaluation in 2021, the Board conducted an external evaluation during the financial year. This process was completed by Better Boards and involved completion of an anonymous online questionnaire and one-to-one interviews. These responses were then collated into an overall feedback report for the Board, as well as individual feedback reports for each Director and the Company Secretary. Overall, the results of the evaluation were positive, with the Board and its Committees viewed as operating effectively and in line with their respective remits. While several areas for further discussion and focus were also highlighted, no major items of concern were identified.

The Board discussed the results of the evaluation at its meeting in March 2023, and agreed the following actions for further review and discussion during the course of 2023:

1. Detailed review of structure, remit and composition of Board committees, in particular the merits of a separate sustainability committee.
2. Review of the process for agenda setting: to be more dynamic and inclusive, and enable deep dives into key/topical issues, whilst allowing sufficient time for governance related matters.
3. Review of board paper content to further streamline and standardise content and invite presentations from senior management to further enhance employee engagement.
4. Separate Board session to be held to review performance and behaviours in detail, as well as investing time in getting to know each other better and learning how to work more efficiently and effectively as a team.
5. Consider further opportunities for engagement with stakeholders.

A further update on progress against these actions will be included within the 2023 Annual Report and Accounts.

Directors' indemnity and insurance

The Company maintains Directors' and Officers' liability insurance to cover legal proceedings against Directors and Officers acting in that capacity.

Details of the Directors' indemnity arrangements can be found on page 97 of the Directors' Report.

Internal controls and risk management

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk and internal control systems in accordance with the Code. The Board delegates the specific management and monitoring of this to the Risk Committee (as outlined in the Risk Committee Report on page 86 to 89), who report to the Board on all matters, including the effectiveness of these systems, and submit documents to the Board for approval, as appropriate. The Board is ultimately responsible for ensuring that:

- there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group;
- the systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts;
- the systems are regularly reviewed; and
- the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

The principal risks and uncertainties, together with the emerging risks for the Group that the Risk Committee and Board have focused on this year, including their potential impact and mitigating actions are set out on pages 55 to 62.

The Company has a risk management framework which adopts a top-down and a bottom-up view of the key risks, which involves both the downward cascade and upward escalation of risks between the Group and the businesses. It comprises a risk register template, a risk profile template and assessment guidelines to be used by both the Group and Business Units when considering risk. It also includes a detailed approach to formally recording and independently assessing Group level risks.

The Board has conducted a review of the effectiveness of the system of internal controls and risk management following a detailed review undertaken by the Risk Committee, and is satisfied that it complies with Provision 29 of the Code.

Corporate Governance Report continued

Financial and business reporting process

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance, strategy and business model of the Company. In addition to the Annual Report and Accounts, the Company also ensures that other price-sensitive reports and other information are published externally.

The Group has a thorough assurance process in place in respect of the preparation, verification and approval of periodic financial reports, which is set out in the Report of the Audit Committee on pages 93 to 94.

This process includes:

- the involvement of qualified, professional employees with an appropriate level of experience (both in Group Finance and throughout the Group's businesses);
- formal sign-off from appropriate business senior executives;
- comprehensive review and, where appropriate, challenge from appropriate Group senior management and Executive Directors;
- a transparent process to ensure full disclosure of information to the external auditor; and
- oversight by the Audit Committee, involving (amongst other duties):
  - a detailed review of key financial reporting judgements which have been discussed by management; and
  - review and, where appropriate, challenge on matters including:
    - the consistency of, and any changes to, significant accounting policies and practices during the year;
    - significant adjustments resulting from an external audit;
    - the Viability Statement assumptions; and
    - the going concern assumption.

In accordance with Principle N of the Code, the Board is required to ensure our financial and business reporting is fair, balanced and understandable. To ascertain whether this is the case, it firstly establishes whether or not the information presented within the Annual Report and Accounts is fair; reviewing whether the whole story is presented and done so accurately, and if the key messages in the narrative reflect the way in which it is presented in the financial reporting. It secondly assesses whether the information presented is balanced; ensuring there is a good level of consistency between the narrative reporting in the front and the financial reporting in the back, as well as satisfying itself that the statutory and adjusted measures are explained clearly, with appropriate prominence. The final element to the assessment is to determine whether the Annual Report and Accounts are understandable. The Board assesses whether the Annual Report and Accounts uses language which is accessible to a reasonably well-informed reader, or provides clear definitions for technical vocabulary and acronyms where this is not possible; it should not be disjointed or repetitive and should tell a complete and straightforward story. The Board also ensures that important messages are highlighted or cross referenced appropriately throughout the document. Completion of this process provides comfort to the Board that the Annual Report and Accounts taken as a whole, is fair, balanced and understandable, and following its review, the Board was of the opinion that the 2022 Annual Report and Accounts is representative of the year and presents a fair, balanced and understandable overview.

Annual General Meeting

The Company's Annual General Meeting (AGM) is scheduled to be held on 18 May 2023. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. A copy of the notice of AGM can be found on the Company's website.

The AGM is the Company's principal forum for communication with private shareholders. The Chair of the Board and the Chair of each of the Committees will be available to answer shareholders' questions at the AGM.

The notice of AGM will be sent out to shareholders at least 20 working days before the meeting. Results will be announced to the London Stock Exchange via a Regulatory Information Service announcement and published on the Company's website.

Re-election of Directors

At the AGM, all Directors will retire and submit themselves for election or re-election. Shatish Dasani will offer himself for election at the 2023 AGM and for re-election annually thereafter. As a result of the Board evaluation exercise, as Chair, I am satisfied that each Director continues to show the necessary level of commitment to their role and has sufficient time available to fulfil his or her duties, to justify their re-election.

Approved by the Board and signed on its behalf.

Kevin Boyd
Chair of the Board
14 March 2023

Committee Chair introduction

Nomination Committee Report

Kevin Boyd
Chair of the Nomination Committee

2022 Key Achievements

- Appointment of Kevin Boyd as successor to Ron Marsh as Chair of the Board
- Approval and implementation of the diversity and inclusion (D&I) programme within succession planning and recruitment strategies
- Successful recruitment process for Non-Executive Director and Audit Committee Chair

Areas of focus for 2023

- Further development of D&I in succession planning for the Board and senior leaders
- Recruitment of Non-Executive Director to replace Mark Hammond when he retires from the Board during 2023
- Appointment of Senior Independent Director to succeed Mr Hammond

Dear Shareholder

I am delighted to present the Report of the Nomination Committee (the Committee) for 2022, reporting on the work of the Committee during the year, as well as its ongoing objectives and responsibilities.

The role of the Committee is to establish and maintain a process for appointing new Board members and to support the Board in fulfilling its overall duties. There were numerous changes to the composition of the Board during 2021 and into early 2022, as well as a change of Chair in November 2022 in light of Ron Marsh approaching completion of a nine-year tenure, and it has therefore been essential that the Committee has operated an effective succession planning programme based on clear parameters. The Committee operated efficiently and effectively to enable the management of a successful recruitment and onboarding process for a new Chief Executive Officer and new Chair of the Board, in each case ensuring that the appointed individual not only has the necessary experience and skills to support the Company's strategic direction, but can also show an understanding of the Group's culture and purpose.

With the implementation of the updated UK Corporate Governance Code (the Code) in 2018, the Committee's importance and prevalence in maintaining and promoting the culture of the Company has continued to be one of the key considerations of the Committee as it implements its succession planning strategy. D&I has been high on the agenda across the Group, and the Board ensures that this is considered throughout all Board recruitment and succession planning processes. All Board members received training as part of a Group-wide D&I training and awareness programme, and the lessons learned have been core to the Committee's approach to its recruitment strategy throughout 2022. Further detail on the considerations of the Nomination Committee in respect of D&I are showcased later in this Report.

During 2022, Joe Vorih was appointed as Chief Executive Officer and a member of the Board on 28 February 2022 following a rigorous recruitment process, details of which are set out in the 2021 Annual Report. The Committee also oversaw the successful recruitment of a new Chair, and I was appointed as Chair with effect from 1 November 2022 and took up Chairmanship of the Nomination Committee on the same date. This was in anticipation of Ron Marsh's retirement from the Board following completion of nearly nine years as a Non-Executive Director and Chair. Further details of the recruitment process are set out in this Report. Louise Hardy stepped down from the Board and as Remuneration Committee Chair on 30 September 2022, and Lisa Scenna was appointed as her successor. Following the year end, Shatish Dasani was appointed as a Non-Executive Director on 1 March 2023 and as Audit Committee Chair on 7 March 2023.

In keeping with Corporate Governance Code requirements, the senior management succession plan was reviewed and updated at the Committee meeting in February 2023, following a robust review process involving senior leaders, the Chief People Officer and the Group Talent Director. The Chief People Officer has continued to provide invaluable support to the Committee throughout the year, having been involved in all Board recruitment and attended all meetings of the Committee.

The Committee is supported by a strong Secretariat function with access to the Company Secretary at all times, and the Committee is kept up to date with all recommended guidance. This will continue to be monitored into 2023 to take into account any recommended changes or new requirements. The Committee welcomes the new diversity targets and 'comply or explain' approach set by the FCA within Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1), having previously stated its commitment to the recommendations of the Parker Review. Full disclosure in accordance with this will be provided in the 2023 Annual Report and Accounts. We can confirm, as at the date of this Report, the Company complies with two of the recommendations in the Listing Rules.

The Committee will continue to focus on ensuring that individual Directors and the Board as a whole have the necessary experience and skills to support the Company's strategic direction, as well as the Board's ability to successfully oversee the delivery of such strategy. The Committee's considerations on these matters when making changes to the Board during the year are set out in more detail in this Report.

I will be available at the AGM to answer any questions about the work of the Committee.

Kevin Boyd
Chair of the Nomination Committee
14 March 2023

2022 in review

Members and meetings

The Committee comprises Kevin Boyd (the Chair) and all the Non-Executive Directors, being, Shatish Dasani, Mark Hammond, Lisa Scenna and Louise Brooke-Smith. In accordance with best practice, Joe Vorih (Chief Executive Officer) is no longer a member of the Committee, and accordingly, Joe Vorih and Clare Taylor (Chief People Officer) attend the Committee meetings by invitation only.

The Committee is chaired by the Chair of the Board, except when considering their own re-election.

All the Committee members are independent, in accordance with Code Provision 17. Further detail on the members of the Committee and their attendance at Committee meetings are set out on page 74. The Company Secretary acts as Secretary to the Committee.

Under the Committee's Terms of Reference, the Committee will normally meet not less than twice a year and at such other times as the Chair shall require. The Committee held two scheduled formal meetings during the year under review and an additional three meetings to discuss and progress the appointment of the new Chair and two new Non-Executive Directors.

After each Committee meeting, the Chair reports to the Board on the main items discussed, as well as reporting on the nature and content of its discussions, recommendations and actions to be taken.

Governance

The Committee's main responsibilities are to:

- evaluate the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and the Committees;
- give full consideration to succession planning of Directors and other senior executives; and
- assist with the selection process for new Executive and Non-Executive Directors including the Chair of the Board.

The Committee's Terms of Reference explain the Committee's role and responsibilities and were reviewed in December 2022 to ensure they remain appropriate and reflect any updates in Corporate Governance guidance. The Terms of Reference can be found on the Company's website and this Report explains how the Committee has complied with these in more detail, and the activities it has undertaken during the 2022 financial year.

In accordance with Code Principle L, the Board and its Committees are required to be evaluated on an annual basis. Following an internal evaluation in 2021, an external evaluation of the performance of the Board and its Committees was conducted during 2022 by Better Boards. This evaluation focused on the remit of the Committee and how effectively members work together to achieve the Committee's objectives. Appointments to the Board are subject to formal, rigorous and transparent procedures and include consideration, where appropriate, of comments and feedback from the annual evaluation of the Board.

At its meeting in March 2023, the Committee considered the contents of the review and concluded that the evaluation had found the Committee to be operating effectively and efficiently, communicating as required with the Board in relation to matters within its remit, thereby assisting in the Board's decision-making. Full results of the Board evaluation can be found on page 79 of the Corporate Governance Report.

The Chair confirms that the Committee has considered the performance evaluation and the contribution and commitment of all Directors. The Chair has confirmed to the Board that their performance and commitment is such that the Company should support their election or re-election, as appropriate. In addition, the Board evaluated each Director's time commitments, and was satisfied that, in line with the Code, they each continued to allocate sufficient time in order to discharge their responsibilities effectively, including attendance at Board and applicable Committee meetings, as well as time needed to prepare for meetings, and other additional commitments that may arise during the usual course of business.

As stated in the Corporate Governance Report, all of the Company's Directors will retire and each will offer themselves for election or re-election at the forthcoming AGM, in accordance with Code Provision 18. No Director is able to vote in respect of their own election/re-election when consideration is given to Director election/re-election at the AGM.

> The Group recruited a Group Talent Director to enable the Company to prioritise the development of its succession planning, by ensuring talent within the Group was recognised and developed.

Role of the Committee and its activities during the year

Succession planning and tenure

In accordance with Code Principle J, a key activity of the Committee is to keep under review and maintain an effective succession plan for members of the Board and senior executives across the Group. The Committee acts in accordance with the Code and its Terms of Reference and in considering succession planning, takes into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board using objective criteria, but in the context of continuing to promote diversity and inclusion across the Group. In accordance with the FRC Guidance on Board Effectiveness recommendations, the Committee's succession planning includes:

– contingency planning
  for sudden and unforeseen departures;

– medium-term planning
  the orderly replacement of current Board members and senior executives (e.g. retirement); and

– long-term planning
  the relationship between the delivery of the Company strategy and objectives to the skills needed on the Board now and in the future.

This approach ensures that the composition of the Board and senior management team remains appropriately balanced between new and innovative thinking and longer-term stability. Management training and development plans are provided to senior and middle management where appropriate in order to continue to develop a diverse pipeline of internal talent for the future.

In addition, the Committee considers emergency succession planning and is comfortable that a framework is in place should key senior management roles need to be covered on an interim basis. Board appointment criteria are considered automatically as part of the Committee's review of succession planning and matters of Director tenure are viewed on a case-by-case basis.

During the year, the Group recruited a Group Talent Director to enable the Company to prioritise the development of its succession planning, by ensuring talent within the Group was recognised and developed, as well as identifying talent gaps where further recruitment was required. More detail about some of the steps taken across the businesses in this regard, can be found in the People section on page 36. The Group Leadership Team Talent review identified 20 employees falling into Growth, High Impact and Future Talent categories. These are employees where investment in development will support succession planning and manage retention risk. 50% of these are female which is significantly higher than the overall review population which is 25% female. This shows a positive trend for increasing diversity of this population. Further details on the progress made during the year on diversity and inclusion is detailed later in this Report and in the People section as outlined above.

Tenure of Non-Executive Directors

Appointments to the Board are typically made for an initial term of three years and are ordinarily limited to three consecutive terms in office, subject to annual re-election by shareholders at the AGM.

The Committee recognises the recommendations in Principle K and Provision 19 of the Code in respect of Board tenure of independent directors, and in accordance with this, a nine-year tenure is the maximum for any Non-Executive Director appointed to the Board (with exceptions permitted only with sufficient explanation and where agreed by the Committee as a whole). Mark Hammond, the outgoing Senior Independent Director, will complete his nine-year tenure in April 2023, and a process is underway to recruit his replacement.

Recruitment of Executive and Non-Executive Directors

The Committee's role in recruiting Executive and Non-Executive Directors includes:

– identifying any skills or experience gaps in the composition of the Board and its current diversity;

– having regard to any such gaps, identifying and nominating candidates to fill Board vacancies as and when they arise and recommending them for the approval of the Board; and

– reviewing the time commitment required from Non-Executive Directors.

The Committee recognises the importance of the time commitment of each Director to shareholders, and this will therefore continue to be kept under review for all Directors during 2023.

Appointment of the Chair

Our outgoing Chair, Ron Marsh, confirmed he would retire at the end of 2022, having served on the Board for nearly nine years. As a result, a robust recruitment process took place during the year to appoint his successor.

The Committee appointed Odgers Berndtson to assist in identifying potential candidates for this role. Specific recruitment criteria was provided, which included diversity considerations as well as specific skills, experience and industry expertise requirements.

A shortlist of two candidates were identified. Led by the Senior Independent Director, the Committee met to discuss these final candidates. It considered a variety of factors, including each Director's knowledge, skills, expertise and familiarity with the construction and manufacturing industry. The Committee also acknowledged the current challenging macroeconomic climate, as well as the changes to the Board composition during the year, following the CEO's appointment in February 2022. Following a lengthy discussion, the Committee decided to proceed with Kevin's appointment, given his extensive knowledge, expertise, skills, leadership qualities and familiarity with the Group and its strategic direction, and recommended his appointment as Chair to the Board, effective from 1 November 2022.

Nomination Committee Report continued

During the year under review, the Committee oversaw the recruitment process for Ron Marsh's successor, Kevin Boyd, the newly appointed Chair of the Board, as well as carrying out a process to recruit a new Non-Executive Director in light of the completion of Mark Hammond's nine-year tenure in April 2023.

During the year, the Committee appointed Odgers Berndtson to assist in identifying potential candidates to succeed Ron Marsh as Independent Chair, and Korn Ferry to assist in identifying potential candidates to succeed Mark Hammond as Non-Executive Director, and Kevin Boyd as Audit Committee Chair. Odgers Berndtson and Korn Ferry confirmed their independence on appointment and that they had no other connection with the Company or any individual Directors. Korn Ferry are the appointed advisers to the Remuneration Committee, but the work carried out in Relation to the appointment of the Non-Executive Directors was carried out by a team separate to the remuneration advisory team.

Information on the Directors' service agreements, shareholdings and share options is set out in the Directors' Remuneration Report on pages 114 to 126.

Board evaluation and composition

As part of its role in monitoring the composition and structure of the Board, the Nomination Committee will:

- review the structure, size and composition of the Board and make recommendations to the Board, as appropriate;
- identify the balance of skills, knowledge, diversity and experience on the Board;
- review and approve the Group's diversity policy and evaluate its effectiveness on a regular basis;
- review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace; and
- review the results of the Board performance evaluation process that relate to the composition of the Board and the Committee's own performance.

> We encourage leaders, employees and our external partners and stakeholders to make a positive difference through proactively supporting our diversity and inclusion principles.

Joe Vorih induction

Following appointment, the Company provides Directors with a comprehensive and tailored induction programme.

This typically includes visiting sites, meeting with all members of the Board and senior leaders from across the Group, as well as external advisers and stakeholders where appropriate.

Joe's first two weeks at Genuit Group prioritised the scheduling of one-to-one briefings with individual members of the senior leadership team, which included travelling to the respective sites so these could take place in person. This was structured to ensure that information material to the CEO role was delivered in the early stages of the programme.

These informal briefings, which provided an initial opportunity to meet senior leadership, were supported by operational site visits to provide on-the-ground understanding of the different businesses across the Group, which is particularly important given its decentralised structure and unique product offerings. Following these individual sessions, informal dinners were also held with the relevant management teams at sites, to provide a more relaxed forum for them to interact. In total, Joe had one-to-one meetings with over 70 members of the leadership team. Joe's schedule also included numerous investor meetings with key shareholders and stakeholders both via video conference as well as in-person meetings in the City.

Following the initial two-week period, the remainder of Joe's induction (which consisted of visiting all sites and businesses) took place over the next six months.

Nomination Committee Report continued

Board skills and experience

The Committee uses a skills matrix when identifying the balance of skills, knowledge, experience and diversity of the Board for its evaluation and composition review and succession planning. The matrix highlights where the capabilities of Directors are particularly strong, and where there are opportunities to further grow the Board's collective knowledge and level of diversity. The skills matrix of the current Board as at 31 December 2022 is included in the Governance Report on page 77.

Diversity

The Committee supports and encourages diversity in line with Principle J of the Code, acknowledging the advantages that come from having diverse viewpoints; increasing innovation, creativity and strategic thinking. The Company's recruitment and appointment strategy is based on the merits of the individual candidates, without bias towards age, gender, marital or family status, race, sexual orientation, religion or belief or any disability and encourages leaders, employees and our external partners and stakeholders to make a positive difference through proactively supporting our diversity and inclusion principles.

Diversity was a key consideration for the Committee throughout 2022, and during National Inclusion Week, the Group launched its diversity and inclusion strategy (more information on this is included in the People Section of the Strategic Report on page 37). As part of this programme, a Board education and insight session took place in August 2022, facilitated by an external expert. This led to individual commitments and agreement to the diversity and inclusion ambition, strategy and three-year delivery plan. In addition to this, the Diversity Policy was reviewed, updated and approved by the Board at its meeting in March 2023.

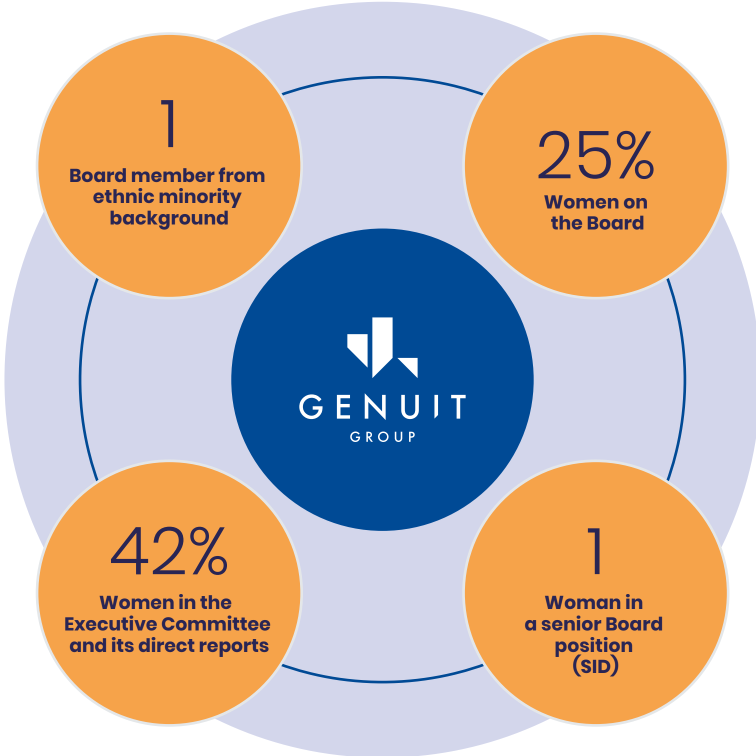
Diversity requirements form part of the succession planning framework as outlined earlier in this report, as well as forming part of non-negotiable criteria for any recruitment partners it may engage with.

2022 saw changes to the composition of the Board as outlined earlier in this Report. This included changes to the Non-Executive Directors, which saw Louise Hardy step down from the Board on 30 September 2022, and Ron Marsh retire from the Board on 31 December 2022 (in anticipation of the expiration of his nine-year tenure in 2023). On 1 March 2023, Shatish Dasani was appointed as a Non-Executive Director, and on 7 March, Shatish was appointed Chair of the Audit Committee and Lisa Scenna appointed as Senior Independent Director. As at the date of the approval of this Report, female representation on the Board is 25% and the Board has one representation from an ethnic minority background. The diagram opposite showcases our Board's composition in line with the Listing Rule requirements, including gender, ethnicity and women in senior Board positions, as at 14 March 2023. It also shows gender diversity at senior management level, being the Executive Committee and its direct reports. Recruitment is ongoing during 2023 for an additional Non-Executive Director, and we will ensure we fully comply with the Listing Rules diversity disclosure requirements in our 2023 Annual Report and Accounts, and the reference date for this disclosure will be 31 December 2023.

By order of the Board.

Kevin Boyd
Chair of the Nomination Committee
14 March 2023

Board and senior leadership diversity representation (as at 14 March 2023)



Committee Chair introduction

Risk Committee Report

Paul James
Chair of the Risk Committee

2022 Key Achievements

- Integration of climate-related risk assessment into the Group's operations
- Increased awareness across the Group of risk; including adequate monitoring and mitigations
- Close monitoring of key principal and emerging risks and taking proactive preventative measures where required
- Review of risk management framework and current scoring methodology

Areas of focus for 2023

- Further embed daily risk assessments into Group operations, with enhanced formal processes for escalation to the Risk Committee
- Further assessment of climate-related risk and its impact following quantitative scenario analysis
- Continue to monitor principal and emerging risks throughout the year and update where required

Dear Shareholder

I am pleased to present the Report of the Risk Committee (the Committee) for the year ended 31 December 2022, that provides detail on the work of the Committee during the year, as well as its ongoing objectives and responsibilities.

This year has been challenging for the Group, our suppliers, and the wider economy. The establishment of the Committee in 2021 meant that the risks that these ongoing challenges posed could be monitored and assessed on a regular basis. Following the isolated cyber incident we experienced at our Nuaire business in April 2022, we continued to invest in our security and IT infrastructure throughout the remainder of 2022, as well as implementing training schemes to continue to mitigate the risk of cyber incidents and data breaches elsewhere in the Group. More detail on the action taken in respect of cyber and information security can be found in our Audit Committee Report on page 95.

As set out in the Strategic Report, the ongoing effects of input cost inflation was a key risk considered by the Committee during the year, with the Group leading the industry in robust pricing moves and reducing implementation time lags to mitigate this risk. Management also increased its commercial focus, walking away from low margin sales and increasing the quality of the Group's business. Supply constraints, most noticeably semiconductors and printed circuit boards were also a key risk for consideration by the Committee, with dual supply and alternative suppliers being used to mitigate this risk.

Recruitment and retention of key personnel was discussed at each Committee meeting during 2022 to ensure changes in the recruitment environment were being monitored and reacted to quickly when required. Cost of living and inflationary concerns were of key significance in relation to this risk, and as a result, updates were given at each Committee meeting on the appropriate mitigating actions taken across the Group. The Committee was satisfied that this risk was managed effectively, given the continued focus on talent succession, employee wellbeing, employee remuneration and diverse recruitment practices. More information on our People strategy can be found in the People section of the Strategic Report on pages 36 to 39.

The Committee receives presentations from the Business Units (BUs) as well as the Group functions on a rotational basis. Each is required to present the current and emerging risks specific to their BU or Group function and to detail the mitigating actions. This approach allows the Committee to identify risks that are common across BUs, thereby enabling consolidated mitigation to be put in place.

In addition to the everyday business challenges, the Committee also considered the Task Force on Financial Climate-Related Disclosures (TCFD) and climate-related risk at all meetings during the year, as well as participating in workshops which reviewed the measurement and monitoring of climate-related risk, and whether adequate processes were in place to ensure this was embedded in Group procedures to allow for accurate reporting in our 2022 TCFD disclosure.

At its meeting in early 2023, the Committee reviewed, discussed and agreed the final changes to the Group's principal risks and uncertainties and emerging risks prior to submitting to the Board for approval, to ensure that the reporting of these risks remained current, proportionate and appropriate.

The Committee's work in 2022 has strengthened the Group's risk management structure, allowing more dedicated time and detailed consideration to be given to risk management and ensuring its continued development across the Group. As part of the external Board evaluation carried out in 2022, the performance and effectiveness of the Committee was reviewed, and detail on this is set out later in this Report.

Further detail of our considerations and the progress which has been made during the year on our risk management processes and structure are explained in more detail in this Report. Details of our principal risks and uncertainties as well as our emerging risks, which were reviewed at each Committee meeting can be found on pages 55 to 62.

I will be available at the AGM to answer any questions about the work of the Committee.

Paul James
Chair of the Risk Committee
14 March 2023

Risk Committee Report continued

Board

- Overall responsibility for risk management and internal control
- Reviews and approves the risk appetite statement prepared by the Risk Committee
- Sets strategic objectives

Risk Committee

- Works alongside the Board to set the risk tolerance levels for the Group in preparing and maintaining the risk appetite statement
- Monitors and reviews the Group's risk register
- Identifies and evaluates Principal Risks and Uncertainties and emerging risks, and presents these to the Board for approval and inclusion in the Annual Report and Accounts, as well as ensuring they are appropriately managed

Audit Committee

- Monitors assurance and internal financial control arrangements
- Manages the external audit process and reviews the auditors' reports

Senior Management

- Maintain the Group's risk registers and implement the bottom-up approach review of risks
- Manage the Group's risk management procedures
- Monitor the operation and effectiveness of key controls, and report to the Risk Committee on a rotational basis
- Provide guidance and advice to employees in identifying risk and implementing mitigation plans

2022 in review

Members and meetings

The Committee comprises Paul James, Joe Vorih, Matt Pullen, Martin Gisbourne, Clare Taylor and Emma Versluys. The Group Financial Controller and the Group Internal Audit Director are invited to attend all meetings, and Business Unit Managing Directors and Finance Directors, as well as functional heads, are invited to attend and provide an update to the Committee on a rotational basis. Accordingly, there are six members.

The UK Corporate Governance Code (the Code) Provision 25 requires risk management systems be either reviewed by the Audit Committee, a risk committee composed of independent Non-Executive Directors, or the Board. Although the Committee is comprised solely of Executive Directors and senior management, it reports on all its activities to the Board and the Board is required to approve any changes to the Group's risk appetite, principal risks and risk management structure across the Group. It was agreed that the Committee composition would enable Committee meetings to be constructive and effective at reviewing and discussing the granular detail of risk across Business Units and the Group as a whole, and that the appropriate oversight by the Board would be gained by the formal reporting process in place.

Under the Committee's Terms of Reference, it will normally meet not less than twice a year and at such other times as the Chair shall require. The Committee held four meetings during the year under review.

Governance

In accordance with Code Principle L and Provision 21, the Board and its Committees are required to be evaluated on an annual basis. 2022 was the first full reporting year the Committee was in operation and thus it was evaluated as part of the external Board evaluation conducted during the year. This review confirmed that overall, the Committee had the right combination of skills, experience and knowledge across its members, and that the level of information and the recommendations made were appropriate. The review also highlighted some areas for consideration by the Committee, and these will be considered by the Committee during 2023.

The Committee is responsible for monitoring and reviewing risk management systems and therefore has oversight of the Group risk profile and risk appetite as a whole and, unless required otherwise by regulation, carries out the duties below, reporting to the Board as appropriate:

- reviews, manages and agrees the risk appetite, tolerance and strategy of the Group for approval by the Board;
- assists the Board in fulfilling its reporting responsibilities in the Annual Report and Accounts for risk reporting, including:
  - the internal risk management and control systems in place;
  - principal risks and uncertainties;
  - emerging risks;
  - risk appetite and any respective stress testing; and
  - overseeing and implementing the Group's internal controls and risk management systems.
- reviews the alignment of any identified risks to Group strategy and remuneration policy.

All proceedings of the Committee are reported formally to the Board by the Chair of the Committee, who reports on the main items discussed, as well as reporting on the nature and content of its discussion, recommendations and action to be taken or approval requested. The Assistant Company Secretary acts as Secretary to the Committee.

The Committee's Terms of Reference explain the Committee's role and responsibilities and were reviewed in February 2023 to ensure they remain appropriate. The Terms of Reference can be found on the Company's website.

Role of the Committee and its activities during the year

Ensures adequate and effective risk management systems and controls, and assessing the effectiveness of the internal control environment
In accordance with Principle O of the Code, one of the Committee's responsibilities is to ensure, on behalf of the Board, that adequate and effective risk management systems and controls are in place across the Group. Updates from the Group Financial Controller outlining principal and emerging risks and reporting timelines are presented at each Committee meeting, and following any decisions made on the adequacy of these, any necessary changes will be implemented.

A key priority of the Committee during the year was to integrate climate-related risk assessment into everyday operations.

The Committee also provides recommendations to the Board on the effectiveness of the internal control environment. Part of the Committee's responsibilities include:

- monitoring and reviewing the effectiveness of the Company's risk management and internal control systems;
- reviewing the Company's procedures in place that manage or mitigate principal risks and identify emerging risks; and
- reviewing and approving the statements to be included in the Annual Report and Accounts concerning internal risk controls and risk management.

Risk management process
As outlined above, the Board, with the support of the Committee, is responsible for ensuring that an effective risk management process is in place. Through ongoing review throughout the year, it ensures that it is fit for purpose and that it operates effectively. It is therefore imperative that the Committee ensures the Board has a clear view of the level of risk across the Group by taking both:

- a top-down view of the key risks: identifying, assessing and mitigating risk at a Group level which could hinder achievement of the Group strategy; and
- a bottom-up view of risks: identifying, assessing and mitigating risk at a business/operational level which may have an implication at business unit level but could also affect achievement of the Group strategy.

Each business and Group function is responsible for keeping and maintaining their own risk registers, whereby each risk is recorded and scored for both impact and probability, allowing the most significant risks to be identified and prioritised. The risk management process is prescribed and organised by Group Finance, which ensures that each business complies with Group prescribed mandatory standards. Businesses are required to formally review their risk register and risk profile at least twice a year.

To ensure compliance with the Code and to operate the highest governance standards, the Board remains responsible for reviewing and approving risk management and internal control and does so by reviewing and approving any material output of the Committee. This ensures principal and emerging risks are adequately reviewed and challenged by the Board and allows them to use these when setting overall Group strategic objectives. The Risk Committee then works alongside the Board to set the risk tolerance levels for the Group in drafting and maintaining the risk appetite statement. It monitors and reviews the Group's risk register, identifies and evaluates principal and emerging risks and presents these to the Board for approval and inclusion in the Annual Report and Accounts. It ensures they are appropriately managed throughout the financial year by reviewing principal and emerging risks at every Committee meeting, with the Group risk register reviewed on an annual basis.

Internal risk controls and management systems
The Committee relies on the effectiveness of Senior Management in implementing its controls and risk management systems. Business Unit leaders and Group function heads report into and present to the Committee on a rotational basis, as well as being responsible for maintaining the Group's risk registers and implementing the bottom-up approach review of risks. They are ultimately responsible to the Committee for managing and adequately implementing the Group's risk management procedures and monitoring the operation and effectiveness of key internal risk controls. They also provide guidance and advice to employees in identifying risk and implementing mitigation plans, which is critical to the effective operation of the Group's risk controls and management systems.

Risk registers must be submitted to Group Finance at least twice a year so that the Group risk register can be updated every six months. The Group risk register is the consolidation of all risks considered to be significant at Group level. It is maintained by the Group Financial Controller and is reviewed and updated by the Committee.

Following the Committee's reviews during the year, the Committee confirms that it is satisfied that the Group's internal risk control and management procedures:

- operated effectively throughout the period; and
- are in accordance with the guidance contained within the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Risk Committee Report continued

Evaluate and assess principal and emerging risks of the Group on behalf of the Board

One of the key responsibilities of the Committee is to assess principal and emerging risks and monitor these on an ongoing basis. The Committee reviews these at every meeting as a standing agenda item and ensures that any principal or emerging risks which are prevalent (such as cyber or climate-related risk) are added as individual agenda items.

Part of the Committee's role includes:

- assisting in the Board's assessment of principal and emerging risks;
- evaluating the Company's principal risks, to be considered by the Board when assessing the Company's prospects; and
- advising the Board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact.

A robust assessment of the principal and emerging risks facing the Group is performed by Group Finance following the collation of the Group risk registers. This process identifies those risks that could threaten future performance and solvency or liquidity, as well as the Group's strategic objectives over the coming 12 months.

The principal and emerging risks are then presented to the Committee and are reviewed, discussed and approved by its members prior to submission to the Board for final approval and inclusion in the Annual Report and Accounts.

Principal risks are documented to include comprehensive overview of the key controls in place to mitigate the risk and the potential impact on strategic objectives and KPIs. Changes to those principal risks which are disclosed annually can only be made with approval from the Committee and the Board. Principal risks are presented to the Committee at every meeting to ensure they are monitored on an ongoing basis. More detail on those risks which have been determined as the Group's principal risks and uncertainties can be found on pages 55 to 62.

As part of the above process, the Group also identifies, collates and assesses emerging risks, being those that could impact the business in the medium to long term. Emerging risks are discussed by the Committee at each meeting and are included in the annual submission to the Board along with the principal risks and uncertainties for review and approval, and subsequent inclusion in the Annual Report and Accounts.

Climate

A key priority of the Committee during the year, given the TCFD disclosure requirements, was to integrate climate-related risk assessment into everyday operations and gain a further understanding of climate-related risk across the Group. This was included as an individual agenda item at each Committee meeting during the year. The Committee received training sessions during the year and engaged PwC LLP as consultants to guide the Company through the process for ensuring compliance and fully embedding climate-related risk into its operations across the Group.

PwC LLP initially performed a gap analysis to identify those gaps in the climate-related risk reporting process, before hosting workshops with the Committee as well as other senior leaders across the Group to identify the key physical risks and opportunities. The gap analysis was shared with the Board as part of the Committee report to the Board, and regular updates were given to the Board thereafter.

Climate was identified as a principal risk in 2021 but having TCFD and climate risk as a single agenda item has given it the additional stature throughout 2022 and enabled a more thorough and detailed assessment of how climate risk affects the Group in the short, medium, and long term. Further detail about the findings of our assessment can be found in our TCFD report on pages 26 to 35.

Cyber and information security

Cyber was categorised as a principal risk in 2021 and following the isolated cyber incident at Nuaire in April 2022, it became more pronounced on both Audit Committee and Risk Committee agendas. The Committee considered cyber at each principal risk review and had a single agenda item for cyber and information security at its July meeting, to review and approve an implementation plan for internal data management and protection software.

Advises the Board on its risk appetite, tolerance and strategy as well as ensuring that the Group is acting in accordance with its approved risk appetite

The Committee is responsible for:

- advising the Board on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take to achieve its long-term strategic objectives; and
- reviewing and assessing the Company's risk appetite and associated stress testing.

During the year the Committee reviewed the risk appetite statement and submitted it to the Board for review and approval in accordance with its annual reporting requirements. Part of the review of the risk appetite statement and risks it is willing to take to achieve strategic objectives includes:

- reviewing the defined accepted tolerance levels for individual risks in accordance with the risk appetite statement;
- reviewing risks in the context of the overall strategic direction of the Group; and
- reviewing and monitoring updates from senior management about their principal and emerging risks, their approach to risk management, monitoring and mitigation to ensure each is aligned with the Group risk reporting structure and current appetite.

The Committee will continue to ensure it reviews and mitigates Group risk on an ongoing basis, with transparent and frequent reporting to the Board to ensure adequate governance structures remain in place throughout the upcoming financial year.

By order of the Board.

Paul James
Chair of the Risk Committee
14 March 2023

Committee Chair introduction

Audit Committee Report

Kevin Boyd
Chair of the Audit Committee for the year ended 31 December 2022

2022 Key Achievements

- Continuing investment in cyber security defences and controls
- Review of the acquisition of Keytec
- Review of the draft 2021 Annual Report and Accounts and 2022 interim results
- Group Internal Auditor appointment

Areas of focus for 2023

- External audit tender
- Continued focus on effectiveness of internal controls and reporting across the Group
- Continued focus on the prevention of fraud, bribery and corruption

Dear Shareholder

On behalf of the Board, I am pleased to present the Report of the Audit Committee (the Committee) for 2022.

The Committee is responsible for overseeing the financial reporting processes of the Group and ensuring they are accurate and transparent. The primary role of the Committee is to provide independent oversight of the Group's financial reporting process, including the review and approval of the Group financial statements and the selection and supervision of the independent auditors. The Committee supports the Board in fulfilling its governance responsibilities, ensuring that the interests of our stakeholders are properly protected (particularly our shareholders and customers), specifically in relation to financial reporting. Members of the Committee are appointed by the Board from its Non-Executive Directors on the recommendation of the Nomination Committee, in accordance with the 2018 UK Corporate Governance Code (the Code) requirements and other FRC-related guidance. Following my appointment as Chair of the Board on 1 November 2022, I continued to Chair the Audit Committee whilst a process to appoint a successor continued, and as the result the Company was therefore non-compliant with Provision 24 of the Code with effect from that date until the appointment of Shatish Dasani as a Non-Executive Director on 1 March 2023 and as Audit Committee Chair on 7 March 2023. Further detail on this process can be found on page 70 of the Governance Report.

As notified in the 2021 Annual Report, the roles and responsibilities of the Committee were updated during the 2021 financial year to reflect the new committee structure, and the resulting transfer of responsibility for assessment, monitoring and management of risk to the Risk Committee, in relation to which further detail can be found on page 87 of the Risk Committee Report. During 2022, the Audit Committee placed its focus on the integrity of the Group's financial reporting practices, internal controls, and the quality and performance of the internal and external auditors, providing challenge to the decisions and judgements made by management. As part of the external Board evaluation, the performance of the Risk and Audit Committees was independently evaluated by an external third party (more detail can be found in the Governance Report on page 79, Risk Committee Report on page 87 and Audit Committee Report on page 92). The results of this evaluation showed that this separation of responsibilities continues to be effective and viewed as a positive change to our governance structure. We will continue to keep our activities under review to ensure we comply with all applicable regulations and that we remain confident that the Company continues to operate in a controlled and managed way. The main responsibilities and activities of the Committee are detailed further in this Report.

Areas of focus in 2022

2022 continued to be a year of ongoing change on both a micro and macroeconomic front, and as a result, the Committee was required to consider the challenges this presented and their financial and operational implications. This Report outlines some of these considerations in more detail. Areas of focus included the ongoing supply chain constraints, in particular the supply of semiconductors and printed circuit boards in the upstream boiler market and the supply of blowers which inhibited customer demand in the latter half of the 2022 financial year, inflationary increases across all sectors and the isolated cyber incident in Nuaire. The Committee considered the resulting implications of these and other challenges for the interim and full year financial statements, as well as the integration of the Keytec acquisition. Throughout the year, the Group remained committed to identifying these challenges quickly, and proactively mitigating them to the greatest possible extent. The creation of the Risk Committee has allowed the Audit Committee to focus on the implications of these from a financial and operational perspective, whilst the Risk Committee has focused on managing and mitigating the risks themselves, enabling both Committees to deal with the challenges over the last twelve months efficiently and effectively. Further information in respect of the Risk Committee's approach to monitoring principal and emerging risks is set out in the Risk Committee Report.

Audit Committee Report continued

Following the containment of the cyber incident at Nuaire, during 2022, the Committee remained committed to ensuring they received detailed updates on the cyber controls across the Group; to ensure they were fully aware of the Group's programme of continuous improvement in this area. Further details about the action taken by the Committee and the Group in this regard are set out later in this Report.

The Committee also closely monitored communications and Group reporting processes, ensuring that progress of the external and internal audits remained on track throughout the year, that internal controls remained effective, and that actions required were addressed in a timely manner. The quality of the output of these reviews relies on transparency of management, and effective reporting and agenda planning to ensure sufficient time is allocated during Committee meetings to discuss these items in sufficient detail. The reviews conducted during the year provided the Committee with confidence in the robustness of the financial reporting, audit processes and control environment. The internal audit plan continued to operate effectively, and continues to evolve to reflect the changing needs of the Group. During 2023, following nearly ten years with the Company's current external auditor, Ernst & Young LLP, an audit tender process will be carried out, as required by the Code, and an update on the results of that tender process will be included within the 2023 Annual Report and Accounts.

As part of its responsibilities under its Terms of Reference, the Committee is required, on behalf of the Board to oversee the process for determining whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy. The judgements and factors the Committee considered when reviewing the 2022 Annual Report are outlined on page 93, as well as its conclusions in this regard.

As a result of its work undertaken during the year and taking into account the feedback from the external Board and Committee evaluation (further details are set out on page 79), the Committee considers that it has acted in accordance with its Terms of Reference and has ensured the independence, objectivity and effectiveness of the external and internal auditors. This Report outlines some of the main activities of the Committee during the financial year.

I would like to thank my Committee colleagues for their work and support during the year, and I look forward to working with Shatish Dasani, our newly appointed Audit Committee Chair, during 2023.

Both Shatish and I will be available at the AGM to answer any questions about the work of the Committee.

Kevin Boyd
Chair of the Audit Committee for the year ended 31 December 2022
14 March 2023

The Committee placed its focus on the integrity of the Group's financial reporting practices, internal controls, and the quality and performance of the internal and external auditors.

Appointment of Shatish Dasani, Audit Committee Chair
Shatish was appointed as a Non-Executive Director on 1 March 2023, and Audit Committee Chair on 7 March 2023 following a handover from Kevin Boyd.

"I am delighted to have joined the Board of Genuit Group plc, in what is an exciting time for the Group as it embarks on the start of its journey to implement its refreshed strategy. Since my start date I have been welcomed by all Board colleagues, met key members of the senior management and leadership team, and been well supported by Kevin in providing a detailed handover of relevant Audit Committee Chair responsibilities. I have also met with the internal and external auditors, the brokers and other key stakeholders, and look forward to completing the remainder of my induction programme over the coming months.

I look forward to the year ahead as your Audit Committee Chair, and will be available at the 2023 AGM along with Kevin Boyd to answer any questions about the work of the Committee."

Shatish Dasani
Audit Committee Chair
with effect from 7 March 2023

2022 in review

Members and meetings
The Committee comprises four Non-Executive Directors, being Shatish Dasani, Mark Hammond, Lisa Scenna and Louise Brooke-Smith. During the year, Louise Hardy stepped down as a Non-Executive Director and member of the Committee, and Shatish Dasani was appointed as a Non-Executive Director on 1 March 2023 and as Chair of the Committee from 7 March 2023. All Committee members are considered to be independent in accordance with the UK Corporate Governance Code.

In accordance with the requirements of Provision 24 of the Code, Shatish Dasani is designated as the Committee member with recent and relevant financial experience. All other members of the Committee are deemed to have the necessary ability and experience to understand the financial statements.

As demonstrated in the Board skills matrix summary in the Governance Report, the Audit Committee as a whole has competence relevant to the sector in which the Group operates. The Committee discharges its responsibilities through a series of scheduled formal meetings during the year. Each meeting has a formal agenda which is linked to the events in the financial calendar of the Group. Attendees at each of the meetings include the Committee members as well as, by invitation, the Chair, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Group Financial Controller, the external auditor, Ernst & Young LLP and Grant Thornton UK LLP who provide internal audit services to the Group. The Company Secretary is also Secretary to the Committee.

The Committee held four formal meetings during the year. In accordance with best practice, the Committee met regularly with the Ernst & Young LLP lead audit partner without executive management being present. The Committee also met with Grant Thornton UK LLP without executive management being present.

Governance
The responsibilities of the Committee are set out in its Terms of Reference. The Terms of Reference are reviewed on an annual basis to ensure they remain appropriate and reflect any changing governance requirements and recommendations, with any relevant updates made accordingly. The Committee Terms of Reference were reviewed and approved in November 2022 and are available on the Company's website. One of the Committee's responsibilities is to ensure it adequately reports to the Board on how it has discharged its responsibilities under these Terms of Reference.

In accordance with best practice, the effectiveness of the Committee was evaluated this year as part of the external Board and Committee evaluation. This evaluation involved an anonymous questionnaire to encourage open feedback, ensuring the evaluation provided a valuable feedback mechanism for identifying concerns, improving effectiveness and highlighting areas for further improvement as well as one-to-one interviews with the third-party evaluator.

At its meeting in March 2023, the Committee considered the results of the internal evaluation and concluded that it had found the Committee to be continuing to operate efficiently and effectively. Responses to the questionnaire and feedback gathered during the interview process showed that the Committee was unanimous in its view of the effectiveness of all functions of the Committee. This provides the Board with a high level of assurance that key issues are being dealt with appropriately.

As part of the process of working with the Board to carry out its responsibilities and to maximise its effectiveness, meetings of the Committee normally take place the day prior to the Board meetings, and which the Chair of the Committee will then provide an update to the Board on the Committee's discussions and decisions. Details of the role of the Committee and its activities in the year are set out in the remainder of this Report.

Audit Committee 2022 – full year agenda rotation

March 2022
- Internal audit activities and internal controls
- Key accounting judgements, including the Viability Statement and going concern
- External auditor's report, including significant accounting and reporting matters
- Review of Annual Report and Accounts 2021, including the preliminary announcement, analyst presentation, dividend and reserves, and fair, balanced and understandable assessment
- Consideration of reappointment of external auditor, including independence and effectiveness
- Whistleblowing, detection of fraud and prevention of bribery
- Cyber security
- Review of Committee performance

August 2022
- Internal audit activities and internal controls
- 2022 Interim report and accounts, including key accounting judgements and the interim results announcement and analyst presentation
- External auditor's report, including accounting standards and audit planning
- Whistleblowing, detection of fraud and prevention of bribery
- Cyber security

November 2022
- Scope for 2022 full year audit
- Internal audit activities and internal controls
- Review of new accounting standards and financial reporting
- Review of tax strategy
- Whistleblowing, detection of fraud and prevention of bribery
- Cyber security
- Governance, including Terms of Reference, composition and experience review and non-audit services policy

In addition to these key agenda items, discussions with the internal and external auditor without management took place at each meeting.

Role of the Committee and its activities during the year

Independent oversight of reporting procedures and financial statements

The Committee's role in overseeing reporting procedures and financial statements includes:

- monitoring the integrity of the financial statements of the Group including its annual and half-yearly reports, trading updates, preliminary results announcements and any other formal announcements relating to its financial performance;
- reviewing significant financial reporting issues and judgements; and
- reviewing the content of the Annual Report and Accounts and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

When approving the Group's interim and final results announcements, Committee meetings are scheduled prior to the Board meetings to allow the Committee to fully consider the financial reporting judgements made by management, prior to submitting to the Board for approval. These considerations are made through a review of the accounting papers and financial reports prepared and presented by management and reports prepared and presented by the Group's external auditor.

Fair, balanced and understandable

A key requirement of the financial statements is that they are fair, balanced and understandable (FBU). These principles aim to ensure that the financial statements accurately and fairly reflect the financial position and performance of the Group, and that they are presented in a clear and concise manner. To enable the Committee to reach a conclusion as to whether the Annual Report and Accounts meet with these principles, it is reviewed and assessed by the Committee in detail, to ensure that the information being presented to shareholders is such that it provides a reliable and accurate representation of the financial position and performance of the Group.

As part of this assessment, the Committee considers and reviews the disclosures and the processes and controls underlying its production. Its responsibility is to ensure that it correctly reflects the Company's performance in the reporting year in a clear and concise manner in line with the FBU principles, as well as ensuring there is consistent formatting and terminology throughout. Further details on this process can be found in the Corporate Governance Report on page 80.

Following the Committee's assessment of the Annual Report and Accounts, it concluded that in its opinion, the Annual Report and Accounts were accurate, consistent and presented a balanced view of the Group's financial performance. The Committee was therefore able to report to the Board that it had determined that the Annual Report and Accounts is fair, balanced and understandable.

Viability Statement

The Viability Statement is a longer-term view of the sustainability of the Company's proposed strategy and business model, considering wider economic and market developments as well as giving a clearer and broader view of solvency, liquidity and risk management. Its purpose is to provide assurance to shareholders that the Group is financially stable and capable of meeting its financial obligations over a longer period of time. The Committee considered the current Viability Statement during the year, as well as the current three-year period and remained of the opinion that this continued to be appropriate. Part of its assessment of the Viability Statement involved considering the risk scenarios presented, the sensitivities for the impact of the combined risks, the reverse stress testing, and the available headroom after applying the sensitivities. The full statement can be found in the Directors' Report on page 96, which contains further detail on the process, assumptions and testing which underpin it.

Going concern

In determining whether the Group can continue to adopt the going concern basis, the Committee considers and reviews the Group's overall resources for the foreseeable future covering a period of at least 21 months. Following this review, the Committee agreed that the forecasts presented were reasonable, and therefore the Annual Report and Accounts have been prepared on a going concern basis. The going concern statement for the Group can be found in the Directors' Report on page 96.

Financial reporting

The significant financial reporting risks reviewed by the Committee in respect of the year under review were as follows:

- Revenue recognition and customer rebates – the Committee considered the operating effectiveness of controls surrounding revenue recognition and management's assessment and recognition of customer rebate liabilities at the half year and year end.
- Impairment of non-financial assets – the Committee considered a detailed report prepared by management setting out the assumptions used in determining whether goodwill, other intangible assets or property, plant and equipment required impairment for any of the Business Units. This included a review of the discount rate and growth factors used to calculate the discounted projected future cash flows, the sensitivity analysis applied, and the discounted projected future cash flows used to support the carrying amount of the goodwill.

The significant estimates reviewed by the Committee in respect of the year under review were as follows:

- Contingent consideration – the Committee considered various reports prepared by management which assess the likelihood that targets will be achieved which trigger a liability to the joint owners of Plura, quantify the possible range of that liability, and how that liability should be calculated and disclosed in the consolidated financial statements.

The Committee is also responsible for considering the impact of new financial reporting standards and legislative requirements on the Group, reviewing the Group's tax strategy and recommending the Report of the Audit Committee for approval by the Board. All these activities were completed during the year and implemented as appropriate.

Audit Committee Report continued

Selection and supervision of independent auditors

The Committee's responsibility for selecting and supervising internal and external independent auditors includes:

- assisting the Board with the discharge of its responsibilities in relation to internal and external audits;
- overseeing the relationship with the external auditor including their appointment, reappointment and/or removal; approval of the scope of the annual audit, their remuneration and the terms of engagement; monitoring and reviewing their independence and objectivity, considering the effectiveness of the audit process and reviewing the extent of non-audit services performed; and
- monitoring and reviewing the effectiveness of the Group's internal audit function in the overall context of the Company's risk management system and the work of the compliance and finance functions and the external auditor.

Internal control and internal audit

Internal audit performs an integral role in the Group's governance structure and the Committee has reviewed and approved the scope of the rolling internal audit programme in relation to the Group's internal controls and procedures at each of the meetings held during the year. It considers the internal audit plan, internal audit reports and action tracker, reviewing and challenging the results and reports from Grant Thornton UK LLP who carry out the internal audit work, and the adequacy of management's responses and proposed resolutions.

Following a review of the three-year internal audit programme and the Group's ongoing requirements, a Group Internal Audit Director has been appointed from 2023, and a transitional arrangement is currently underway with Grant Thornton UK LLP in this regard.

The Risk Committee has responsibility for risk management on behalf of the Board, and therefore details of how risk is assessed, managed and controlled as well as an outline of its purpose in the governance structure of the Group can be found in the Risk Committee Report on page 87. Details of the Group's principal risks and uncertainties and emerging risks can be found in the Strategic Report on pages 55 to 62.

External audit appointment

The Committee carefully considers the reappointment of the external auditor each year prior to making its recommendation to the Board. As part of this process, the Committee considers the independence of the external auditor, the effectiveness of the external audit process, its remuneration, and the terms of engagement. Having reviewed the performance of Ernst & Young LLP in 2022, the Committee has decided to recommend to the Board that Ernst & Young LLP should be reappointed for the 2023 audit.

In accordance with current professional standards, the external auditor is required to change the lead audit partner every five years in order to protect auditor independence and objectivity. Ernst & Young LLP were awarded the external audit in 2012 following a competitive tender process. The lead audit partner was rotated in 2017 and again in 2022, and the senior audit manager was rotated in 2019 following completion of the 2018 full-year audit. In accordance with the Code, the Competition and Markets Authority (CMA) Order and the EU Audit Directive, it is the Company's intention to put the audit out to tender at least every ten years from when the Company became subject to the rotation requirements. Accordingly, the Company will run a competitive tender process during 2023 and report on this in the 2023 Annual Report and Accounts.

Effectiveness of the external audit process

Ernst & Young LLP confirmed its independence in November 2022 and March 2023 as it presented to the Committee on its determination of independence, to enable the Committee to fully, and appropriately, assess its independence.

Following this review, the Committee concluded that the external auditor remained independent. As a result, and after considering the above matters, the Committee considered that the audit had been effective and recommended to the Board that Ernst & Young LLP be reappointed as external auditor to the Group and a resolution to this effect will be proposed at the 2023 AGM.

Non-audit services

The Group's non-audit services policy restricts the external auditor from performing certain non-audit services in accordance with the Revised Ethical Standard 2016 issued by the FRC. All non-audit services proposed to be performed by the external auditor must be pre-approved and sponsored by a senior executive with a detailed written recommendation including: the nature and scope of the proposed service, the supplier selection process and criteria, the chosen supplier and selection rationale, the relationship of the individual within the external auditor to perform the proposed service with those undertaking the audit work, a fee estimate and the category of non-audit service, if relevant. In addition, the external auditor must provide a written statement of independence approved by the lead audit partner. All non-audit services proposed to be performed by the external auditor with a fee estimate in excess of £10,000 must also be pre-approved by the Committee. This policy and approach further enhances auditor objectivity and independence, and was reviewed by the Committee at its meeting in November 2022. There were no exceptions to this policy during 2022.

Fraud, compliance, whistleblowing, and UK Bribery Act

As part of its roles and responsibilities, the Committee monitors and reviews internal controls in the context of ethics and compliance, with the aim of strengthening governance systems across the Group.

Whistleblowing

The Committee recognises the importance of effective whistleblowing policies as being an additional tool to strengthen governance, by ensuring a reliable system is in place to identify and correct any unlawful or unethical conduct. In accordance with Principle E of the Code, a company's workforce should be able to raise any matters of concern and should be able to do so with confidence.
The Committee is responsible for ensuring adequate reporting tools and policies are in place. As part of this, it monitors any reported incidents under its whistleblowing policy, and via the third-party reporting provider.

The whistleblowing policy is included in the Employee Handbook as well as being accessible as a standalone policy. It sets out the procedure employees should follow to raise legitimate concerns about any wrongdoing in financial reporting or other matters such as:

- something that could be unlawful;
- a miscarriage of justice;
- a danger to the health and safety of any individual;
- damage to the environment; and
- improper conduct.

The anonymous hotline and online reporting tool support the internal processes and enable employees to feel confident to freely report any concerns they may have. This was implemented during 2021, and has proven to be an effective tool for employees and a preferred method for raising concerns.

Audit Committee Report continued

The Company Secretary provided regular updates to the Committee on any reports received via the third-party reporting line, and the action taken, where required, to address the concerns raised.

Fraud and the UK Bribery Act
The Committee is also responsible for reviewing the Group's compliance procedures for detecting fraud and the systems and controls in place to prevent a breach of anti-bribery legislation.
The Committee receives an annual update on the effectiveness of the ethics and compliance policies in place across the Group, as well as reviewing and approving any updated versions. These policies must be adhered to by all employees and are aimed at reducing the risk of fraud occurring. The Group is committed to a zero-tolerance position with regard to bribery. Those employees whom the Group considers are more likely to be exposed to potential breaches of the Group's anti-bribery policy and statutory obligations under the UK Bribery Act have been provided with relevant guidance on compliance with their obligations. The Group will continue to maintain a record of all employees who have received this guidance and request biannual confirmations from each relevant individual stating that they have complied with the Group's policy.

Cyber and information security
The Committee is responsible for ensuring adequate cyber and information security protections are in place across the Group. The Committee received regular cyber security updates from the Group IS Director throughout the year, in addition to those received by the Board as a whole.
Daily updates were given to the Board immediately following the isolated cyber incident experienced at our Nuaire business in April 2022, which was capably and efficiently responded to. The Committee remains satisfied with the ongoing investment and commitment to robust cyber defences, which follow the fundamentals of the NIST Framework. For completeness and to complement the updates and investments within cyber security, data protection and information security was also of particular focus for the relevant management teams across the Group. Additional data processing audits were conducted, and policies and training sessions refreshed. This reiterated the importance of cyber and information security across the Group, and ensured employees adequately understood this and were aware of the implications of non-compliance.

Further detail on the ongoing improvements and investment in cyber defence and controls across the Group, are shown to the right.

By order of the Board.

Kevin Boyd
Chair of the Audit Committee for the year ended 31 December 2022
14 March 2023

Cyber controls and defences

The Group remain vigilant of cyber threats, and the Committee is committed to ensuring effective cyber controls and defences exist across the Group and its businesses. Maintaining a sustainable strengthened cyber security posture is deemed a key priority by the Committee, and continued investment and mitigations have been put in place to strengthen these during 2022. The Group will continue to invest in Information Security, keeping abreast of changing environments; monitoring changes in the external environment closely and continuing to follow the fundamentals of the National Institute of Standards and Technology (NIST) framework.

Some of the achievements of the Group in cyber security controls are as follows:

- Implementation of prime antivirus solution and outsourced managed detection & response service (MDR).
- Implementation and approval of a leading data security solution, giving the ability to automatically discover, classify and label sensitive data, and remediate data exposure and misconfigurations instantly.
- Group wide-area network (WAN), with best-in-class firewall technology, giving next generation firewall features including network segmentation across every business in the Group.
- Enhanced email security including advance artifical intelligence (AI) and machine learning (ML) intelligence to drastically reduce email and phishing threats.
- Appointment of an Information Security Manager to support the strategy and deployment of new technologies, processes and risk management.
- Implementation of improved back up and disaster recovery technologies using cloud-based datacentres and technology, allowing our businesses to return to operations from on-premises to cloud-based promptly.

Directors' Report

Statutory and other information

Introduction

The Directors present their Annual Report and Accounts for the year ended 31 December 2022. In accordance with the Companies Act 2006 as amended, and the Listing Rules and the Disclosure Guidance and Transparency Rules, the Reports within the Governance section of the Annual Report and Accounts should be read in conjunction with one another, and with the Strategic Report. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report (pages 11 to 62) as the Board considers them to be of strategic importance.

The Company

Genuit Group plc is a public company limited by shares, incorporated in England and Wales, with registered number 06059130. Since 16 April 2014, the Company has been listed on the premium segment of the London Stock Exchange. While the Group operates predominantly in the UK, it does have operations in Ireland, Italy, the Netherlands and the Middle East.

Strategic Report

The Companies Act 2006 requires the Company to present a fair review of the development and performance of the Group's business during the financial year and the position of the business at the end of that year. This review is contained within the Strategic Report on pages 11 to 62. The principal activities of the Group are described in the Strategic Report on pages 11 to 41.

Financial risk management

The Group's financial risk management objectives and policies, including information on financial risks that materially impact the Group and financial instruments used by the Group (if any), are disclosed in Note 29 to the Group's consolidated financial statements on pages 167 to 169.

Viability Statement

In accordance with Provision 31 of the Code, the Directors have assessed the prospects of the Group over a longer period than that required by the 'going concern' provision. The Board conducted this review for a period of three years as the Group's Strategic Review covers a three-year period. During 2022, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency, or liquidity.

In performing scenario analysis, the Directors have assumed the Group's banking facilities and Sustainability-Linked Loan revolving credit facility agreement of £350.0m with a £50.0m uncommitted accordion facility which expires in August 2027 will continue to be available. Further, they have assumed the separate agreement for private placement loan notes of £25.0m will be repaid at the end of their full term in August 2029. Within the base case scenario, the Directors have assumed that the Group's volumes will move in line with industry forecasts.

The Directors believe that the Group is well placed to manage its business risks successfully, having considered the current economic outlook. In their assessment of the viability of the Group, the Directors have considered 6 scenarios each considering the impact of one of the Group's principal risks and uncertainties, detailed on pages 55 to 62 of the Strategic Report. In addition, the Directors have considered a combined scenario which reflects the impact of multiple risks. The most severe scenario considers the impact of both a recession, with a similar impact to that of the 2007 to 2010 Global Financial Crisis, and a delay in recovering increases in raw material costs of 25% from customers. Even under these scenarios the Group would not be required to pursue any of its available mitigating actions in order to avoid a breach of covenants or exhaust available liquidity. Notwithstanding the Directors' expectation that they would not need to pursue mitigating actions, they have identified the reduction of capital expenditure and dividend payments as the two most significant mitigations.

The Board included this in its assessment of the viability of the Group. Accordingly, the Board believes that, considering the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2025, being the period considered under the Group's current three-year strategic plan.

Going concern statement

The Directors have made enquiries into the adequacy of the Group's financial resources, through a review of the Group's budget and medium-term financial plan, including cash flow forecasts. The Group has modelled a range of scenarios, with the base forecast being one in which, over the 24 months ending 31 December 2024, sales volumes grow in line with or moderately above external construction industry forecasts.

In addition, the Directors have considered several downside scenarios, including adjustments to the base forecast, a period of significantly lower like-for-like sales, profitability and cash flows. Consistent with our principal risks and uncertainties, these downside scenarios included, but were not limited to, loss of production, loss of a major customer, product failure, recession, increases in interest rates and increases in raw material prices. Downside scenarios also included a combination of these risks and reverse stress testing. The Directors have considered the impact of climate-related matters on the going concern assessment and they are not expected to have a significant impact on the Group's going concern.

At 31 December 2022, the Group had available £179.1m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities are available until at least August 2027, subject to covenant headroom. The Directors are satisfied that the Group has sufficient liquidity and covenant headroom to withstand reasonable variances to the base forecast, as well as the downside scenarios. In addition, the Directors have noted the range of possible additional liquidity options available to the Group, should they be required.

Directors' Report continued

As a result, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for a period of at least the next 21 months. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Directors

The current Directors' biographies are set out on pages 68 and 69. In accordance with the Code, each Director will retire annually and put themselves forward for re-election at each AGM of the Company. Shatish Dasani joined the Board on 1 March 2023 so will offer himself for election at the 2023 AGM, and for re-election annually thereafter.

Appointment and replacement of Directors

The rules about the appointment and replacement of Directors are contained in our Articles of Association (the Articles). They provide that Directors may be appointed by ordinary resolution of the members or by a resolution of the Directors.

Directors must retire and put themselves forward for election at the first AGM following their appointment and every third anniversary thereafter. However, the Directors wishing to continue to serve as members of the Board will seek re-election annually in accordance with the Code.

Details of the Non-Executive Directors' letters of appointment are given on page 78 under 'Appointment and tenure'. The Executive Directors have service contracts under which 12 months' notice is required by both the Company and the Executive Director.

Powers of Directors

The general powers of the Directors set out in Article 104 of the Articles provide that the business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to any limitations imposed by applicable legislation or the Articles.

The general powers of the Directors are also limited by any directions given by special resolution of the shareholders of the Company which are applicable on the date that any power is exercised.

Compensation for loss of office

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on page 112.

Directors' indemnity arrangements

Directors and officers of the Company are entitled to be indemnified out of the assets of the Company in respect of any liability incurred in relation to the Company or any associate Company, to the extent the law allows. In this regard, the Company is required to disclose that, under Article 224 of the Articles, the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 2006, against liabilities incurred by them in the execution of their duties and exercise of their powers. This indemnity has been in place since the Company's listing in 2014 and remains in place. The Company has purchased and maintained throughout the financial period Directors' and Officers' liability insurance.

Share capital

As at 31 December 2022, the share capital of the Company was 249,170,247 ordinary shares of £0.001 each, of which 375 ordinary shares were held in treasury. Details of the Company's share capital are disclosed in Note 24 to the Group's consolidated financial statements on page 162. As at 14 March 2023, the share capital of the Company was 249,170,247 ordinary shares of £0.001 each, of which 375 ordinary shares were held in treasury.

Authority of the Directors to allot shares

The Company passed a resolution at the AGM held on 19 May 2022 authorising the Directors to allot ordinary shares up to an aggregate nominal amount of £165,446.18 (representing approximately two-thirds of the ordinary share capital). On 7 April 2022, the Company allotted 1,000,000 shares pursuant to this authority in connection with the Company's employee share schemes. This authority will expire at the Company's 2023 AGM and the Directors will be seeking a new authority to allot shares, to ensure that the Directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes.

Issue of shares

A special resolution was passed at the AGM held on 19 May 2022 granting the Directors the authority to issue shares on a non-pre-emptive basis up to an aggregate nominal amount of £12,408.46 (representing 12,408,464 ordinary shares or approximately 5% of the ordinary share capital). A special resolution was also passed granting the Directors the authority to issue shares on a non-pre-emptive basis in respect of an additional 5% of the ordinary share capital in connection with an acquisition or specified capital investment.

These authorities will expire at the Company's 2023 AGM. The Directors will therefore be seeking a new authority to issue shares for cash on a non-pre-emptive basis up to £166,113.25, and the Directors also propose to seek authority to issue non pre-emptively share capital of the Company in accordance with the recently updated Pre-Emption Group's Statement of Principles 2022 on Disapplying Pre-Emption Rights, being no more than 24% in total rather than the previous thresholds of 10% in accordance with the Pre-Emption Group's Statement of Principles published in 2015. The Directors will also seek authority to issue non-pre-emptively for cash shares up to £24,916.99 (representing 24,916,987 ordinary shares or approximately 10% of the ordinary share capital) for use only in connection with an acquisition or specified capital investment, and a further authority of no more than 2%, to be used only for the purposes of making a 'follow on offer', as set out in the Pre-Emption Group guidance.

Purchase of own shares by the Company

A special resolution was passed at the AGM held on 19 May 2022 granting the Directors the authority to make market purchases of up to 37,200,575 ordinary shares with a total nominal value of £37,200.58 representing approximately 14.99% of the Company's issued ordinary share capital. The authority to make market purchases will expire at the Company's 2023 AGM and the Directors will be seeking a new authority to make market purchases up to 14.99% of the Company's issued ordinary share capital, which will only be exercised if the market and financial conditions make it advantageous to do so. Further details are set out in the explanatory notes of the notice convening the AGM.

Rights attaching to shares

The rights attaching to the ordinary shares are summarised as:

- the ordinary shares rank equally for voting purposes;
- on a show of hands each shareholder has one vote and on a poll each shareholder has one vote per ordinary share held;
- each ordinary share ranks equally for any dividend declared;
- each ordinary share ranks equally for any distributions made on a winding-up of the Company;

Directors' Report continued

- each ordinary share ranks equally in the right to receive a relative proportion of shares in the event of a capitalisation of reserves;
- the ordinary shares are freely transferable; and
- no ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights.

Amendment to the Company's Articles
The Company may alter its Articles by special resolution passed at a general meeting of the Company. A resolution to amend the Articles was voted on and passed by shareholders at the 2020 AGM.

Political donations
The Group made no political donations during the year.

Greenhouse gas emissions
Information on the Group's greenhouse gas emissions is set out in the Strategic Report on pages 24 and 25, and forms part of this Report by reference.

Future developments within the Group
The Strategic Report contains details of likely future developments within the Group. The Group's research and development costs are disclosed in Note 6 to the Group's consolidated financial statements on page 152.

Overseas operations
As explained in the Strategic Report, the Group operates in the UK, Ireland, Italy, the Netherlands and the Middle East.

Post balance sheet events
There have been no significant post balance sheet events to report.

Principal risks and uncertainties
The Board has carried out a robust assessment of our current key risks and these are summarised in the Principal Risks and Uncertainties section of the Strategic Report on pages 55 to 62.

Results and dividends
An interim dividend of 4.1 pence per share was paid on 28 September 2022. The Board recommends a final 2022 dividend of 8.2 pence per share.

Shareholders will be asked to approve the final dividend at the AGM, for payment on 24 May 2023 to shareholders whose names appear on the register on 21 April 2023.

Total ordinary dividends paid and proposed for the year amount to 12.3 pence per share or a total return to shareholders of £30.5m.

Employees
The Group is committed to employment principles which not only follow best practice, but are based on equal opportunities for all colleagues, irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment or religion or belief. Full and fair consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The Group encourages and supports the continued employment and training, career development and promotion of disabled persons employed by the Group; including making reasonable adjustments where required. If any employee becomes disabled, every effort is made by the Group to support and ensure their continued employment, either in the same or an alternative position, with appropriate retraining given if necessary.

The Board is aware of its obligations to engage with employees and the Group's wider stakeholders, as outlined under The Companies (Miscellaneous Reporting) Regulations. Further detail of its activities during the year can be found in our Stakeholder Engagement section on pages 42 to 45, our s172 statement on pages 46 to 48, and our Board employee engagement activities on page 76 of the Governance Report.

	As at 31 December 2022		As at 14 March 2023	
NAME OF SHAREHOLDER	Ordinary shares	% Voting Rights	Ordinary shares	% Voting Rights
Impax Asset Mgt	19,896,222	7.99	19,896,222	7.99
abrdn	19,634,188	7.88	15,241,044	6.12
Liontrust Asset Mgt	13,171,979	5.29	11,028,911	4.43
Lansdowne Partners	11,949,195	4.80	11,819,001	4.74
Franklin Templeton Investments	11,129,699	4.47	11,122,000	4.46

Substantial shareholders
As at 31 December 2022 and 14 March 2023, the Company was aware of the interests in voting rights representing 3% or more of the issued ordinary share capital of the Company set out below. This information was correct at the date of notification. It should be noted that these holdings may have changed since they were notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

Auditor
A resolution to reappoint Ernst & Young LLP as the Company's external auditor and to authorise the Directors to fix the auditor's remuneration will be proposed at the 2023 AGM.

Directors' statement of disclosure of information to auditor
Each of the Directors has confirmed that as at the date of this Report:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Directors have taken all reasonable steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Requirements of the Listing Rules
Apart from the details of any long-term incentive scheme as required by Listing Rule 9.4.3.R, which is disclosed in the Directors' Remuneration Report on pages 114 to 126, disclosure of the information listed in Listing Rule 9.8.4R is not applicable.

Annual General Meeting
The 2023 AGM is scheduled to be held on 18 May 2023. A full description of the business to be conducted at the meeting is set out in the separate notice of AGM.

By order of the Board.

Emma Versluys
Company Secretary
14 March 2023

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Group's consolidated financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group's consolidated financial statements in accordance with UK-Adopted International Accounting Standards (IFRSs).

Under company law the Directors must not approve the Group's consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Group's consolidated financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether IFRSs have been followed, subject to any material departures disclosed and explained in the Group's consolidated financial statements; and
- prepare the Group's consolidated financial statements on the going concern basis unless it is appropriate to presume that the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group's consolidated financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Section 172 Statement, Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Directors' responsibility statement

The Directors confirm, to the best of their knowledge:

- the Group's consolidated financial statements, prepared in accordance with UK-Adopted International Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and undertakings included in the consolidation taken as a whole
- the Annual Report and Accounts, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- they consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy

By order of the Board.

Joe Vorih
Chief Executive Officer

Paul James
Chief Financial Officer
14 March 2023

Committee Chair introduction

Remuneration Committee Report

Lisa Scenna
Chair of the Remuneration Committee

2022 Key Achievements

- Management of key remuneration issues in a challenging inflationary environment
- Review of remuneration structure and targets for new CEO and for short and long-term incentives
- More formalised and improved process for wider workforce engagement in relation to remuneration, in conjunction with the Chief People Officer and designated NED

Areas of focus for 2023

- Review the Policy ahead of the 2024 AGM following a review of Group-wide remuneration arrangements
- Engagement with investors ahead of 2024 AGM
- Performance against the targets set will be reviewed regularly throughout the year
- Engagement with the wider workforce on Executive remuneration and consideration of employee views during the Policy review

Dear Shareholder

I am pleased to present the Directors' Remuneration Report (the Report) for the year ended 31 December 2022, having taken over as Chair of the Committee in September 2022 when Louise Hardy stepped down from the Board and as Committee Chair. On behalf of the Board, I wish to thank Louise for the work she undertook while Chair of the Committee.

The Report is split into two sections in line with legislative reporting regulations:

- The Remuneration Policy (the Policy) contains details of the various components of the Policy, which was approved by shareholders at our 2021 Annual General Meeting (AGM) and had effect from that date.
- The Annual Report on Remuneration contains details of remuneration received by Directors in 2022 and also contains full details of how we intend to implement the Policy during 2023. The Annual Report on Remuneration will be subject to an advisory vote at the 2023 AGM. Further details are set out on pages 114 to 126.

This Directors' Remuneration Report is compliant with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 (and subsequent amendments), the UK Listing Authority Listing Rules and the Companies Act 2006 and has been prepared on a 'comply or explain' basis with regard to the remuneration provisions included in the UK Corporate Governance Code 2018 (the Code).

Aligning remuneration with Company strategy

The Policy is designed to encourage achievement of our strategic goals and priorities, details of which are set out on pages 105 to 113, by rewarding in line with underlying Company performance whilst encouraging leadership behaviour which carries an appropriate level of risk. This is achieved by an annual bonus arrangement, which is linked to achieving financial and non-financial targets, as well as a long-term incentive plan, which only rewards for shareholder value creation and delivery of long-term earnings growth.

Executive remuneration in 2022

2022 was a challenging year with tough market conditions arising from a combination of double digit inflation and increases to interest rates. In this context, the Company delivered resilient performance, passing through rising costs where possible at the same time as continuing to offer competitive pricing to our valued customers. Further details are set out in the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) reviews on pages 7 to 10 and 50 to 54. In 2022, we achieved an underlying operating profit of £98.2m and an underlying basic earnings per share of 30.8 pence.

Despite the difficult market conditions detailed above, we delivered solid performance in partially achieving against our EBIT margin and working capital targets. As a result, the Committee determined that, in respect of 2022 performance, Joe Vorih, Paul James, and Matt Pullen each earned a bonus of 13% of the maximum potential annual bonus. In accordance with the Policy, one third of this bonus will be deferred into shares. The same approach was used to determine the annual bonus outcome across the Group. The Committee is comfortable that the formulaic outcome of the bonus reflects the wider performance of the business, and therefore no adjustments to the payouts are required.

With regards to performance over the longer term, the 2020 Long-Term Incentive Plan (LTIP) Awards were granted during the pandemic. As a result, the decision was taken to set a sole Total Shareholder Return (TSR) performance target, given the challenges with setting meaningful targets during 2020, and in light of the fact that financial guidance was suspended during the Covid-19 pandemic. The Company's TSR performance was assessed against FTSE 250 companies that are classified as Industrials by the Industry Classification Benchmark. Performance was assessed over the three financial years to 31 December 2022. As a result of below median TSR performance compared against our FTSE 250 industrials comparator group, the award will not vest and all options outstanding will lapse in June 2023.

The Committee is comfortable that the Policy operated as intended during the year.

2022 LTIP Awards

In April 2022, the Committee approved the grant of LTIP awards to the Executive Directors and other senior management. Award levels were 150% of annual salary for Joe Vorih, Paul James and Matt Pullen. These award levels are below the maximum of 200% of annual salary permitted under the current Policy.

Remuneration Committee Report continued

The Committee considered a number of possible performance measures, and concluded that it was appropriate that a combination of stretching earnings per share (EPS) growth targets, relative Total Shareholder Return (TSR) targets, and sustainability targets aligned with the key elements of the Company's sustainability strategy, provided an appropriate basis for rewarding the successful delivery of longer-term strategic priorities, Company growth and shareholder value.

In light of the prevailing share price at the time of grant, the Committee agreed the inclusion of a windfall provision in relation to the 2022 awards. The Committee will determine whether there has been a windfall gain at the time of vesting. In doing so, consideration will be given to the share price performance over the six months immediately following grant (i.e. is there any evidence of a short-term bounce in the share price) and any other factors it considers appropriate.

Board changes

Martin Payne stepped down from the Board and his role as CEO in February 2022. In the context of his departure having been mutually agreed, he continued to receive his contractual entitlements through to his cessation of employment on 20 May 2022 and was treated as a good leaver in connection with his incentives. Mr Payne remains subject to the Company's post-cessation of employment share ownership guidelines. Page 123 provides further details of the terms of his cessation of employment.

Joe Vorih was appointed as CEO with effect from 28 February 2022, and was recruited on a base salary of £560,000, details of which were outlined in the 2021 Directors' Remuneration Report.

Both Joe Vorih and Matt Pullen (who was appointed on 1 November 2021) were eligible to receive replacement share awards for awards which lapsed in connection with joining Genuit. Further details are set out on pages 122 and 123 and on page 109 in the 2021 Annual Report.

Ron Marsh retired from the Board on 31 December 2022 after completing nearly nine years of service. After a full externally facilitated search process, Kevin Boyd was appointed as Ron Marsh's successor as the Company's Chair with effect from 1 November 2022. Ron Marsh remained on the Board until 31 December to assist with the handover of the Chair role.

As a part of the work undertaken in respect of the search for a successor to Ron Marsh, the Chair fee was reviewed. The market data suggested that the current fees payable were below market due to the growth in the size and complexity of the Company. Taking into account the market positioning and the time commitment for the role, the Chair fee was increased to £200,000, effective from 1 November 2022.

Louise Hardy stepped down from the Board and as the Committee Chair on 30 September 2022. I was appointed as Chair of the Committee with effect from the same date. I would like to thank Louise for her hard work and contribution as Committee Chair, and wish her every success for the future.

Key remuneration decisions for 2023

The implementation of the Policy for our Executive Directors for 2023 is outlined on pages 105 to 113. Key decisions made by the Committee in relation to 2023 include:

– During the year the Committee reviewed the salary increases for the wider workforce, taking into account high inflation and the increase in cost of living. As a result of the review, the Committee determined that there should be a tiered approach to salary increases, favouring the lowest paid. On this basis, salary increases for the wider workforce ranged from 3%-6%, with the higher increases focused on employees earning less than £35,000 per annum. Therefore, the Remuneration Committee were comfortable with an increase of 3% in salary for Executive Directors.

– Paul James's pension provision reduced from 15% of salary to 5% of salary with effect from 1 January 2023 to achieve alignment with the typical UK workforce provision.

– The maximum bonus opportunity in FY 2023 will be 150% of salary for Joe Vorih and 125% of salary for the other Executive Directors. With regard to the LTIP quantum of FY 2023 awards, the Committee intends to make awards at 150% of salary to the Executive Directors. In recognition of current share price volatility, the Committee intends to include the ability to adjust the number of shares vesting in the FY 2023 long-term incentive award in the event there is perceived to be a windfall gain on vesting.

– During the year, the Committee reviewed the performance measures for the annual bonus and determined that the working capital measure should be replaced by operating cash flow conversion, to encourage longer-term behaviours in relation to working capital. In addition, the total weighting on EBIT and EBIT margin was reduced from 75% to 65%, resulting in a corresponding increase in the weighting of the strategic objectives from 10% to 20% to better align the annual bonus with the in-year objectives that have been set to contribute towards the longer-term delivery of sustainable shareholder value. As a result of the review, the performance measures to be used to assess Company performance in 2023 will include Group underlying EBIT, Group EBIT margin and operating cash flow conversion targets, which determine 80% of the annual bonus. Specific strategic objectives, closely aligned to the Company's refreshed strategy outlined at the Capital Markets Day in November 2022, will operate for the remaining 20%. In addition, a health and safety and a compliance override will be operated for the first time, in relation to which the Committee will have discretion to reduce any annual bonus payable in the event that certain circumstances arise.

– In line with the weightings and measures for the 2022 LTIP, the proportion of the LTIP subject to underlying diluted EPS will be set at 50% of the 2023 awards, with relative TSR determining 25% of the vesting of the awards and the remaining 25% subject to defined and measurable long-term sustainability targets.

Remuneration Committee Report continued

- The Committee intends to undertake a final review of the range of targets to apply to the 2023 LTIP awards prior to grant to ensure that any changes to the external environment can be taken into account. The current intention is that the underlying diluted EPS targets will require EPS to be at least 30.1 pence for FY 2025 for threshold vesting to take place, with maximum vesting requiring EPS to be at least 35.6 pence. The range of EPS targets has been set in light of both internal planning, the market's expectations for our future performance and current market conditions that include higher interest and corporate tax rates in the UK. Given the uncertainty around future corporate tax rates in the UK, it is the Committee's intention to restate the targets to the extent that there are material changes to the current published statutory corporate tax rates during the performance period, to ensure that there will be a strong relationship between performance and reward. The targets are considered similarly challenging to those set in prior years in this context. The TSR targets will require Group performance to be between median and upper quartile versus our FTSE 250 Industrial comparator companies for threshold to maximum vesting to take place.
- The sustainability targets are set to be similarly challenging to the EPS and TSR targets and include increasing the amount of recycled plastics in our products, reducing our emissions intensity and achieving Gold Membership of The 5% Club, which supports employees with acquiring the right skills to achieve future success. The sustainability targets directly align with the 2025 targets first set out to the market at our Capital Markets Event in November 2020.
- The range of financial targets set for the three years ending 31 December 2025 have been set to be similarly challenging to those set in prior years. The targets were set with reference to both internal plans and external market expectations for future performance, both of which were influenced by market conditions such as relatively high rates of inflation and interest rates.

The Committee believes that this combination of short-term and longer-term metrics and targets will provide a fair and rounded assessment of Company performance.

Context of Director pay within the Company

During the year, the Committee reviewed the analysis of the overall gender pay gap and equity of role-based pay within the Company. The Board and the Committee were satisfied appropriate actions were being taken and will continue to monitor the situation going forward.

As required by legislation we have included pay ratios between the CEO and our wider workforce using remuneration earned in 2022. As part of its discussions on this issue, the Committee noted that the ratio was consistent with the scope and responsibilities of the different roles undertaken by the individuals included in the analysis, and that the ratios were within the range disclosed by other FTSE 250 companies to date.

Louise Brooke-Smith is the Company's appointed Non-Executive Director with responsibility for employee engagement which includes, where appropriate, engagement with employees on how executive remuneration aligns with wider Company pay policy.

Given that the remuneration structures were not raised as a material issue during the engagement with employees, it was not considered necessary to make any changes to the current remuneration structures. Further detail on this role is set out in the Governance Report on page 76. We have set out our compliance with Provision 40 of the Code in more detail on page 105.

Shareholder engagement

The Committee consults with its larger shareholders on executive pay matters, where considered appropriate. As there are no significant changes in the implementation of the Policy, we have not carried out a further formal consultation with shareholders in relation to the Policy or its operation in 2023. However, I am always happy to make myself available to shareholders to discuss any concerns or feedback they may have. We will consult with shareholders during the Policy review process ahead of the 2024 AGM, and I will be available to answer questions on the Policy and the Annual Report on Remuneration at the upcoming AGM.

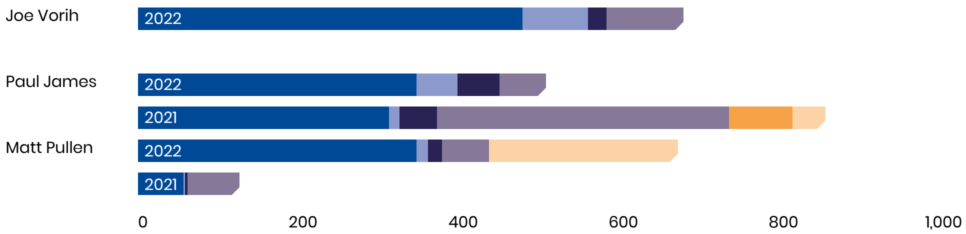
I hope you will find this report to be clear and helpful in understanding our remuneration practices and that you will be supportive of the resolution relating to remuneration at the AGM.

Lisa Scenna
Chair of the Remuneration Committee
14 March 2023

Remuneration at a glance

Total Remuneration (£'000s)

Key Salary Benefits Pension Annual bonus Long-term Incentive Other



Full details are disclosed on page 117

Incentive Performance Snapshot 2022

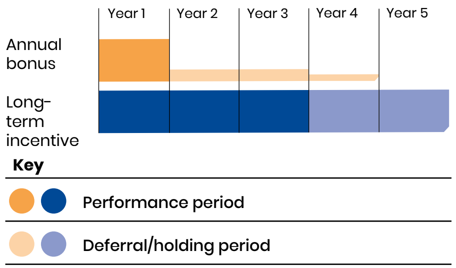
Long-Term Incentive Plan Performance

Performance	Achievement (% of max)
Below the median TSR performance relative to comparator group	**0%**

Annual bonus

Performance	Achievement (% of max)
Underlying EBIT target	**0%**
EBIT margin %	**9.56%**
Working capital target	**3.80%**
Strategic targets	**0%**

Incentive Timelines



Annual General Meeting

The Annual Report on Remuneration will be subject to an advisory shareholder vote at our AGM scheduled to be held on 18 May 2023

Implementation for 2023

Fixed pay

Base salary

Increases for all Executive Directors (effective from 1 January):

Joe Vorih	Paul James	Matt Pullen
+3.0% TO £576,800	+3.0% TO £350,200	+3.0% TO £350,097

Benefits

No change

Pension

5% of salary for Joe Vorih, Paul James and Matt Pullen

Variable pay

Bonus

Joe Vorih	Paul James	Matt Pullen
150% OF SALARY	125% OF SALARY	125% OF SALARY

- Subject to underlying EBIT, EBIT margin, operating cash flow conversion targets and strategic objectives
- 33% deferred into shares. Half the shares vest two years from grant and half three years from grant

LTIP

Joe Vorih	Paul James	Matt Pullen
150% OF SALARY	150% OF SALARY	150% OF SALARY

- Awards subject to underlying diluted EPS, relative TSR and sustainability performance measures
- Two year post-vesting holding period applies

Share Ownership

- 200% of salary in employment share ownership guideline and a post-employment requirement to retain the lower of the shares held at cessation of employment and 200% of salary for two years

Remuneration Policy

This part of the Report sets out the Directors' Remuneration Policy (the Policy).

The Company's current Policy was approved by shareholders at the 2021 AGM following consultation with shareholders and the shareholder advisory bodies. This part of the Report sets out the Policy. Details of the changes to the previous policy can be found in the 2020 Annual Report and Accounts. This Policy applied from the date of approval and it is intended that it will apply for three years from approval, therefore the next remuneration policy will be put to shareholders for approval in 2024. The information provided in this section of the Directors' Remuneration Report is not subject to audit.

Our Policy and practices are designed to support strategy and promote long-term sustainable success. Executive remuneration is aligned to Company purpose and values, especially with the increased emphasis on sustainability in the application of Policy from 2021, and our overall Policy is clearly linked to the successful delivery of the Company's long-term strategy.

Corporate Governance Code Requirements

In its application of the Policy in line with the UK Corporate Governance Code (the Code), the Policy has been tested against the six factors listed in Provision 40 of the Code as follows:

Clarity

Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce

Remuneration arrangements are clearly articulated within the Annual Report and Accounts to shareholders and other stakeholders. The Policy is clearly disclosed on pages 105 to 113 and the implementation of the Policy is set out on pages 114 to 126. Before updating the Policy, extensive consultation with the Company's major shareholders and the leading advisory bodies took place. All feedback was carefully reviewed and considered, to ensure that the arrangements proposed were clear, understandable and transparent, and clearly aligned to stakeholder interests.

Risk

Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated

The Policy has been designed to discourage inappropriate risk taking through a weighting of incentive pay towards long-term incentives, the balance between financial and non-financial measures in the annual bonus and bonus deferral, recovery provisions, and shareholding requirements. The Committee therefore believes that the performance targets in place for the incentive schemes provide appropriate rewards for stretching levels of performance without driving behaviour which is inconsistent with the Company's risk profile. In addition, to avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No Executive Director or other member of management is present when their own remuneration is under discussion.

Proportionality

Remuneration arrangements should ensure the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance

There is an equal balance between short-term and long-term incentives and performance conditions include both financial and non-financial performance linked to strategy. The Policy was updated in 2021 which increased the proportion of the annual bonus payable to Executive Directors which is required to be deferred into shares, further aligning short-term incentives with long-term performance. All incentive targets are set to be stretching and incentivising. The Committee has discretion to override formulaic outturns to ensure that they are appropriate and reflective of overall performance.

Simplicity

Remuneration structures should avoid complexity and their rationale and operation should be easy to understand

Our remuneration arrangements are regularly reviewed to ensure they are as simple as possible and in line with market practice, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to Group performance and strategy. Additional steps are taken to ensure these are effectively communicated and understood by all participants.

Predictability

The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy

The Annual Report on Remuneration clearly sets how the Policy has been applied during the year, as well as the Committee's intentions for the following reporting year. This is put to a shareholder vote at each Annual General Meeting of the Company. Elements of the Policy are subject to caps and dilution limits. Examples of how remuneration varies depending on performance is set out in the scenario charts. Any incentive payout is ultimately at the discretion of the Committee.

Alignment to culture

Incentive schemes should drive behaviours consistent with Company purpose, values and strategy

Variable incentive schemes, performance measures and underpins are designed to be consistent with the Company's purpose, values and strategy. In 2020 we refined our performance metrics to include sustainability targets in our long-term incentive plan which reflects the increasing importance of sustainability within our future strategy, rewarding for supporting the Company's growth-focused, sustainability centric culture. The Sharesave Plan is in place for all eligible employees across the Group (in the UK and overseas), to encourage them to become shareholders and have a share in our future growth.

Remuneration Policy continued

Executive Directors

Fixed Pay	
Base Salary	
Purpose and link to strategy	To appropriately recognise skills, experience and responsibilities and attract and retain talent by ensuring salaries are market competitive.
Operation	Generally reviewed annually with any increase normally taking effect from 1 January, although the Committee may award increases at other times of the year if it considers it appropriate. The review takes into consideration a number of factors, including (but not limited to): – The individual Director's role, experience and performance. – Business performance. – Market data for comparable roles in appropriate pay comparators. – Pay and conditions elsewhere in the Group.
Maximum opportunity	No absolute maximum has been set for Executive Director base salaries. Current Executive Director salaries are set out in the Annual Report on Remuneration section of this Remuneration Report. Any annual increase in salaries is at the discretion of the Committee taking into account the factors stated in this table and the following principles: – Salaries would typically be increased at a rate consistent with the average salary increase for UK employees. – Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group). – Larger increases may also be considered appropriate if a Director has been initially appointed to their position on the Board at a lower than typical salary.
Performance conditions and provisions for recovery of sums paid(1)	No performance conditions. Recovery and withholding provisions do not apply.
Benefits	
Purpose and link to strategy	To provide market-competitive benefits.
Operation	Benefits currently include company car (or car allowance), income protection insurance, private family medical insurance, permanent health insurance and life assurance of four times annual salary. The Committee has discretion to add to or remove benefits provided to Executive Directors. Executive Directors are entitled to reimbursement of reasonable expenses. Executive Directors also have the benefit of a qualifying third-party indemnity from the Company as well as Directors' and Officers' liability insurance.
Maximum opportunity	There is no overall maximum as the level of benefits depends on the annual cost of providing individual items in the relevant local market and the individual's specific role.
Performance conditions and provisions for recovery of sums paid(1)	No performance conditions. Recovery and withholding provisions do not apply.

Remuneration Policy continued

Pension	
Purpose and link to strategy	To provide market-competitive retirement benefits.
Operation	Current policy is for the Company to contribute to the Group Pension Plan, a personal pension scheme and/or provide a cash allowance in lieu of pension.
Maximum opportunity	New joiners will receive a pension-related contribution in line with the wider workforce (currently 5% of salary). Incumbent Executive Directors receive a pension-related contribution of 5% of salary, the level of the wider workforce.
Performance conditions and provisions for recovery of sums paid(1)	No performance conditions. Recovery and withholding provisions do not apply.

Variable Pay

Annual Bonus(2)(3)	
Purpose and link to strategy	To link reward to key financial and operational targets for the forthcoming year. Additional alignment with shareholders' interests through the operation of bonus deferral.
Operation	The Executive Directors are participants in the annual bonus plan which is reviewed annually to ensure that bonus opportunity, performance measures and targets are appropriate and supportive of the business plan. No more than two thirds of an Executive Director's annual bonus is delivered in cash following the release of audited results and the remaining amount is deferred into an award over Company shares under the Deferred Share Bonus Plan. – Deferred awards are usually granted in the form of conditional share awards or nil-cost options (and may also be settled in cash). – Deferred awards usually vest in two equal tranches two and three years after award although may vest early on leaving employment or on a change of control (see later sections). – An additional payment (in the form of cash or shares) may be made in respect of shares which vest under deferred awards to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).
Maximum opportunity	The maximum award that can be made to an Executive Director under the annual bonus plan is 150% of salary for the Chief Executive Officer and 125% of salary for other Executive Directors.
Performance conditions and provisions for recovery of sums paid(1)	The bonus is based on performance assessed over one year using appropriate financial, operational and individual performance measures. The majority of the bonus will be determined by measures of Group financial performance. A sliding scale of targets is set for each Group financial measure with payout at no more than 25% for threshold financial performance increasing to 100% for maximum performance. The remainder of the bonus will be based on financial, strategic or operational measures appropriate to the individual Executive Director. Details of the bonus measures operating each year will be included in the relevant Annual Report on Remuneration. The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the annual bonus plan. Any bonus payout is ultimately at the discretion of the Committee. The cash bonus will be subject to recovery and/or deferred shares will be subject to withholding at the Committee's discretion in exceptional circumstances where, within three years of the bonus determination or before the vesting of each tranche of deferred shares, a material misstatement or miscalculation comes to light which resulted in an overpayment under the annual bonus plan or if evidence comes to light of material misconduct by an individual or a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency.

Remuneration Policy continued

Long-Term Incentive Plan (LTIP)[3][4]	
Purpose and link to strategy	To link reward to key strategic and business targets for the longer term and to align Executive Directors' interests with shareholders' interests.
Operation	Awards are usually granted annually under the LTIP to selected senior executives. Individual award levels and performance conditions on which vesting will be dependent are reviewed annually by the Committee. Awards may be granted as conditional awards of shares, nil-cost options or, if appropriate, as cash-settled equivalents. Awards normally vest or become exercisable at the end of a period of at least three years following grant although may vest early on leaving employment or on a change of control (see later sections). Awards to Executive Directors that vest are subject to a two-year holding period (other than in exceptional circumstances such as death). An additional payment (in the form of cash or shares) may be made in respect of shares which vest under LTIP awards to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).
Maximum opportunity	The maximum annual award permitted under the LTIP is shares with a market value (as determined by the Committee) of 200% of salary. Under the Policy, for incumbent Directors, awards will be limited to 150% of salary. Each year the Committee determines the actual award level for individual senior executives within this limit.
Performance conditions and provisions for recovery of sums paid[1]	All LTIP awards granted to Executive Directors must be subject to a performance condition. Vesting of Executive Directors' LTIP awards would be dependent on measures which could include Group earnings, return on capital employed, total shareholder return and sustainability, with the precise measures and weighting of the measures determined by the Committee ahead of each award. Performance will usually be measured over a performance period of at least three years. For achieving a 'threshold' level of performance against a performance measure, no more than 25% of the portion of the LTIP award determined by that measure will vest. Vesting then increases on a sliding scale to 100% for achieving a maximum performance target. The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the LTIP. LTIP awards may be subject to withholding or recovery at the Committee's discretion in exceptional circumstances where, before the later of the vesting of an award and the second anniversary of the end of the performance period, a material misstatement or miscalculation comes to light, or evidence comes to light that during that performance period there was material misconduct by an individual or a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency.

Sharesave Plan[3]	
Purpose and link to strategy	To create staff alignment with the Group and promote a sense of ownership.
Operation	UK tax-approved monthly savings scheme facilitating the purchase of shares through share options at a discounted exercise price by all eligible employees. Executive Directors are eligible to participate on the same basis as other UK employees.
Maximum opportunity	Monthly savings limit of £500 (or such other limit as may be approved from time to time by HMRC) under all savings contracts held by an individual.
Performance conditions and provisions for recovery of sums paid	The Sharesave Plan is structured in accordance with HMRC requirements so has no performance conditions but requires participants to make regular contributions into a savings contract. Malus and clawback provisions do not apply.

Remuneration Policy continued

Share Ownership Guidelines

Purpose and link to strategy	To create alignment between the long-term interests of Executive Directors and shareholders.
Operation	Executive Directors have been required to build and maintain a shareholding as a percentage of salary in the form of shares in the Company since Admission. Executive Directors are expected to achieve the shareholding requirement within five years of an individual becoming subject to the requirement.
Maximum opportunity	Any Executive Director in employment is expected to achieve a shareholding with a value of 200% of salary. Any Executive Director leaving the Company will be expected to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary for a period of two years.
Performance conditions and provisions for recovery of sums paid	Not applicable.

Notes to table:

1. The Committee may amend or substitute any performance condition(s) if one or more events occur which cause it to determine that an amended or substituted performance condition would be more appropriate, provided that any such amended or substituted performance condition would not be materially less difficult to satisfy than the original condition (in its opinion). The Committee may also adjust the calculation of performance targets and vesting outcomes (for instance for material acquisitions, disposals or investments and events not foreseen at the time the targets were set) to ensure they remain a fair reflection of performance over the relevant period. In the event that the Committee was to make an adjustment of this sort, a full explanation would be provided in the next Directors' Remuneration Report.
2. Performance measures – annual bonus. The annual bonus measures are reviewed annually and chosen to focus executive rewards on delivery of key financial targets for the forthcoming year as well as key strategic or operational goals relevant to an individual. Specific targets for bonus measures are set at the start of each year by the Committee based on a range of relevant reference points, including, for Group financial targets, the Group's business plan and are designed to be appropriately stretching.
3. The Committee may: (a) in the event of a variation of the Company's share capital, demerger, special dividend or dividend in specie or any other corporate event which it reasonably determines justifies such an adjustment, adjust; and (b) amend the terms of awards granted under the share schemes referred to above in accordance with the rules of the relevant plans. Share awards may be settled by the issue of new shares or by the transfer of existing shares. In line with prevailing best practice at the time this Remuneration Policy was approved, any issuance of new shares is limited to 5% of share capital over a rolling ten-year period in relation to discretionary employee share schemes and 10% of share capital over a rolling ten-year period in relation to all-employee share schemes.
4. Performance measures – LTIP. The LTIP performance measures will be chosen to provide alignment with our longer-term strategy of growing the business in a sustainable manner that will be in the best interests of shareholders and other key stakeholders in the Company. Use of earnings and return on capital employed measures would reward management for delivery of key financial measures of Company success that should result in sustainable value creation. Use of a total shareholder return measure would align management's interests with the interests of our shareholders. Use of sustainability measures will align management with the Company's long-term commitment to building a sustainable operating business. Targets are considered ahead of each grant of LTIP awards by the Committee, taking into account relevant external and internal reference points and are designed to be appropriately stretching.
5. The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before the 2015 AGM (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder approved Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.
6. The Committee may make minor amendments to the Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

Non-Executive Director (NED) fees

Purpose and link to strategy	To appropriately recognise responsibilities, skills and experience by ensuring fees are market competitive.
Operation	NED fees comprise payment of an annual basic fee and additional fees for further Board responsibilities such as: – Senior Independent Director – Chair of Audit Committee – Chair of Remuneration Committee – Employee engagement The Chairman of the Board receives an all-inclusive fee. No NED participates in the Group's incentive arrangements or pension plan or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a NED may receive the grossed-up costs of travel as a benefit. NEDs are entitled to reimbursement of reasonable expenses. Fees are reviewed annually. NEDs also have the benefit of a qualifying third-party indemnity from the Company and Directors' and Officers' liability insurance.
Maximum opportunity	Fees are set at an appropriate level that is market competitive and reflective of the responsibilities and time commitment associated with specific roles. No absolute maximum has been set for individual NED fees. Current fee levels are set out in the Annual Report on Remuneration section of this Remuneration Report. The Company's Articles of Association provide that the total aggregate fees paid to the Chairman and NEDs will not exceed £2,000,000 per annum.

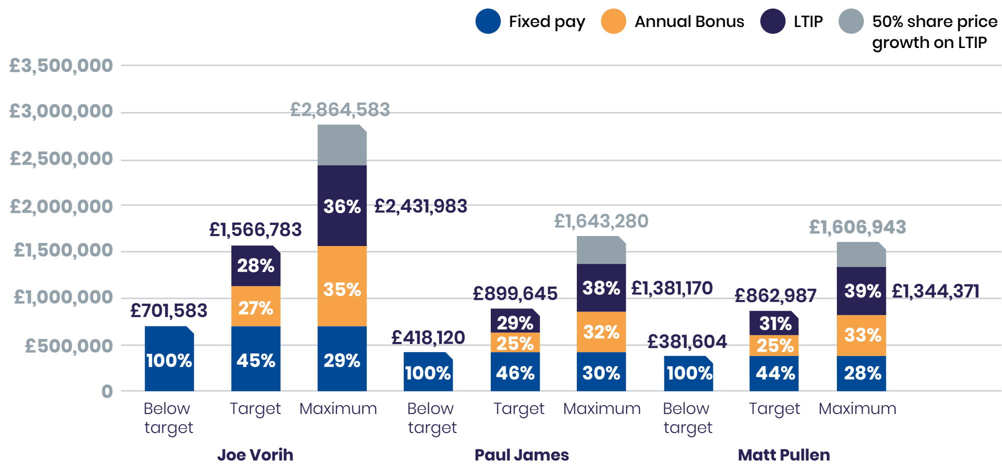
Remuneration Policy continued

Illustrations of application of the Policy

The 'Implementation of Remuneration Policy in 2023' section of the Annual Report on Remuneration details how the Committee intends to implement the Policy during 2023.

The charts to the right illustrate, in three assumed performance scenarios, the total value of the remuneration package potentially receivable by Joe Vorih, Paul James and Matt Pullen in relation to 2023. This comprises salary and benefits plus an annual bonus of up to a maximum of 150% of salary for Joe Vorih, and 125% of salary for Paul James and Matt Pullen, and an LTIP award of 150% of salary for Joe Vorih, Paul James and Matt Pullen.

The charts are for illustrative purposes only and actual outcomes may differ from that shown. LTIP awards have been shown at face value and also allowing for a 50% increase in share price under the maximum performance scenario. All-employee share plans have been excluded. The totals shown in the charts relate to the potential value receivable by the current Executive Directors in relation to 2023.



Potential remuneration outcomes for the Executive Directors

Assumed performance	Assumptions used
All performance scenarios (Fixed pay) Consists of total fixed pay, including base salary, benefits and pension	– Base salary – salary effective for 2023 – Benefits – the value of benefits received in 2022 have been included (pro-rated for Joe Vorih to represent a full year) – Pension – 5% of salary
Minimum performance (Variable pay)	– No payout under the annual bonus – No vesting under the LTIP
Performance in line with expectations (Variable pay)	– 50% of the maximum payout under the annual bonus – 50% vesting under the LTIP
Maximum performance (Variable pay)	– 100% of the maximum payout under the annual bonus – 100% vesting under the LTIP. The maximum scenario includes an additional element to represent 50% share price growth on the LTIP award from the date of grant to vesting

Approach to recruitment remuneration

Principles

In determining remuneration arrangements for new appointments to the Board (including internal promotions), the Committee will apply the following principles:

– The Committee will take into consideration all relevant factors, including the experience of the individual, market data and existing arrangements for other Executive Directors, with a view that any arrangements should be in the best interests of both the Company and our shareholders, without paying more than is necessary.

– Typically, the new appointment will have (or be transitioned onto) the same remuneration structure as the other Executive Directors, in line with the Policy.

– Upon appointment, the Committee may consider it appropriate to offer additional remuneration arrangements in order to secure the appointment. In particular, the Committee may consider it appropriate to 'buy out' terms or remuneration arrangements forfeited on leaving a previous employer (discussed below).

– The Committee may reimburse costs and provide support if the recruitment requires relocation of the individual.

– Where an Executive Director is an internal promotion, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured.

Remuneration Policy continued

Components and approach
The remuneration package offered to new appointments may include any element within the Policy, or any other element which the Committee considers is appropriate given the particular circumstances, with due regard to the best interests of shareholders, subject to the limits on variable pay set out above in the Policy.

In considering which elements to include, and in determining the approach for all relevant elements, the Committee will take into account a number of different factors, including (but not limited to) market practice, existing arrangements for other Executive Directors and internal relativities. If appropriate, different measures and targets may be applied to a new appointee's annual bonus in their year of joining.

The Committee would seek to structure buyout and variable pay awards on recruitment to be in line with the Company's remuneration framework so far as practical, however, if necessary, the Committee may also grant such awards outside of that framework as permitted under Listing Rule 9.4.2 subject to the limits on variable pay set out above. The exact terms of any such awards (e.g. the form of the award, time frame, performance conditions and leaver provisions) would vary depending upon the specific commercial circumstances.

Maximum level of variable pay
The maximum level of variable remuneration which may be granted to new Executive Directors in respect of recruitment shall be limited to the maximum permitted under the Policy, namely 350% of their annual salary.

This limit excludes any payments or awards that may be made to buy out the Executive Director for terms, awards or other compensation forfeited from their previous employer (discussed below).

Buyouts
To facilitate recruitment, the Committee may make a one-off award to buy out compensation arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of all relevant factors, including any performance conditions attached to incentive awards, the likelihood of those conditions being met, the proportion of the vesting/performance period remaining and the form of the award (e.g. cash or shares). The overriding principle will be that any buyout award should be of comparable commercial value to the compensation which has been forfeited. However, such buyout awards would only be considered where there is a strong commercial rationale to do so.

Recruitment of Non-Executive Directors
In the event of the appointment of a new Non-Executive Director, remuneration arrangements will normally be in line with the Policy for Non-Executive Directors. However, the Committee (or the Board as appropriate) may include any element within the Policy, or any other element which the Committee considers is appropriate given the particular circumstances, with due regard to the best interests of shareholders. In particular, if the Chairman or a Non-Executive Director takes on an executive function on a short-term basis, they would be able to receive any of the standard elements of Executive Director pay.

Service contracts and letters of appointment
Key terms of the current Executive Directors' service agreements and Non-Executive Directors' letters of appointment are summarised in the table below. It is envisaged that any future appointments would have equivalent contractual arrangements unless otherwise stated in this Report.

Provision	Policy
Notice period	Executive Directors – 12 months' notice by either the Company or the Executive Director.
	Non-Executive Directors – at the Company's discretion, Non-Executive Directors may have a notice period of up to three months.
Termination payment	Following the serving of notice by either party, the Company may terminate employment of an Executive Director with immediate effect by paying a sum equal to salary. Executive Directors are not contractually entitled to any bonus for the period of service in the year in which their employment ends.
	Non-Executive Directors are only entitled to receive any fee accruing in respect of the period up to termination.
Expiry date	Executive Directors have rolling 12-month notice periods so have no fixed expiry date.
	Non-Executive Directors' letters of appointment have no fixed expiry date.

Remuneration Policy continued

In accordance with the Code, each Director will retire annually and put themselves forward for election or re-election at each AGM of the Company.

All Executive Directors' service agreements and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office at 4 Victoria Place, Holbeck, Leeds LS11 5AE.

In the table below, we have set out details of the service contracts for the Executive Directors and letters of appointment for the Non-Executive Directors.

	Date of appointment	Date of current contract/letter of appointment	Notice from the Company and individual	Unexpired period of service contract
Executive Directors				
Joe Vorih	28 February 2022	28 February 2022	12 months	Rolling contract
Paul James	5 March 2018	5 March 2018	12 months	Rolling contract
Matt Pullen	1 November 2021	1 November 2021	12 months	Rolling contract
Non-Executive Directors				
Kevin Boyd	22 September 2020	1 November 2022	3 months	3 months
Mark Hammond*	16 April 2014	28 March 2014	None	To 16 April 2023
Lisa Scenna	24 September 2019	10 September 2019	1 month	1 month
Louise Brooke-Smith	24 September 2019	10 September 2019	1 month	1 month
Shatish Dasani**	1 March 2023	24 February 2023	1 month	1 month

Notes

Martin Payne stepped down from the Board on 28 February 2022 and left the Company on 20 May 2022. Louise Hardy stepped down from the Board on 30 September 2022. Ron Marsh retired from the Board on 31 December 2022.

* Mark Hammond joined the Board at IPO and had no notice period in his letter of appointment. His term therefore ran for a nine-year period, subject to annual re-election, as per the UK Corporate Governance Code.

** Shatish Dasani joined the Board on 1 March 2023.

Policy on payment for loss of office

In relation to payments under non-contractual incentive schemes, the Committee would take the following factors into account:

- The Committee may determine that the Executive Director is eligible to receive a bonus in respect of the financial year in which they cease employment. This bonus would usually be time apportioned and may be settled wholly in cash. In determining the level of bonus to be paid, the Committee may, at its discretion, take into account performance up to the date of cessation or over the financial year as a whole based on appropriate performance measures as determined by the Committee. The treatment of outstanding share awards is governed by the relevant share plan rules as summarised below.

Deferred Share Bonus Plan

- On cessation of employment, unvested shares will vest in full unless the Committee determines otherwise.
- On a change of control, unvested shares will vest in full.
- If other corporate events occur, such as a demerger, delisting, special dividend, voluntary winding-up or other event which in the opinion of the Committee may affect the current or future value of shares, the Committee will determine whether unvested shares should vest.

LTIP

- On cessation of employment, unvested awards will lapse unless cessation is as a result of death, ill health, injury, disability, transfer of employing company or business to which an individual's employment relates out of the Group or any other scenario in which the Committee determines at its discretion that good leaver treatment is appropriate (other than circumstances justifying summary dismissal). In these scenarios, unvested awards will usually continue until the normal vesting date unless the Committee determines that the award should vest earlier and will vest to an extent that takes into account the performance conditions assessed at the date of vesting and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and cessation of employment.
- On a change of control, unvested LTIP awards will vest immediately to an extent that takes into account the performance conditions assessed at the change of control and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and the change of control. If other corporate events occur, such as a demerger, delisting, special dividend, voluntary winding-up or other event which in the opinion of the Committee may affect the current or future value of shares, the Committee will determine whether unvested LTIP awards should vest. If they do vest, they will vest immediately to an extent that takes into account the performance conditions assessed at the date of the event and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and the date of the event.

Remuneration Policy continued

Sharesave Plan

– Options become exercisable immediately on death, ceasing employment due to injury, disability, retirement, redundancy, sale of the employing company or business to which an individual's employment relates out of the Group or on a change of control/voluntary winding-up of the Company.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his/her cessation of office or employment.

Consideration of employment conditions elsewhere in the Group

The Committee appreciates the importance of effective engagement with the wider workforce and so has a nominated Non-Executive Director responsible for employee engagement. Louise Brooke-Smith has held this role since June 2020 and has engaged with employees during the course of the year through a structured employee engagement programme across the Group. This engagement involved various employees at different Company sites, and covered a wide variety of topics. Louise reported regularly to the Committee and confirmed that there were no concerns raised regarding the alignment between executive remuneration and wider workforce pay. Further details on some of the activities Louise has undertaken during the year can be found in the Corporate Governance Report on page 76.

The Committee reviews workforce remuneration and related policies, and is conscious of the importance of ensuring that its pay decisions for Executive Directors and the senior management team are regarded as fair and reasonable within the business.

As outlined in the Policy table, pay and conditions across the Group are one of the specific considerations taken into account when the Committee is considering changes in salaries for the Executive Directors and the senior management team.

Differences in policy from broader employee population

A greater proportion of Executive Directors' potential wealth is 'at risk', either through their existing shareholding or through LTIP awards than for our employees generally and a greater proportion is determined by performance than for our employees generally. However, common principles underlie the pay policy throughout the Group, including for the Executive Directors. In particular, we place great emphasis throughout the Group on reward being linked to performance (either Group performance or performance of an individual's business) and on encouraging share ownership (through participation in the LTIP or an all-employee share scheme).

Consideration of shareholders' views

The Company is mindful of general investor views on certain aspects of remuneration, and continues to take these views into account, where appropriate, when setting Executive Director remuneration. The Committee Chair is available to meet with any shareholders who wish to discuss any aspect of the Policy in more detail, and the Chairman of the Company offered the Company's largest shareholders the opportunity to meet with him following his appointment on 1 November 2022.

In relation to the updated Policy that was approved by shareholders at the 2021 AGM, a formal consultation with the Company's top 20 shareholders and the shareholder advisory bodies was carried out during 2020 and 2021. The Chair of the Committee and the Company Secretary met with those shareholders who requested a meeting to discuss the proposed Policy in more detail and to answer specific queries. The feedback received from these meetings and the written responses was generally supportive and was discussed in detail by the Committee before finalising the Policy proposals.

Annual Report on Remuneration

Remuneration Committee Report

The Annual Report on Remuneration describes how the Directors' Remuneration Policy, approved by shareholders at the Annual General Meeting in May 2021 (the Policy), has been applied in the financial year ended 31 December 2022. This Annual Report on Remuneration will be put to an advisory shareholder vote at the 2023 AGM on 18 May 2023.

Role of the Committee

The role of the Committee is to determine all aspects of Executive Director pay, ensuring that the remuneration framework both attracts and retains leaders who are appropriately incentivised to deliver the Group's strategy, aligning with the interests of members and promoting the long-term success of the Group for the benefit of its stakeholders as a whole. The Committee also reviews workforce remuneration and related policies and ensures alignment of its rewards with culture. It also monitors pay arrangements for other senior executives and oversees the operation of all share plans.

Details about the role of the Committee are set out in its Terms of Reference which are reviewed annually and were last updated in November 2022. These can be found on the Company's website.

Committee membership and meetings

The Committee comprises all of the Non-Executive Directors, all of whom are considered to be independent, and their attendance at meetings during the year is set out in the table on page 74. Louise Hardy stepped down from the Board and as the Remuneration Committee Chair on 30 September 2022. Louise attended the two meetings held between 1 January 2022 and 30 September 2022. Lisa Scenna was then appointed as Committee Chair. She attended all four meetings held during the year; two as a member and two as Committee Chair. The remaining members of the Remuneration Committee, Mark Hammond, Louise Brooke-Smith and Kevin Boyd attended all four meetings during the year. The CEO, Joe Vorih, was also present at those meetings during 2022 by invitation, albeit he was not involved in any discussions in relation to his own remuneration.

The Committee typically meets at least three times a year and thereafter as required, and in 2022, the Committee met four times.

External advisers

Korn Ferry have been advisers to the Committee on executive remuneration matters since January 2020. During the year, the Committee received advice from Korn Ferry on market practice and key areas of investor focus, market updates and assistance with performance monitoring and benchmarking. Korn Ferry also provided other human capital-related services to the Group during the year, but these services were carried out by a team separate to the remuneration advisory team with an effective separation between the Committee advisory team and the wider Korn Ferry teams. As a result, the Committee was satisfied that the advice provided by Korn Ferry was objective and independent, having also noted their commitment to the Code of Conduct. During the year, the fees (charged on a time plus expenses basis) paid to Korn Ferry were £46,565 (2021: £71,318). Korn Ferry is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

Unaudited information

Implementation of Remuneration Policy in 2023

This section provides an overview of how the Committee is proposing to implement the Policy in 2023 for the Executive Directors. Other than some minor changes to the performance measures for the annual bonus, there are no significant changes to the implementation of the Remuneration Policy in 2023.

Base annual salary

During the year the Committee reviewed the salary increases for the wider workforce taking into account high inflation and the increase in cost of living. As a result of the review, the Committee determined that there should be a tiered approach to salary increases, favouring the lowest paid. On this basis, salary increases for the wider workforce ranged from 3% to 6% with the higher increases focused on employees earning less than £35,000 per annum. Therefore, the Remuneration Committee were comfortable with an increase of 3% in salary for Executive Directors.

	Salary 1 January 2023	Salary 1 January 2022	% increase
Joe Vorih (CEO)*	**£576,800**	£560,000	3.0%
Paul James (CFO)	**£350,200**	£340,000	3.0%
Matt Pullen (COO)	**£350,097**	£339,900	3.0%

* Joe Vorih was appointed on 28 February 2022. The 2022 salary for Joe Vorih represents his base salary on appointment.

Pension

In line with the Policy and as outlined in the 2021 Remuneration Report, the Company contribution for Paul James has been reduced with effect from 1 January 2023, and therefore Joe Vorih, Paul James and Matt Pullen will receive a pension contribution of 5% of annual salary during 2023, which is in line with the wider workforce.

Other benefits

In 2023, the Executive Directors will receive a standard package of other benefits consistent with those received in 2022.

Annual Report on Remuneration continued

Annual bonus

The annual bonus plan for 2023 will be operated in accordance with the Policy. Key features of the plan for 2023 are:

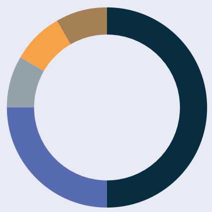
- There will be a maximum bonus opportunity of 150% of annual salary for Joe Vorih and 125% of annual salary for Paul James and Matt Pullen.
- 33% of any bonus earned will be deferred into shares under the Deferred Share Bonus Plan (DSBP). Half of these shares will vest two years from the date of grant and the remaining half will vest three years from the date of grant.
- In the event that a material misstatement or miscalculation subsequently comes to light which resulted in an overpayment under the annual bonus plan or if evidence comes to light of material misconduct by an individual, a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency, then the Committee has the flexibility to withhold the value of shares granted under the DSBP and/or to require repayment of an appropriate portion of the annual bonus cash award in respect of the relevant bonus year.
- The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the annual bonus plan.

During the year, the Committee reviewed the performance measures for the annual bonus and determined that the working capital measure should be replaced by operating cash flow conversion, to encourage longer-term behaviours in relation to working capital. In addition, the total weighting on EBIT and EBIT margin was reduced from 75% to 65% resulting in a corresponding increase in the weighting of the strategic objectives from 10% to 20% to better align the annual bonus with the in year objectives that have been set to contribute towards the longer-term delivery of sustainable shareholder value. Following a review by the Committee, Executive Director bonuses for 2023 will be subject to challenging underlying EBIT target (40%), an underlying EBIT margin percentage target (25%), an operating cash flow conversion target (15%) and structured strategic targets relating to strategy deployment, talent management and climate strategy (20%). The plan will also be subject to a health and safety and a compliance override, in relation to which the Committee shall have discretion to reduce pay outs in certain circumstances. It is intended that these objectives will then cascade down through the senior management team to continue to drive the right behaviours across the Group and to ensure that the Executive Directors and senior management teams have incentives that are aligned. These targets will be reviewed for ongoing suitability at the end of 2023.

The targets for these performance measures in relation to FY 2023 are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report to the extent that they do not remain commercially sensitive at that time.

Long-Term Incentive Plan (LTIP)

- It is expected that the Executive Directors will receive awards under the LTIP during 2023. As at the time of preparing this Remuneration Report the Committee's intention is to grant the awards on the basis described below. Should there be any change to the approach set out below, this would be detailed in the Stock Exchange announcement made at the time of granting the awards and detailed in next year's Remuneration Report.
- With regard to the quantum of FY 2023 awards, the Committee intends to make awards at 150% of salary to the Executive Directors. In recognition of current share price volatility, the Committee is to include the ability to adjust the number of shares vesting in the FY 2023 long-term incentive award in the event there is perceived to be a windfall gain on vesting.
- Subject to achievement of the performance targets, awards will become exercisable three years after grant.
- In the event that a material misstatement or miscalculation subsequently comes to light which results in too high a level of vesting under the LTIP, or if evidence comes to light of material misconduct by an individual, a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency, then the Committee has the flexibility to withhold or recover the value of shares granted under the LTIP.
- The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the LTIP.
- Awards granted to Executive Directors will be subject to a two-year post-vesting holding requirement.
- Awards will be subject to a combination of underlying diluted EPS, relative TSR performance measures, and sustainability targets, assessed over a three-year period as detailed below.



Underlying diluted earnings per share target	50.00%
Relative total shareholder return target	25.00%
Sustainability target (carbon reduction)	8.33%
Sustainability target (use of recycled plastics)	8.33%
Sustainability target (The 5% Club)	8.33%
Total award	100.00%

Annual Report on Remuneration continued

Underlying Diluted Earnings per Share (EPS) (50% of the award)
The EPS targets are a range around FY 2025 EPS. Setting the targets with reference to the final year of the three-year performance period mirrors standard market practice and reduces the impact on this performance condition of the near-term uncertainties caused by external factors. The targets have been set with reference to both internal and external expectations for the Company's performance allowing for current market conditions and expected changes to the Group's corporate tax rate. Given the uncertainty around future corporate tax rates in the UK, it is the Committee's intention to restate the targets to the extent that there are material changes to the current published corporate tax rates during the performance period, to ensure that there will be a strong relationship between performance and reward. The Committee retains discretion in line with the Policy when testing targets (e.g. in the event of material M&A, divestments, etc.). Any use of discretion to restate targets would ensure that the targets were no more or less challenging than when originally set but for the relevant event. The range of targets to apply is as follows:

FY 2025 Underlying Diluted Earnings per Share	Vesting (% total award)
Below 30.1 pence	0%
30.1 pence	25%
35.6 pence	100%

Straight-line vesting will operate between these performance points.

Relative Total Shareholder Return (TSR) (25% of the award)
The relative TSR targets remain unchanged from those operated in prior years, with our performance compared against those companies included in the FTSE 250 Index that are classified as 'Industrials' (circa 35 comparator companies). The Committee reviewed the suitability of this group during 2022, and agreed that it remained the most appropriate comparator group as it includes those companies that are the most similar in terms of size and business type to the Company, and so it is likely to be management actions that drive out-performance as opposed to external market factors. The targets to apply are as follows:

Relative TSR versus FTSE 250 Industrials	Vesting (% total award)
Below median	0%
Median	25%
Upper quartile (or better)	100%

Straight-line vesting will operate between these performance points.

Sustainability Targets (25% of the award)
Sustainability targets align with the key elements of the Group's sustainability strategy and require delivery in line with the Company's published 2025 targets. The 25% of the award subject to sustainability targets is split into three equal components as follows:

Carbon Reduction Targets (8.33% of the total award)
The range of targets is set based on our emissions intensity which is defined as Scopes 1 and 2 tonnes of CO_2e per tonne of output.

FY 2025 Emissions Intensity	Vesting (% total award)
Above 0.093	0%
0.093	25%
0.086	100%

Straight-line vesting will operate between these performance points.

The 2022 baseline from which the above targets were set is 0.136 and so the above targets are considered stretching and in line with our 2025 targeted reductions.

Use of Recycled Plastics (8.33% of the total award)
The range of targets relates to the proportion of our products that are manufactured from recycled products.

FY 2025 % of Recycled materials used	Vesting (% total award)
Below 57.4%	0%
57.4%	25%
62.0%	100%

Straight-line vesting will operate between these performance points.

The 2022 baseline from which the above targets were set is 48.7% and so the above targets are considered stretching and in line with our 2025 target.

The 5% Club (8.33% of the total award)
The first two sustainability targets directly align with the Group's focus on improvements in the way we work, with the third target aligning with creating a sustainable business culture through our commitment to The 5% Club. This initiative, to which we fully subscribe, focuses on the development of greater skills and training through 'Earn and Learn' programmes. Our 2025 objective is to achieve 5% of our workforce in Earn and Learn positions with our 2025 target set out below:

Progress towards The 5% Club	Vesting (% total award)
Below 4.6%	0%
4.6%	25%
5.0%	100%

Straight-line vesting will operate between these performance points.

Annual Report on Remuneration continued

The 2022 baseline from which the above targets were set is 3.5% and so the above targets are considered stretching.

The range of targets for these awards have been set to be similarly challenging to those set in prior years. The targets were set with reference to both internal plans and external market expectations for future performance, both of which were influenced by market conditions such as relatively high rates of inflation and interest rates. The Committee retains discretion to adjust vesting outcomes (e.g. if TSR vesting is not considered aligned with the underlying financial performance of the Company or EPS vesting outcomes are impacted by relevant events such as material M&A or divestments, etc.). Any discretion applied by the Committee would be used to ensure that the performance targets fulfill their original intent and were not more or less challenging than intended when set but for the relevant events in the performance period. Furthermore, as set out in the Policy, awards are granted subject to malus and clawback provisions.

Sharesave Plan

Invitations to employees (including Executive Directors) to participate in the Sharesave Plan have been issued annually over the past three years and were issued to all eligible Group employees in 2022. The Board is proposing to continue to issue invitations to join the Sharesave Plan on an annual basis, and all eligible employees will therefore be invited to join the Sharesave Plan in 2023.

Non-Executive Director remuneration

After an externally facilitated search process, Kevin Boyd was appointed Company Chair with effect from 1 November 2022. As a part of the work undertaken in respect of the search for a successor to Ron Marsh, the Chair fee was reviewed. The market data suggested that the current fee payable was below market due to the growth in the size and complexity of the Group. Taking into account the market positioning and the time commitment for the role, the Chair fee was increased to £200,000, effective from 1 November 2022. During the year, Non-Executive Director fees were reviewed, following which it was agreed to increase the Non-Executive Director base fee by 1.9%. There were no increases to the other fees.

The table below shows the fee structure for Non-Executive Directors with effect from 1 January 2023 with comparative figures for 2022. Non-Executive Director fees are determined by the full Board except for the fee for the Chair of the Board, which is determined by the Committee.

	2023 Fees	2022 Fees
Chair of the Board all-inclusive fee	**£200,000**	£158,699
Basic Non-Executive Director fee	**£53,000**	£52,000
Senior Independent Director additional fee	**£10,000**	£10,000
Chair of Audit Committee additional fee	**£10,000**	£10,000
Chair of Remuneration Committee additional fee	**£10,000**	£10,000
Employee engagement NED fee	**£8,000**	£8,000

Audited information

The information provided in this section of the Remuneration Report up until the 'Unaudited information' heading on page 124 is subject to audit.

Single total figure of remuneration

The following tables set out the total remuneration for Executive Directors and Non-Executive Directors for 2022 with comparative figures for 2021.

All figures shown in £'000	2022 Salary and fees(1)	Benefits(2)	Pension(3)	Total fixed	Annual bonus(4)	LTIP(5)	Total variable	Other(6)	Total remuneration(12)
Executive Directors									
Joe Vorih(7)	**469**	**80**	**23**	**572**	**94**	**–**	**94**	**–**	**666**
Martin Payne(8)	**81**	**3**	**12**	**96**	**39**	**–**	**39**	**–**	**135**
Paul James	**340**	**50**	**51**	**441**	**57**	**–**	**57**	**–**	**498**
Matt Pullen (9)	**340**	**14**	**17**	**371**	**57**	**–**	**57**	**231**	**659**
Non-Executive Directors									
Ron Marsh(10)	**159**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**159**
Kevin Boyd(10)	**85**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**85**
Mark Hammond	**62**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**62**
Lisa Scenna	**54**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**54**
Louise Brooke-Smith	**60**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**60**
Louise Hardy(11)	**47**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**46**

Annual Report on Remuneration continued

All figures shown in £'000	Salary and fees(1)	Benefits(2)	Pension(3)	Total fixed	Annual bonus(4)	LTIP(5)	Total variable	Other(6)	Total remuneration(10)
	2021								
Executive Directors									
Martin Payne	480	17	72	569	669	152	821	–	1,390
Paul James	306	13	46	365	356	78	434	40	839
Glen Sabin(13)	301	13	45	359	350	76	426	–	785
Matt Pullen	55	2	3	60	64	–	64	–	124
Non-Executive Directors									
Ron Marsh	153	–	–	–	–	–	–	–	153
Kevin Boyd	57	–	–	–	–	–	–	–	57
Mark Hammond	59	–	–	–	–	–	–	–	59
Lisa Scenna	49	–	–	–	–	–	–	–	49
Louise Brooke-Smith	57	–	–	–	–	–	–	–	57
Louise Hardy	57	–	–	–	–	–	–	–	57

Notes to the table – methodology

1. Salary and fees – as disclosed in the 2021 Annual Report, Matt Pullen and Martin Payne received a 3% salary increase with effect from 1 January 2022, in line with the wider workforce. Paul James received an increase of 10.56% from 1 January 2022, consistent with the rate of increase detailed to institutional investors during the Policy review process. The Non-Executive Director base fee and Chairman fee were also increase by 3%.
2. Benefits – this represents the taxable value of all benefits. Executive Directors receive benefits including car allowance, private family medical insurance and life assurance of four times annual salary. For 2022, the benefits value for Joe Vorih includes £27,788 which relates to temporary accommodation and travel expenses (including reimbursement of tax) which was agreed in connection with his recruitment for the first two years of his employment. The benefits value for Paul James includes £36,408 which relates to his contractual entitlements to temporary accommodation and travel expenses (including reimbursement of tax) for a transitionary period following a change in Genuit's corporate Head Office which relocated from Doncaster to Leeds.
3. Pension – the pension provision in the form of a cash allowance in 2021 and 2022 for Martin Payne and Paul James, and 2021 for Mr Sabin, is 15% of salary. The pension provision in 2022 for Mr Vorih and Mr Pullen is 5% of salary. Mr James will receive a pension provision of 5% of salary from 1 January 2023.
4. Annual bonus – the bonus is typically paid 66.67% in cash and 33.33% deferred into shares under the DSBP.
5. LTIP – for 2022, this relates to the estimated value of the 2020 LTIP award which was subject to a 100% relative TSR condition. Further details can be found on page 120 and 121. As the performance condition for this award has not been met, there is no value or share appreciation to be disclosed in relation to these awards.

   LTIP – for 2021, this relates to the value of the 2019 LTIP award which was subject to an EPS and TSR performance target over the three-year period ended on 31 December 2021. Further details can be found on page 111 of the 2021 Annual Report. The value of the 2019 award has been calculated using the Company's share price on the relevant vesting date of £4.52. The amount of the 2019 award that is attributable to share price appreciation is £8,771 for Martin Payne, £4,475 for Paul James and £4,405 for Glen Sabin. The Committee did not apply any discretion as a result of the share price appreciation.
6. Other – for 2022, Matt Pullen was eligible to receive replacement share awards for awards that were forfeited on joining Genuit. This comprises compensation for the 2021 bonus and replacement share awards. To compensate for forfeiting the 2021 bonus, a Deferred Share Award was granted on 22 March 2022 which vested immediately on grant. The value included in the table is based on the value of the award vested based on a share price of £5.38. The replacement share awards are included in this table based on the face value at grant using a share price of £5.38 (see page 123 for more details).

   Other – for 2021, this column comprises £40,226, being the value of 6,040 Sharesave options granted to Paul James in 2018, which vested on 1 November 2021. The shares have been valued at the share price when the award matured of £6.66.
7. Joe Vorih was appointed to the Board as Chief Executive Officer on 28 February 2022.
8. Martin Payne stepped down from the Board on 28 February 2022 and left the Company on 20 May 2022. The salary, benefits and pension included in the table represent his pay until he stepped down from the Board on 28 February 2022. The annual bonus included in the table represents the bonus for the period 1 January 2022 to 20 May 2022.
9. Matt Pullen joined the Board on 1 November 2021.
10. Kevin Boyd was appointed as Chair of the Board on 1 November 2022. Ron Marsh stepped down as Chair on 1 November 2022 and retired from the Board on 31 December 2022.
11. Louise Hardy stepped down from the Board on 30 September 2022.
12. Total remuneration paid to Directors in respect of 2022 was £2,424,000 (2021: £3,689,000).
13. Glen Sabin stepped down from the Board on 1 November 2021 and retired from the Company on 31 December 2021.

Annual Report on Remuneration continued

Annual bonus

The maximum annual bonus opportunity for the Executive Directors in 2022 was as follows:

- 150% of annual salary for Joe Vorih and Martin Payne. Martin Payne was entitled to receive a pro-rated bonus for the period from 1 January 2022 to 20 May 2022.
- 125% of annual salary for Paul James and Matt Pullen.

For all Executive Directors, two thirds of the bonus earned will be paid in cash and one third will be deferred into shares under the DSBP. Half of these shares will vest two years from the date of grant and half three from the date of grant. Malus and clawback provisions apply to the bonuses of all of the aforementioned Directors. The performance measures and targets that applied to the 2022 annual bonus are set out below. This reflects the same approach used to determine the bonus outcome for the senior management team:

Performance measure	Proportion of bonus determined by measure		Threshold performance	Target performance	Maximum performance	Actual performance	% of maximum bonus payable
Group Underlying EBIT	75%	EBIT Margin 37.5%	15.75% 25% earned	16.57% 50% earned	18.23% 100% earned	15.79%	9.56%
		EBIT 37.5%	£100.241m 25% earned	£108.369m 50% earned	£119.206m 100% earned	£98.2m	0%
Working capital		15%	Net working capital position assessed at the end of each month relative to target. Maximum performance requires the monthly target to be met at the end of all 12 months.			Target achieved in 3 of 12 months	3.80%
Health & Safety targets		5%	91%, calculated on a hit/miss basis			89%	0%
Customer service targets		5%	2% improvement		5% improvement	Less than 2% improvement	0%

The total bonus payable to each Executive Director based on the assessment of performance against the targets set out above, is shown below:

	Total bonus payable % of maximum	Total bonus payable £'000 and % of salary
Joe Vorih	13.36%	£94,409 (20.04% of salary earned)
Paul James	13.36%	£56,790 (16.70% of salary earned)
Matt Pullen	13.36%	£56,774 (16.70% of salary earned)
Martin Payne[1]	13.36%	£38,913 (20.04% of salary earned)

1. Left the Company on 20 May 2022. The bonus outcome has therefore been pro-rated from 1 January 2022 to 20 May 2022.

The Committee has confirmed that it is comfortable with the outcome of the annual bonus scheme in light of the Company's financial performance in the wider macroeconomic environment.

Annual Report on Remuneration continued

LTIP vesting

The LTIP award granted in June 2020 is due to vest in June 2023, based 100% on relative TSR performance over the three financial years ended on 31 December 2022. Based on TSR performance over the period, the awards will lapse.

Performance measure	Threshold (25% of award vests)	Maximum (100% of award vests)	Actual Performance	% of total award vesting	Vested shares	Value
TSR performance relative to comparator group	Median	Upper quartile	Below median	0%	0	£0

The Committee is comfortable that the formulaic outcome of the LTIP reflects wider business performance.

Buyout awards vesting

As discussed on page 109 of the 2021 Annual Report, Matt Pullen was eligible to receive compensation for the 2021 bonus of £82,230 that he forfeited on leaving employment with Saint-Gobain to join Genuit. Accordingly, he was granted an award of Genuit shares that vested immediately, further details are set out below.

Executive	Basis of the award (1)	Number of shares granted (2)	Face value of the award at grant date	Threshold vesting	Grant date	Vest date
Matt Pullen	£82,230	12,347	£66,427	N/A	22 March 2022	22 March 2022

1. The number of Genuit shares was calculated using the Genuit share price on the day Matt commenced employment with the Company on 1 November 2021 of £6.66. The share price at the time of grant was £5.38.
2. Shares were granted in the form of deferred shares as a nil-cost option.

Scheme interests awarded during the financial year

LTIP awards

An award was granted under the LTIP to selected senior executives, including the Executive Directors, in April 2022. This award is subject to the performance conditions described below and will become exercisable in April 2025.

	Type of award	Date of grant	Award as % of salary	Maximum number of shares	Face value (£)*	Threshold Vesting	End of performance period
Joe Vorih	Nil-cost option**	22 April 2022	150%	183,139	£839,875	25% of award	31 December 2024
Paul James	Nil-cost option**	22 April 2022	150%	92,659	£424,934	25% of award	31 December 2024
Matt Pullen	Nil-cost option**	22 April 2022	150%	92,632	£424,810	25% of award	31 December 2024

* The maximum number of shares that could be awarded has been calculated using the share price of £4.586 (average closing share price for 19 to 21 April 2022) and is stated before the impact of reinvestment of the dividends paid since grant.

** In line with the 2021 awards, awards were granted as nil-cost options with an exercise date of three years from the grant date. Therefore, there has been no change in exercise price or date.

Vesting of the awards is subject to satisfaction of the following performance conditions measured over a three-year performance period. Vesting is calculated on a straight-line basis.

As discussed in the Remuneration Committee Chair's statement on page 102, in light of the prevailing share price at the time of grant, the Committee also agreed the inclusion of a windfall provision in relation to the 2022 awards.

Underlying Diluted Earnings per Share (EPS) (50% of the award)

The EPS targets are a range around FY 2024 EPS. Setting the targets with reference to the final year of the three-year performance period mirrors standard market practice and reduces the impact on the condition of the near-term uncertainties caused by external factors. The range of targets to apply is as follows:

FY 2024 Underlying Diluted EPS	Vesting (% of total award)
Below 31.5p	0%
31.5p	25%
37.3p	100%

Straight-line vesting will operate between performance points.

Annual Report on Remuneration continued

Relative Total Shareholder Return Targets (25% of the award)
The relative TSR targets remain unchanged from those operated in prior years with our performance compared against those companies included in the FTSE 250 Index that are classified as 'Industrials' (circa 40 comparator companies). This group remains the most appropriate set of comparator companies as it includes those companies that are the most similar in terms of size and business type to Genuit, and so it is likely to be management actions that drive out-performance as opposed to external market factors. The targets that apply are as follows:

Relative TSR versus FTSE 250 Industrials	Vesting (% total award)
Below median	0%
Median	25%
Upper quartile (or better)	100%

Straight-line vesting will operate between performance points.

Sustainability Targets (25% of the award)
Sustainability targets align with the key elements of Genuit's sustainability strategy and require delivery in line with the Company's published 2025 targets. The 25% of the award subject to sustainability targets is split into three equal components as follows:

Carbon Reduction Targets (8.33% of the total award)
The range of targets is set based on our emissions intensity which is defined as Scopes 1 and 2 tonnes of CO_2e per tonne of output.

FY 2024 Emissions Intensity	Vesting (% total award)
Above 0.108	0%
0.108	25%
0.086	100%

Straight-line vesting will operate between these performance points.

The 2021 baseline from which the above targets were set is 0.141 and so the above targets are considered stretching and in line with our 2025 targeted reductions.

Use of Recycled Plastics (8.33% of the total award)
The range of targets relates to the proportion of our products that are manufactured from recycled products.

FY 2024 % Recycled materials used	Vesting (% total award)
Below 54.4%	0%
54.4%	25%
62.0%	100%

Straight-line vesting will operate between these performance points.

The 2021 baseline from which the above targets were set is 49.4% and so the above targets are considered stretching and in line with our 2025 target.

The 5% Club (8.33% of the total award)
The first two sustainability targets directly align with Genuit's focus on improvements in the way we work with the third target, aligning with creating a sustainable business culture through our commitment to The 5% Club. This initiative, to which we fully subscribe, focuses on the development of greater skills and training through Earn and Learn programmes. Our 2025 objective is to achieve 5% of our workforce in Earn and Learn positions with our FY 2024 target set out below:

Progress towards The 5% Club	Vesting (% total award)
Below 4.2%	0%
4.2%	25%
5%	100%

Straight-line vesting will operate between these performance points.

The 2021 baseline from which the above targets were set is 3.2% and so the above targets are considered stretching.

Annual Report on Remuneration continued

Deferred Share Bonus Plan awards

On 22 April 2022, the Executive Directors received an award of shares under the Deferred Share Bonus Plan relating to the 2021 annual bonus. The value of these shares was included in the annual bonus figure in the 2021 single total figure of remuneration. No further performance conditions apply to these shares.

	Type of award	Maximum number of shares	Face value (£)*	Vesting date
Paul James	Deferred shares	25,852	£118,577	50% vests in each of April 2024 and April 2025
Matt Pullen**	Deferred shares	4,648	£21,323	
Martin Payne***	Deferred shares	48,643	£223,112	

* The award was made in the form of a nil-cost option. The maximum number of shares awarded was calculated using the average closing share price for the three dealing days prior to grant of £4.586.

** Matt Pullen was appointed on 1 November 2021 and therefore his bonus was prorated for the period from appointment to 31 December 2021.

*** Martin Payne left the Company on 20 May 2022 and therefore his 2021 bonus was subject to the 33.67% deferral requirement.

Sharesave Plan

Details of the Executive Directors' Sharesave options are set out below. No performance conditions apply to these options.

	Type of award	Number of shares under option (year of grant)	Face value of the award at grant date	Number of shares exercised	Option price (£)	Options exercisable from	Market price on date of exercise (£)	Notional gain on exercise (£)
Joe Vorih	Share Option	8,144 (2022)	£23,495	–	£2.21	December 2025	–	–
Paul James	Share Option	8,144 (2022)	£23,495	–	£2.21	December 2025	–	–
Matt Pullen	Share Option	8,144 (2022)	£23,495	–	£2.21	December 2025	–	–

* The number of options included in the award was determined based on total savings during the three-year term, divided by the option price.. The face value of the awards has been calculated using the Company's share price on the relevant grant date of £2.885.

The option price represents a 20% discount to the average closing price of a share on the three dealing days prior to the relevant invitation date. The notional gain is the difference between the option price and the market price of the shares on the date of exercise.

Buyout awards

As set out on page 109 of the 2021 Annual Report, both Joe Vorih and Matt Pullen were eligible to receive replacement share awards for awards which lapsed in connection with joining Genuit.

The buyout arrangements for Joe Vorih comprise replacement share awards for both his 2020 and 2021 Spectris Long Term Incentive Plan (LTIP) awards, which lapsed in connection with his joining the Company, as follows:

Executive	Replace award	Number of shares granted (2)	Face value of the award based on share price on 28 Feb 2022	Face value of the award at grant date	Threshold (% of max)	Grant date	Expected vesting date
Joe Vorih	2020 Spectris LTIP award	175,081	£894,664	£941,936	20%	22 March 2022	25 March 2023
	2021 Spectris LTIP award	124,683	£637,130	£670,795	25%	22 March 2022	17 March 2024

1. Calculated based on the maximum number of Spectris shares eligible to vest converted to Genuit shares using the 28 February 2022 share price (£5.11), being the day Joe Vorih commenced employment with the Company. The share price on the date of grant was £5.38.
2. Shares were granted in the form of deferred shares as a nil-cost option.
3. Note – the vesting dates for each award mirror those in place at Spectris and there is an expectation that to the extent that the above awards vest, a minimum proportion is retained towards satisfying the Company's share ownership guidelines. Vesting will take place at the later of the above date and the date of determining the extent to which the performance conditions have been met.

For the 2020 Spectris LTIP replacement awards, the number of shares eligible to vest will be determined by the proportion of the 2020 Spectris LTIP that vests. The award is subject to EPS, Return on Gross Capital Employed and TSR targets measured from 1 January 2020 to 31 December 2022. The targets are set out on page 90 of the Spectris 2020 Annual Report, available on their Company website. The structure of this award mirrors what was forfeited on leaving Spectris, albeit the conversion into Genuit shares on joining provides alignment with Genuit shareholders.

Whilst the performance period is complete, at the point of writing, Spectris has not published their Annual Report and so the vesting level is not known. Therefore, the vesting level for this award will be included in our 2023 Annual Report.

Annual Report on Remuneration continued

For the 2021 Spectris LTIP replacement award, the award will vest based on the performance condition applicable to the 2021 Genuit LTIP award. The award is subject to EPS, Relative TSR vs FTSE 250 Industrials and sustainability targets measured from 1 January 2021 to 31 December 2023. The targets are set out on pages 112 to 113 of the Genuit Group plc 2021 Annual Report, available on our Company website. This approach recognised that only a relatively short proportion of the performance period had run its course at the time the award was granted and so Genuit performance targets were set, as opposed to Spectris performance targets.

The buyout arrangements for Matt Pullen comprise replacement share awards in compensation for the 2021 bonus (details are set out on page 120) and the share awards he had earned that were forfeited on joining the Company, as follows:

Executive	Replace award	Number of shares granted	Face value of the award based on share price on 1 November 2021	Face value of the award at grant date	Threshold vesting	Grant date	Expected vesting date
Matt Pullen	Saint Gobain share awards forfeited	30,640	£204,062	£164,843	n/a	22 March 2022	22 March 2023

1. Calculated based on the maximum number of Saint-Gobain shares converted to Genuit shares using the 1 November 2021 share price (£6.66). The share price on the date of grant was £5.38.
2. Shares were granted in the form of deferred shares as a nil-cost option.

The quantum of this award was structured to replicate the Saint-Gobain awards forfeited and can be adjusted by the Committee to ensure that in the event there would be any performance related clawback, then this can be replicated in what ultimately vests.

Payments for loss of office and to past Directors

As outlined in the 2021 Annual Report and Accounts, Martin Payne stepped down from the Board on 28 February 2022, and ceased employment on 20 May 2022. Mr Payne therefore received salary, pension and benefits during the period until 20 May 2022 (totalling £230,000 over the period from 1 January 2022 to 20 May 2022). In addition, he received an annual bonus for the period to 20 May 2022, as set out in the table on page 117. As outlined in the Remuneration Committee Chair's statement, as a result of leaving employment by mutual agreement, and in accordance with the discretions included in the relevant plan rules, he was treated as a good leaver for incentive plan purposes. Mr Payne remained entitled to receive a pro rata annual bonus in respect of the period 1 January 2022 to 20 May 2022 which was subject to the achievement of the performance conditions detailed on page 119. His bonus was payable on the normal payment date in 2023 and is subject to malus and clawback provisions. As a good leaver, Mr Payne remained eligible to receive Deferred Share Bonus Plan (DSBP) awards earned in relation to prior years' bonuses. With regards to outstanding share awards granted under the Long-Term Incentive Plan (LTIP), he was granted options over 134,421 ordinary shares on 30 April 2019, 132,660 ordinary shares on 22 June 2020 and 127,996 ordinary shares on 20 May 2021. The LTIP award granted in 2019, of which 33,605 vested in 2022 (as disclosed on page 111 of the 2021 Annual Report) was exercised on 9 May 2022. The awards will remain eligible to vest in line with their normal vesting dates subject to a pro-rata reduction for the period of time in employment and subject to the achievement of the relevant performance criteria. His awards granted under the DSBP on 22 June 2020 and 22 April 2022 over 7,996 and 48,643 shares, respectively, vest in two tranches on 22 June 2022 and 22 June 2023, and 22 April 2024 and 22 April 2025, respectively. In accordance with the DSBP rules, he will also receive the value of dividends paid in respect of the vested shares between grant and vesting. Martin Payne did not receive any payment in lieu of notice.

All payments that have or will be received will be made within the terms of the termination policy as set out in the Policy.

Under the Company's post-cessation of employment shareholding policy, Martin Payne is required to retain shares to the value of 200% of salary for two years post-employment.

Louise Hardy stepped down from the Board on 30 September 2022 and received fees to that date (£46,500). There were no additional payments.

Statement of Directors' shareholdings and share interests

Executive Directors are expected to achieve the shareholding requirement of 200% of salary within five years of an individual becoming subject to the requirement. The Committee reviews ongoing individual performance against the shareholding requirement at the end of each financial year. Joe Vorih commenced employment with the Company during 2022 and will build up his shareholding in line with the aforementioned five-year timescale. Martin Payne met this requirement at the date of cessation of his employment and is expected to retain shares to the value of 200% of salary for two years' post-employment in line with the Company's policy.

Annual Report on Remuneration continued

The number of shares held by Directors is set out in the table below:

	Number of shares at 31 December 2022				
	Shares owned outright [12]	Interests in share incentive schemes, subject to performance conditions	Interests in share incentive schemes, awarded without performance conditions		Vested but unexercised options
Director		LTIP[1]	DSBP[2]	Sharesave [3]	
Joe Vorih[4][5]	27,500 (14 % of salary)	183,139	–	8,144	–
Paul James[5][7]	42,059 (35% of salary)	263,163	37,415	8,144	44,336
Matt Pullen[5][6]	6,236 (5% of salary)	92,632	4,648	8,144	–
Kevin Boyd	54,325	–	–	–	–
Mark Hammond	17,247	–	–	–	–
Lisa Scenna	14,966	–	–	–	–
Louise Brooke-Smith	–	–	–	–	–
Martin Payne[5][8]	265,481 (273% of salary)	294,261	64,945	–	–
Louise Hardy[9]	–	–	–	–	–
Ron Marsh[10]	333,980	–	–	–	–

Notes to the table

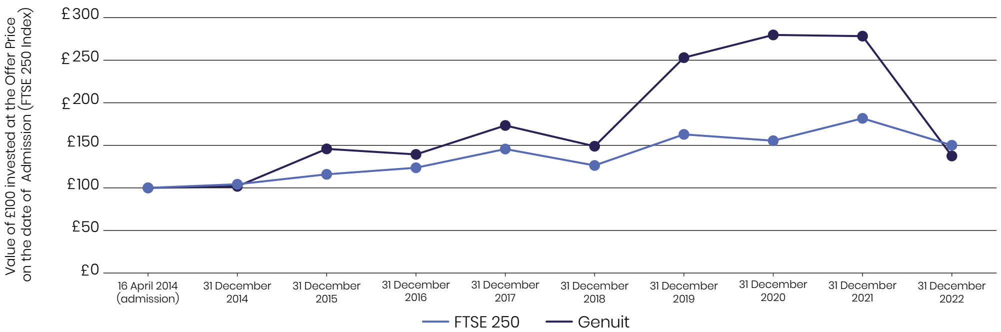
1. This relates to shares awarded under the LTIP.
2. This relates to shares awarded under the DSBP.
3. This relates to share options granted under the Sharesave Plan.
4. Joe Vorih joined the Board on 28 February 2022.
5. For the purposes of determining the value of Executive Director shareholdings for Joe Vorih, Paul James and Matt Pullen, the annual salary for 2022 and the share price as at 30 December 2022 has been used (£2.81 per share).
6. Matt Pullen joined the Board on 1 November 2021.
7. Paul James exercised 6,040 options granted under the Sharesave scheme on 3 May 2022 and these shares are included in the 'Shares owned outright' column. The aggregate gain for Paul James in the year from the exercise of these options was £8,154, based on the market price on the date of exercise of £4.33.
8. The shareholding for Martin Payne is only considered until 28 February 2022, when he stepped down from the Board, and the shareholding is calculated using the share price on that date. During the year, Martin Payne had: (a) 33,605 LTIP shares vest, retained net of shares sold to pay personal tax liability; (b) 8,197 DSBP shares (inclusive of 327 dividend shares) vest, retained net of shares sold to pay personal tax liability; and (c) 4,125 DSBP shares (inclusive of 127 dividend shares) vest, retained net of shares sold to pay personal tax liability. These were exercised post 28 February 2022 and are therefore included in the LTIP/DSBP columns above respectively. The aggregate gain for Martin Payne in the year from the exercise of awards granted under the LTIP was £136,100, based on the share price on the date of exercise of £4.05.
9. The shareholding for Louise Hardy is only considered until 30 September 2022, when she stepped down from the Board.
10. Ron Marsh retired from the Board on 31 December 2022.
11. Note – all outstanding scheme interests are in the form of nil cost options.
12. All shares within the 'Shares owned outright' column include those held by connected persons.

Unaudited information

The information provided in this section of the Directors' Remuneration Report is not subject to audit.

Performance graph and CEO remuneration table

The chart below compares the Total Shareholder Return performance of the Company over the period from Admission to 31 December 2022 to the performance of the FTSE 250 Index. This index has been chosen because it is a recognised equity market index of which the Company is a member. The base point in the chart for the Company equates to the Offer Price of £2.45 per share. The table below summarises the CEO single figure for total remuneration, annual bonus payouts and long-term incentive vesting levels as a percentage of maximum opportunity over this period.



The table below summarises the CEO single figure total remuneration, annual bonus payouts and long-term incentive vesting levels as a percentage of maximum opportunity over this period.

	2014	2015	2016	2017[1]	2017[2]	2018[3]	2019[3]	2020[3]	2021[3]	2022[4][6]	2022[5]
CEO single figure of remuneration £'000	955	919	948	717	218	1,014	944	717	1,390	**666**	**135**
Annual bonus payout (as a % of maximum opportunity)	88.7%	68.2%	69.4%	66.8%	66.8%	48.9%	24.8%	n/a	93%	**13.36%**	**13.36%**
LTIP vesting out-turn (as a % of maximum opportunity)	n/a	n/a	n/a	n/a	n/a	87.8%	54.5%	25%	25%	**0%**	**0%**

1. This reflects the remuneration received by David Hall, CEO for the period from 1 January 2017 to 1 October 2017.
2. This reflects the remuneration received by Martin Payne who was appointed as CEO on 2 October 2017 following the retirement of David Hall.
3. The first LTIP award was granted in 2014 and so no LTIPs were due to vest between 2014 and 2017.
4. The LTIP vesting out-turn percentages show the payout as a percentage of maximum of the LTIP award for which the three financial years over which performance is measured ends on 31 December of the year being reported on. Therefore, the 2022 figure shows the payout for the 2020 LTIP award.
5. This reflects the remuneration received by Martin Payne, CEO from 1 January 2022 to 28 February 2022.
6. This reflects the remuneration received by Joe Vorih, CEO from 28 February 2022.

Annual Report on Remuneration continued

Average percentage change in the remuneration of the Directors (audited)

The table below sets out the percentage change in base salary, value of taxable benefits and bonus for all the Directors compared with the average percentage change for employees.

	Average percentage change 2021/22			Average percentage change 2020/21			Average percentage change 2019/20		
	Salary/ fees	Taxable benefits	Annual bonus(2)	Salary/ fees	Taxable benefits	Annual bonus(2)	Salary/ fees	Taxable benefits	Annual bonus(2)
Executive Directors									
Joe Vorih	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Martin Payne	n/a	n/a	n/a	+2.2%(1)	0%	+100%	+3.0%(1)	0%	-100%
Paul James	+11.1%	285%(4)	-84%	+2.2%(1)	0%	+100%	+3.0%(1)	0%	-100%
Matt Pullen	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors									
Ron Marsh	+3.9%	n/a	n/a	+2.2%(1)	n/a	n/a	+3.0%(1)	n/a	n/a
Kevin Boyd	+49.1%(6)	n/a	n/a	+2.2%(1)	n/a	n/a	n/a	n/a	n/a
Mark Hammond	+5.1%	n/a	n/a	+2.2%(1)	n/a	n/a	+3.0%(1)	n/a	n/a
Louise Hardy	n/a	n/a	n/a	+2.2%(1)	n/a	n/a	+3.0%(1)	n/a	n/a
Lisa Scenna	+10.2%(5)	n/a	n/a	+2.2%(1)	n/a	n/a	+3.0%(1)	n/a	n/a
Louise Brooke-Smith	+5.3%	n/a	n/a	+2.2%(1)	n/a	n/a	+3.0%(1)	n/a	n/a
Employee average	+3.0%	0%	-4.4%	+2.2%	0%	+100%	+3.0%	0%	+2.4%(1)

Notes:

1. The 2.2% increase in 2020/2021 reflects the salary increase following the decrease after the response to the Covid-19 pandemic. The 3.0% figure in 2019/2020 excludes the impact of the voluntary salary reduction during the year.
2. The Annual Bonus Plan for Executive Directors was not operated during 2020.
3. Where an incumbent has not served a full year in 2022 or 2021, the change has not been included as it would not be representative.
4. As disclosed in the 2021 Annual Report, Paul James received an increase of 10.56% in salary from 1 January 2022, consistent with the rate of increase detailed to institutional investors during the Policy review process. In addition, Paul James received benefits for his contractual entitlements to temporary accommodation and travel expenses (including reimbursement of tax) for a transitionary period following a change in Genuit's corporate Head Office which relocated from Doncaster to Leeds.
5. Lisa Scenna became Remuneration Committee Chair on 30 September 2022, resulting in an increase in fees received.
6. During the year Kevin Boyd was appointed as Chairman resulting in an increase in fees received.

CEO pay ratio

The table below illustrates the ratio between CEO pay for 2022 (as shown in the single figure table on page 117) and the indicative full-time equivalent total remuneration for employees ranked at the lower quartile, median and upper quartile.

CEO pay ratio	2019	2020	2021	**2022**
Method	A	B	B	**B**
Upper quartile	28:1	19:1	40:1	**21:1**
Median	37:1	24:1	54:1	**29:1**
Lower quartile	44:1	29:1	65:1	**36:1**

For 2022, in line with the relevant legislation, the analysis has been completed using Option B, given the availability of data and in order that a direct comparison can be shown against last year. Gender Pay for 2022 has been calculated in line with the guidance, and details can be found in the Gender Pay Gap Report published on our website.

In determining the quartile figures, the hourly rates were annualised using the same number of contracted hours as the CEO. One UK employee with the relevant annual salary was then chosen for each quartile and the single total remuneration figure was calculated to compare to the CEO. Using gender pay data ensures that these individuals are reasonably representative of pay levels at the 25th, 50th and 75th percentile as the single total remuneration figure for these individuals is similar to other employees with a similar annual salary.

In FY 2020, the CEO voluntarily waived 20% of salary between the months of April and August due to the impact of the Covid-19 pandemic. In addition, the Committee made the decision not to operate the annual bonus plan for the Executive Directors in 2020. This resulted in a drop in the CEO pay ratio. As the CEO received his full salary in FY 2021, the bonus was reinstated and the LTIP vested, this resulted in a subsequent increase in the CEO pay ratio. In FY 2022, no LTIP vested and the bonuses were lower than the prior year, resulting in a decrease in the ratio. For FY 2022 the ratio includes the remuneration for Joe Vorih and Martin Payne during the periods that these individuals undertook the role of CEO.

The ratio is considered within the expected range for the Company and is consistent with the pay and reward policies for our UK employees overall.

The salary and total pay for the individuals identified at the Lower quartile, Median and Upper quartile positions in 2022 are set out below:

	Salary	Total Pay
CEO single figure	£549,515	£801,676
Upper quartile	£38,897	£38,897
Median	£26,677	£27,906
Lower quartile	£22,237	£22,237

Note:

The CEO single figure used in this analysis is based on the total remuneration for Martin Payne and Joe Vorih.

Annual Report on Remuneration continued

Relative importance of the spend on pay

The charts below illustrate the total expenditure on pay for all of the Company's employees compared to dividends payable to shareholders.

EMPLOYEE REMUNERATION COSTS	£
2022	148.2m
2021	145.6m

DIVIDENDS	£
2022	30.5m
2021	30.2m

Shareholder voting on remuneration resolutions

Details of the votes cast in relation to our remuneration resolutions in 2021 and 2022 are summarised below:

	Votes for	Votes against	Votes withheld
Approval of the Remuneration Policy – 2021 AGM	198,146,521 (96.32%)	7,576,774 (3.68%)	5,526
Approval of the Annual Report on Remuneration – 2022 AGM	196,818,094 (93.77%)	12,897,960 (6.14%)	3,699

External board appointments

Executive Directors are not normally entitled to accept a Non-Executive Director appointment outside the Company without the prior approval of the Board. Joe Vorih is a Non-Executive Director of Muth Mirrors, LLC, and retains the fees from that appointment.

Annual General Meeting

This Annual Report on Remuneration will be subject to an advisory shareholder vote at our AGM scheduled to be held on 18 May 2023.

By order of the Board.

Lisa Scenna
Chair of the Remuneration Committee
14 March 2023

Independent Auditor's Report

Independent Auditor's Report to the members of Genuit Group plc

Opinion

In our opinion:

- Genuit Group plc's Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK Adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with UK Adopted International Accounting Standards as applied in accordance with Section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Genuit Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise:

Group	Parent Company
Group Income Statement for the year ended 31 December 2022	Company Balance Sheet as at 31 December 2022
Group Statement of Comprehensive Income for the year ended 31 December 2022	Company Statement of Changes in Equity for the year ended 31 December 2022
Group Balance Sheet as at 31 December 2022	Company Cash Flow Statement for the year ended 31 December 2022
Group Statement of Changes in Equity for the year ended 31 December 2022	Related notes 1 to 9 to the Company financial statements including a summary of significant accounting policies
Group Cash Flow Statement for the year ended 31 December 2022	
Related notes 1 to 29 to the Group financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK Adopted International Accounting Standards and as regards the Parent Company financial statements, as applied in accordance with Section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Performing a walkthrough of the Group's financial close process to confirm our understanding of management's going concern assessment process and engaging with management to ensure all key risk factors we identified were considered in their assessment.
- Obtaining management's going concern assessment including the cash flow forecasts and covenant calculations for the going concern period which covers the 21 month period to 31 December 2024 then performing procedures to confirm the clerical accuracy and appropriateness of the underlying model.
- Obtaining the Group's revolving credit facility and agreeing the level of facilities available, the applicable covenants, and the renewal date of August 2027 to management's assessment.
- Assessing the Group's base case scenario for consistency with budgets and cash flow forecasts approved by the Board of Directors and those used by the Group in other accounting estimates such as the goodwill impairment assessment.
- Challenging the appropriateness of the base case assumptions relating to future levels of demand, raw material availability and cost, and future energy prices. Our procedures included analysis of external market data to consider any contradictory sector forecasts, considerations of the current macroeconomic climate and the disclosed climate change commitments of the Group.

Independent Auditor's Report continued

- Critically assessing and reperforming management's stress test of their cash flow forecasts and covenant calculations in order to quantify and then consider the plausibility of the downside scenarios required to exhaust the Group's forecast liquidity and breach the Group's covenant ratios. We specifically considered the quantum of revenue reduction and unrecovered cost inflation required to exhaust liquidity and breach the Group's covenant ratios.
- Considering the impact and feasibility of potential mitigating activities that are within control of management, such as reducing capital expenditure and dividend payments.
- Reviewing the Group's going concern disclosures included in the Annual Report and Accounts in order to assess their completeness and conformity with the reporting standards.

Our key observations:

- The Directors' assessment forecasts that the Group will maintain sufficient liquidity throughout the going concern assessment period in the base case scenario.
- The Directors have modelled several downside scenarios including a loss of production, loss of a major customer, product failure, recession, increases in interest rates and increases in raw material prices. In all scenarios, the going concern basis remains appropriate, with no breach of covenant or shortfall of liquidity in the going concern period.
- The Group has a significant undrawn committed borrowing facility (£179.1m) at the balance sheet date, which is available until August 2027.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the period to 31 December 2024.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of 8 components and audit procedures on specific balances for a further 4 components. We performed review scope procedures for the remaining 38 components. – The components where we performed full or specific audit procedures accounted for 95% of adjusted Profit Before Tax measure used to calculate materiality, 90% of Revenue and 95% of Total Assets.
Key audit matters	– Inappropriate revenue recognition arising from manual adjustments. – Inappropriate revenue recognition arising through inaccurate accounting for customer rebates within Building Products. – Risk of an unrecognised impairment of goodwill within the Adey and Climate & Ventilation CGUs.
Materiality	– Overall Group materiality of £3.7m (2021: £3.9m) which represents 5% of Profit Before Tax adjusted for non-recurring items.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the Group financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal Audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 50 reporting components of the Group, we selected 12 components covering entities within the UK, which represent the principal business units within the Group.

Of the 12 components selected, we performed an audit of the complete financial information of 8 components ('full scope components') which were selected based on their size or risk characteristics. For the remaining 4 components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

Independent Auditor's Report continued

The reporting components where we performed audit procedures accounted for 95% (2021: 86%) of the Group's adjusted Profit Before Tax measure used to calculate materiality, 90% (2021: 89%) of the Group's Revenue and 95% (2021: 89%) of the Group's Total Assets. For the current year, the full scope components contributed 86% (2021: 86%) of the Group's adjusted Profit Before Tax measure used to calculate materiality, 80% (2021: 85%) of the Group's Revenue and 92% (2021: 89%) of the Group's Total Assets. The specific scope component contributed 9% of the Group's adjusted Profit Before Tax measure used to calculate materiality, 10% of the Group's Revenue and 3% of the Group's Total Assets (2021: no specific scope components). The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 38 components that together represent 5% of the Group's adjusted Profit Before Tax, none are individually greater than 1% of the Group's adjusted Profit Before Tax. For these components, we performed review scope procedures which primarily consist of analytical review. For certain locations with statutory audit requirements, we also performed incremental procedures. This included performing data analytics in respect of revenue transactions and manual accounting entries to identify unusual transactions, testing a sample of significant transactions including fixed asset expenditure where significant, attendance at stock counts where inventory balances were significant and obtaining external confirmation of cash balances to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year
The approach to scoping the Group remains in line with prior year. Our approach is in line with EY's audit methodology and International Standards on Auditing (UK).

Involvement with component teams
All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change
Stakeholders are increasingly interested in how climate change will impact Genuit Group plc. The Group has determined that the most significant future impacts from climate change on their operations relate to the reputational risk in not meeting climate-related targets and potential disruption to the supply chain but also the market opportunities it presents through the development of low emission and climate resilient products and services. These are explained on pages 29 to 32 in the required Task Force on Climate-Related Financial Disclosures. They have also explained their climate commitments on pages 21 to 23. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained how climate change has been reflected in the financial statements in note 2.2 and note 17. These considerations did not give rise to a material impact on the financial reporting estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to 31 December 2024, nor the viability of the Group over the next three years. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK Adopted International Accounting Standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 29 to 32 and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures being the impairment testing of goodwill following the requirements of UK Adopted International Accounting Standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists and determined the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have considered the impact of climate change on the financial statements to impact one key audit matter. Details of our procedures and findings are included in our explanation of key audit matters below.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inappropriate revenue recognition arising from manual adjustments. *Refer to the Audit Committee Report (page 90); Summary of Significant Accounting Policies (page 142); and Note 3.3 of the consolidated financial statements (page 150)* The Group has reported revenue of £622.2m (2021: £594.3m). Revenue is stated net of rebates payable which are considered in the subsequent key audit matter. The timing of revenue recognition is relevant to the reported performance of the Group as a whole and also to the completeness of the rebate expense and related year-end liabilities. Through manual adjustments, there is the opportunity to misstate revenue between periods in order to influence reported results. We consider the significant risk to be primarily associated with those components contributing more than 5% of the Group's revenue as any potential error could result in a material misstatement of the Group financial statements. For the remaining components whilst we consider there to be a risk of management override of controls to misstate revenue, we do not consider any individual component to represent a significant risk of material misstatement. There has been no change in our assessment of this risk when compared to the prior year.	We obtained an understanding of the process and controls in place over the recognition of revenue including approval of manual adjustments recorded as part of the financial statement close process. We obtained an understanding of the IT systems and the role of IT in initiating, recording and reporting revenue transactions within the Group's accounting systems. Of the 8 full scope components, 7 components recorded revenue that was material to the Group and are specifically impacted by the identified fraud risk. For 6 of the 7 full scope components with significant revenue, representing 86% of the Group's revenues, we used data analytics to analyse the full populations of revenue transactions by correlating sales postings with receivables and cash throughout the year to identify any unusual transactions. Through this, we identified revenue recognised through manual adjustments or manual journals for targeted testing. We performed analysis by month to identify unusual trends in revenue and gross margin that could indicate inappropriate revenue recognition. For the remaining full scope component covering 3% of revenue, we performed tests of detail over revenue recognised in the year by agreeing a representative sample of sales to supporting documentation including proof of delivery and testing related cash receipts throughout the year. We also performed procedures to identify and assess the appropriateness of manual adjustments. For all full scope components, we inspected a sample of pre and post year-end sales invoices to assess whether they relate to completed deliveries and have been recognised in the correct period. We analysed sales credit notes raised in January 2023 and tested a sample to supporting information. For those reporting components reporting revenue but not identified as full or specific scope, we performed data analytics procedures to identify unusual trends in revenue recognition and any significant unusual transaction flows. We have reviewed Genuit Group's revenue recognition policy against the requirements of IFRS 15 with a focus on ensuring the performance obligations are appropriately reflected in the Group's approach to recognising revenue. We assessed the adequacy of the disclosure of revenue within the Annual Report and Accounts.	Through our procedures performed we have not identified any unsupported manual adjustments to revenue, or any unexplained anomalies from our revenue analytics. No significant manual adjustments or unusual accounting entries were identified through our testing. No material errors in the timing of revenue recognition were identified. We concluded that revenue recognised in the year is appropriate and found no evidence of management bias.

Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inappropriate revenue recognition arising through inaccurate accounting for customer rebates within Building Products. *Refer to the Audit Committee Report (page 90); Summary of Significant Accounting Policies (page 142); and Note 3.3 of the consolidated financial statements (page 150)* The total value of customer rebates recognised in the year and accrued for at the balance sheet date is material. The Group's pricing structure includes rebate arrangements with customers. Many of these arrangements are relatively straightforward, being based on agreed percentages of sales made to direct customers during the period. A proportion of the Group's rebate agreements are with indirect customers and estimation is required when determining the rebate accrual at the balance sheet date. This is particularly the case for indirect rebates within the Residential Systems operating segment (Building Products business unit) where the rebate is driven by claims which may not have been received or verified at the time when the liabilities are recognised. These claims are made on the basis of installations in line with specification rather than purchases from the Group. There has been no change in our assessment of this risk when compared to the prior year.	We obtained an understanding of management's process and controls in place over recognition and recording of rebates, including key assumptions such as volumes and related targets and claim compliance rates for developers. We obtained an understanding of the IT systems and the role of IT in initiating, recording and reporting rebate transactions within the Group's accounting systems. We reviewed significant, new and existing rebate agreements and tested a sample of payments made during the year in order to validate the charges incurred and settled during the year. We utilised data analytics to identify unusual transactions recorded in rebate accounts that could indicate management override of controls. For developer rebates, we reviewed external information to develop our own point estimate of the year-end rebate. We tested the accuracy of quarterly estimates made by management against actual claim amounts. We tested the compliance rates of actual claims received to understand the value of claims received that were subsequently paid out during the year. For merchant rebates, we developed an independent expectation of the annual rebate charge and year-end liability, including any charge associated with targeted rebate clauses, and compared this to management's annual charge and year-end liability. We performed completeness procedures on the year-end rebate held by comparing a sample of customers who claimed during the year to the rebate charge and closing balance. We reviewed material post year-end bank payments and claims received and compared these to management's year-end estimates. For merchant rebates, we compared the 2022 charge from the December 2022 schedule to the 2022 charge from the January 2023 schedule to understand changes to the rebate charge that were made subsequent to the year end. We compared the prior year accrual to the actual claims verified and paid in the year to understand the historical accuracy of management's estimation.	We found no material difference between the prior year rebate accrual and the actual rebate claims verified and paid in the year. This provides assurance over management's historical ability to accurately estimate the rebate liability. We concluded that management's judgments were materially consistent with our expectations and recalculations based on external sources, post year-end claim activity and historic settlement rates. We concluded that the rebate expense recognised during the year and the liability at the period end is appropriate.

Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of an unrecognised impairment of goodwill within the Adey and Climate & Ventilation CGUs. *Refer to the Audit Committee Report (page 90); Summary of Significant Accounting Policies (page 142); and Note 3.4 of the consolidated financial statements (page 150)* There is a risk that there is an unrecognised impairment against goodwill within the Adey and the Climate & Ventilation CGUs. The forecasts in these CGUs are likely to be highly sensitive to key assumptions including the revenue growth rates and discount rates. The risk has increased compared to the prior year, due to performance of these specific CGUs in comparison to budget in H1 of 2022.	We assessed the appropriateness of the individual CGUs identified in line with IAS 36. We walked through and understood management's approach to the goodwill impairment assessment and walked through the Groups budgeting process to understand the key assumptions made in the budget. This included confirming the underlying cash flows are consistent with the Board approved business plan and appropriately consider the effects of material climate risks as disclosed on pages 29 to 32. We obtained an understanding of the role of IT in the goodwill impairment assessment process, including the source of underlying data. We utilised out valuation specialists to support in our assessment of the appropriateness of management's discount rate. We challenged the long-term growth rate within the discounted cash flow calculations. We understood and challenged management's forecast future cash flows, to assess key inputs and to compare these against industry expectations. We challenged the assumptions underpinning the growth rates, including the expected recovery following supply chain constraints, considerations over economic uncertainty in the short-term and how the medium to longer-term risks and opportunities were factored in to future cash flows, including the impact of climate change. We audited the disclosures in accordance with IAS 36 and IAS 1.	We consider management's assessment appropriately reflects the requirements of IAS 36 and captures the risks to future cash flows. Further to initial review, management has recorded an impairment of £12m of goodwill associated with the Adey CGU. We concluded that the remaining goodwill balance recognised in the Adey CGU is appropriate. We concluded that the goodwill recognised in the Climate & Ventilation CGU was appropriate.

In the prior year, our auditor's report included a key audit matter in relation to the risk of inaccurate accounting for acquisitions which was specific to material acquisitions made during 2021. In the current year, there were no material acquisitions and therefore this risk is not identified as a key audit matter.

Independent Auditor's Report continued

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £3.7m (2021: £3.9m), which is 5% (2021: 5%) of Group Profit Before Tax adjusted for non-recurring items. We believe that materiality basis provides us with a consistent basis for calculating materiality as it excludes the impact of one-off items that are not related to the underlying operations of the Group.

We determined materiality for the Parent Company to be £3.4m (2021: £3.9m), which is 1% (2021: 1%) of total equity.

Starting basis	– Group Profit Before Tax – £45.4m
Adjustments	– Adjusted for non-underlying items excluding amortisation on acquired intangible assets of £15.2m and staff costs £0.9m
Materiality	– Totals £74.5m Group adjusted Profit Before Tax – Materiality of £3.7m (5% of Group Profit Before Tax adjusted for non-recurring items)

During the course of our audit, we reassessed initial materiality with the only change in the final materiality from our original assessment, being to reflect the actual reported performance of the Group in the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £2.8m (2021: £2.9m). We have set performance materiality at this percentage due to our assessment of the control environment and assessment that there is a lower likelihood of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.5m to £2.2m (2021: £0.6m to £1.8m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2021: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report and Accounts set out on pages 1 to 127, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report continued

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 96;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 96;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 96;
- Directors' statement on fair, balanced and understandable set out on page 99;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 55 to 62;
- The section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on page 79; and;
- The section describing the work of the Audit Committee set out on pages 90 to 94.

Responsibilities of Directors

As explained more fully in the Group Directors' Responsibilities Statement set out on page 99 and the Parent Company Directors' Responsibilities Statement set out on page 170, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Group and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK Adopted International Accounting Standards, the Companies Act 2006 and UK Corporate Governance Code). In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements including the relevant tax compliance regulations in the UK and those laws and regulations relating to health and safety and employee matters.
- We understood how Genuit Group plc is complying with those frameworks by making enquiries of Group and Component management, as well as those charged with governance. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee. Further, through our detailed audit procedures we have considered whether any evidence has been identified that indicates non-compliance with the relevant laws and regulations has occurred.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by understanding the Group's performance against market expectations; understanding the Group's performance against internal key performance indicators used when calculating management's variable remuneration; identifying key judgments and estimates including rebate accounting that can materially impact the financial statements; and understanding the controls and processes in place for the prevention and detection of fraudulent activity and financial reporting.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved those outlined in the revenue and rebate key audit matters above, as well as testing manual journals recorded at the component and consolidation level, understanding unusual and one-off transactions, and where relevant corroborating the basis of accounting judgements and estimates with employees and specialists outside of the finance functions such as the Company Secretary, the Group IT function, the Group Health and Safety team and commercial management.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the company in 2012 to audit the Group's financial statements for the year ending 31 December 2012 and subsequent financial periods. In 2014, upon the Group's listing on the London Stock Exchange the Group became subject to the rotation requirements under the UK Corporate Governance Code, Competition and Markets Authority and the EU Audit Directive.
- The period of total uninterrupted engagement since the Group was subject to these rotation requirements is nine years. In total the period of uninterrupted engagement including previous renewals and reappointments is eleven years, covering the years ending 31 December 2012 to 31 December 2022.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Morritt (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
14 March 2023

Notes:

1. The maintenance and integrity of the Genuit Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group Income Statement

For the year ended 31 December 2022

	Notes	2022 Underlying £m	2022 Non-underlying† £m	2022 Total £m	2021 Underlying £m	2021 Non-underlying† £m	2021 Total £m
Revenue	5	**622.2**	**–**	**622.2**	594.3	–	594.3
Cost of sales	6, 8	**(372.1)**	**(2.5)**	**(374.6)**	(348.8)	(6.5)	(355.3)
Gross profit		**250.1**	**(2.5)**	**247.6**	245.5	(6.5)	239.0
Selling and distribution costs		**(81.5)**	**–**	**(81.5)**	(81.8)	–	(81.8)
Administration expenses	8	**(70.2)**	**(12.3)**	**(82.5)**	(68.3)	(7.5)	(75.8)
Trading profit		**98.4**	**(14.8)**	**83.6**	95.4	(14.0)	81.4
Amortisation of intangible assets	8	**(0.2)**	**(15.2)**	**(15.4)**	(0.1)	(14.2)	(14.3)
Impairment of intangible assets	8	**–**	**(2.8)**	**(2.8)**	–	–	–
Impairment of goodwill	8	**–**	**(12.0)**	**(12.0)**	–	–	–
Operating profit	5, 6	**98.2**	**(44.8)**	**53.4**	95.3	(28.2)	67.1
Finance costs	8, 11	**(7.6)**	**(0.4)**	**(8.0)**	(4.2)	–	(4.2)
Profit before tax	5	**90.6**	**(45.2)**	**45.4**	91.1	(28.2)	62.9
Income tax	8, 12	**(14.1)**	**5.2**	**(8.9)**	(16.0)	(5.9)	(21.9)
Profit for the year attributable to the owners of the parent company		**76.5**	**(40.0)**	**36.5**	75.1	(34.1)	41.0
Basic earnings per share (pence)	13			**14.7**			16.7
Diluted earnings per share (pence)	13			**14.6**			16.5
Dividend per share (pence) – interim	14			**4.1**			4.0
Dividend per share (pence) – final	14			**8.2**			8.2
	14			**12.3**			12.2

† Non-underlying items are presented separately. The definition of non-underlying items is included in the Group Accounting Policies on page 148. Non-underlying items are detailed in Note 8 to the consolidated financial statements.

Group Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 £m	2021 £m
Profit for the year attributable to the owners of the parent company	**36.5**	41.0
Other comprehensive income:		
Items which may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**–**	(0.4)
Effective portion of changes in fair value of forward foreign currency derivatives	**0.1**	(0.1)
Other comprehensive income for the year net of tax	**0.1**	(0.5)
Total comprehensive income for the year attributable to the owners of the parent company	**36.6**	40.5

Group Balance Sheet

At 31 December 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Property, plant and equipment	15	**169.9**	151.7
Right-of-use assets	16	**22.3**	20.6
Intangible assets	17	**615.1**	642.8
Total non-current assets	5	**807.3**	815.1
Current assets			
Inventories	21	**89.9**	80.8
Trade and other receivables	22	**68.1**	76.7
Income tax receivable		**2.2**	1.1
Cash and cash equivalents	23	**50.0**	52.3
Assets held-for-sale	19	**10.7**	–
Total current assets		**220.9**	210.9
Total assets	5	**1,028.2**	1,026.0
Current liabilities			
Trade and other payables	26	**(124.2)**	(135.5)
Lease liabilities	16, 27	**(5.8)**	(4.5)
Deferred and contingent consideration	18	**–**	(0.5)
Derivative financial instruments	27	**–**	(0.1)
Liabilities held-for-sale	19	**(2.6)**	–
Total current liabilities		**(132.6)**	(140.6)

	Notes	2022 £m	2021 £m
Non-current liabilities			
Loans and borrowings	27	**(193.1)**	(197.4)
Lease liabilities	16, 27	**(17.3)**	(16.1)
Deferred and contingent consideration	18	**(8.0)**	(4.3)
Other liabilities	27	**–**	(1.4)
Deferred income tax liabilities	12	**(50.1)**	(48.5)
Total non-current liabilities		**(268.5)**	(267.7)
Total liabilities	5	**(401.1)**	(408.3)
Net assets	5	**627.1**	617.7
Capital and reserves			
Equity share capital	24	**0.2**	0.2
Share premium	24	**93.6**	93.6
Capital redemption reserve	24	**1.1**	1.1
Hedging reserve	24	**–**	(0.1)
Foreign currency retranslation reserve	24	**–**	–
Other reserves	24	**116.5**	116.5
Retained earnings		**415.7**	406.4
Total equity		**627.1**	617.7

The consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:

Joe Vorih
Director
14 March 2023

Paul James
Director
14 March 2023

Company Registration No. 06059130

Group Statement of Changes in Equity

For the year ended 31 December 2022

	Equity share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Foreign currency retranslation reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 31 December 2020	0.2	–	1.1	–	–	0.4	116.5	382.7	500.9
Profit for the year	–	–	–	–	–	–	–	41.0	41.0
Other comprehensive income	–	–	–	–	(0.1)	(0.4)	–	–	(0.5)
Total comprehensive income for the year	–	–	–	–	(0.1)	(0.4)	–	41.0	40.5
Dividends paid	–	–	–	–	–	–	–	(21.7)	(21.7)
Issue of share capital (See Note 24)	–	96.3	–	–	–	–	–	–	96.3
Transaction costs on issue of share capital	–	(2.7)	–	–	–	–	–	–	(2.7)
Share-based payments charge	–	–	–	–	–	–	–	2.2	2.2
Share-based payments settled	–	–	–	–	–	–	–	2.1	2.1
Share-based payments excess tax benefit	–	–	–	–	–	–	–	0.1	0.1
At 31 December 2021	0.2	93.6	1.1	–	(0.1)	–	116.5	406.4	617.7
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**36.5**	**36.5**
Other comprehensive income	**–**	**–**	**–**	**–**	**0.1**	**–**	**–**	**–**	**0.1**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**0.1**	**–**	**–**	**36.5**	**36.6**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30.5)**	**(30.5)**
Share-based payments charge	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2.9**	**2.9**
Share-based payments settled	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
Share-based payments excess tax benefit	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2022	**0.2**	**93.6**	**1.1**	**–**	**–**	**–**	**116.5**	**415.7**	**627.1**

Group Cash Flow Statement

For the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Operating activities			
Profit before tax		**45.4**	62.9
Finance costs	11	**8.0**	4.2
Operating profit		**53.4**	67.1
Non-cash items:			
Profit on disposal of property, plant and equipment	6	**(0.7)**	(0.2)
Transaction costs on issue of share capital		**–**	0.1
Research and development expenditure credit	6	**(1.2)**	(2.0)
Warranty provision release		**(1.0)**	–
Non-underlying items:			
– impairment of goodwill arising on business combinations	8, 17	**12.0**	–
– impairment of intangible assets arising on business combinations	8, 17	**2.8**	–
– amortisation of intangible assets arising on business combinations	8, 17	**15.2**	14.2
– provision for acquisition costs	8	**3.3**	6.6
– unwind of inventory fair value adjustment	8	**–**	3.7
– provision for restructuring costs	8	**9.3**	1.1
– provision for product liability claim	8	**1.0**	2.6
– isolated cyber incident	8	**1.2**	–
Depreciation of property, plant and equipment	5, 15	**19.4**	18.4
Depreciation of right-of-use assets	5, 16	**5.4**	4.4
Amortisation of internally generated intangible assets	17	**0.2**	0.1
Share-based payments	25	**2.9**	2.2
Cash items:			
– Settlement of acquisition costs	18	**(0.2)**	(6.9)
– Settlement of restructuring costs		**(8.2)**	–
– Settlement of isolated cyber incident costs		**(1.2)**	–
Operating cash flows before movement in working capital		**113.6**	111.4
Movement in working capital:			
Receivables		**7.8**	(0.9)
Payables		**(10.4)**	(6.2)

	Notes	2022 £m	2021 £m
Inventories		**(17.1)**	(19.9)
Cash generated from operations		**93.9**	84.4
Income tax paid		**(7.0)**	(9.5)
Net cash flows from operating activities		**86.9**	74.9
Investing activities			
Acquisition of businesses net of cash at acquisition	18	**(2.6)**	(236.4)
Settlement of deferred and contingent consideration		**(0.5)**	–
Proceeds from disposal of property, plant and equipment		**2.9**	0.5
Purchase of property, plant and equipment		**(41.1)**	(33.1)
Development expenditure		**(2.7)**	(1.5)
Net cash flows from investing activities		**(44.0)**	(270.5)
Financing activities			
Issue of share capital	24	**–**	96.3
Transaction costs on issue of share capital	24	**–**	(2.8)
Debt issue costs		**(3.1)**	–
Drawdown of bank loan		**266.2**	148.0
Repayment of bank loan		**(268.3)**	(10.0)
Interest paid		**(3.7)**	(2.9)
Dividends paid	14	**(30.5)**	(21.7)
Proceeds from exercise of share options		**0.4**	2.1
Settlement of lease liabilities	16	**(6.2)**	(5.1)
Net cash flows from financing activities		**(45.2)**	203.9
Net change in cash and cash equivalents		**(2.3)**	8.3
Cash and cash equivalents at 1 January	23	**52.3**	44.1
Net foreign exchange difference		**–**	(0.1)
Cash and cash equivalents at 31 December	23	**50.0**	52.3

Notes to the Group Financial Statements

For the year ended 31 December 2022

1. Authorisation of financial statements

The consolidated financial statements of the Group for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 14 March 2023 and the balance sheet was signed on the Board's behalf by Joe Vorih and Paul James.

Genuit Group plc (previously known as Polypipe Group plc) is a public limited company incorporated and domiciled in England and Wales. The principal activity of the Group is the provision of sustainable water and climate management solutions for the built environment.

2. Summary of significant accounting policies

The basis of preparation and accounting policies used in preparing the consolidated historical financial information for the year ended 31 December 2022 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented.

2.1 Basis of preparation and statement of compliance with IFRSs

The Group's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (UK-adopted-IAS).

The accounting policies which follow set out those policies which apply in preparing the consolidated financial statements for the year ended 31 December 2022.

The Group's consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and deferred and contingent consideration that have been measured at fair value. The consolidated financial statements are presented in Pounds Sterling and all values are rounded to one decimal place of a million (£m) unless otherwise indicated.

2.2 Going concern

The Directors have made enquiries into the adequacy of the Group's financial resources, through a review of the Group's budget and medium-term financial plan, including cash flow forecasts. The Group has modelled a range of scenarios, with the base forecast being one in which, over the 24 months ending 31 December 2024, sales volumes grow in line with or moderately above external construction industry forecasts.

In addition, the Directors have considered several downside scenarios, including adjustments to the base forecast, a period of significantly lower like-for-like sales, profitability and cash flows. Consistent with our Principal Risks and Uncertainties these downside scenarios included, but were not limited to, loss of production, loss of a major customer, product failure, recession, increases in interest rates and increases in raw material prices. Downside scenarios also included a combination of these risks, and reverse stress testing.

The financial impact of the climate-related risks disclosed within the Task Force on Climate-Related Financial Disclosures Report on pages 26 to 35 of the Strategic Report continue to be assessed. Through the detailed qualitative scenario analysis undertaken, the Directors conclude that there is no material adverse impact of climate change in the short to medium term, and hence have not included any impacts in either the base case or downside scenarios of the going concern assessment. The Group has not experienced material adverse disruption during periods of adverse or extreme weather in recent years and do not expect this to occur to a material level over the period of the going concern assessment.

At 31 December 2022, the Group had available £179.1m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities are available until at least August 2027, subject to covenant headroom. The Directors are satisfied that the Group has sufficient liquidity and covenant headroom to withstand reasonable variances to the base forecast, as well as the downside scenarios. In addition, the Directors have noted the range of possible additional liquidity options available to the Group, should they be required.

As a result, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for a period of at least the next 21 months. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The Group holds 100% of the equity and controls 100% of the voting rights in all subsidiaries, with the exception of Plura Composites Limited, Polydeck Limited, Equaflow Ltd, Sustainable Water and Drainage Systems BV, Sustainable Water and Drainage Systems Limited and Water Management Solutions LLC (which has not traded since incorporation in Qatar in 2015).

In relation to the acquisition of Plura Composites Limited and related entities, there exists an option to acquire the remaining 49% which has not been exercised in the year. Under the contractual arrangements, the Group's approval is required for all major operational decisions. Based on this, the Group has accounted for Plura Composites Limited as a wholly owned subsidiary because there is a call option over the remaining shares which gives the Group present access to returns over all the shares held by non-controlling shareholders.

The treatment of non-controlling interests or any other non-voting right factors in respect of control is not material to the consolidated financial statements.

Notes to the Group Financial Statements continued

2.4 Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is the total of the consideration transferred, measured at acquisition fair value. Acquisition costs incurred are expensed and included in administration expenses in the income statement.

Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill.

2.5 Goodwill
Goodwill is initially measured at cost being the excess of the aggregate of the acquisition date fair value of the consideration transferred over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses (see Note 2.13).

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the profit or loss on disposal of the unit, or of an operation within it.

2.6 Foreign currency translation
The Group's consolidated financial statements are presented in Pounds Sterling, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured in that functional currency.

Transactions in foreign currencies are initially recognised by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the balance sheet date. All differences arising on settlement or translation are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The assets and liabilities of foreign operations are translated into Pounds Sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at average exchange rates prevailing. The resulting exchange differences are recognised in other comprehensive income.

2.7 Revenue from contracts with customers and interest income
Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods. The disclosure of significant accounting judgements and estimates relating to revenue from contracts with customers is provided in Note 3.

2.7.1 Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Our most commonly used standard payment terms are 30 days net end of month.

i) Performance obligations
Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Our most commonly used standard payment terms are 30 days net end of month.

The Group considers whether there are other undertakings in the sales contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The main source of variable consideration in our contracts with customers relates to volume rebates. More information is on the accounting for rebates is provided at (ii) and (iii) below. The Group's contracts do not typically include a significant financing component. Non-cash consideration is not a feature of the Group's contractual arrangements.

ii) Variable consideration
If the consideration in a sales contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some sales contracts provide customers with sales volume rebates. The sales volume rebates give rise to variable consideration.

iii) Sales volume rebates
The Group provides retrospective sales volume rebates to certain customers once, amongst other matters, the quantity of goods purchased during a predetermined period exceeds thresholds specified in the sales contract. To estimate the variable consideration for these expected future rebates, the Group applies the most likely amount method for sales contracts with a single-volume threshold and the expected value method for sales contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the sales contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates. Sales volume rebate liabilities, both estimated and actual, are netted off against the associated trade receivables to the extent of the individual customer trade receivable balance and where they are net settled. Any remaining credit balances are included in trade and other payables. Developer rebate liabilities are presented in trade and other payables.

2.7.2 Interest income
Interest income is recognised as interest accrues on cash balances using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Notes to the Group Financial Statements continued

2.8 Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities, based on income tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, with the following exceptions:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

For deductible temporary differences associated with investments in subsidiaries it must additionally be probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same tax authority and that authority permits the Group to make a single net payment.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the income tax rates that are expected to apply when the asset is realised or the liability is settled, based on income tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the income statement.

2.9 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on the cost less residual value of property, plant and equipment, and is on a straight-line basis over its expected useful life as follows:

Freehold land	Nil
Freehold buildings	Over expected useful life not exceeding 50 years
Plant and other equipment	4 to 10 years

The carrying amounts of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable, and are written down immediately to their recoverable amount. Useful lives, residual values and depreciation methods are reviewed at each financial year end, and where adjustments are required, these are made prospectively.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any profit or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

2.10 Intangible assets

Intangible assets acquired separately are initially measured at cost. Intangible assets arising on business combinations are initially measured at fair value. Following initial recognition, intangible assets are carried at cost or fair value less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over their expected useful life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation of intangible assets is provided over the following expected useful lives:

Patents and brand names	10 to 20 years
Customer relationships and customer order book	5 to 20 years
Licences	10 years
Development costs	4 to 10 years

Notes to the Group Financial Statements continued

Research and development costs
Research costs are expensed as incurred. Development expenditures on individual projects are recognised as an intangible asset when the Group can demonstrate:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– its intention to complete and its ability to use or sell the asset;

– how the asset will generate future economic benefits;

– the availability of resources to complete the asset; and

– the ability to measure reliably the expenditure during development.

2.11 Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to the income statement over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.12 Assets classified as held-for-sale
Assets classified as held-for-sale are measured at the lower of carrying amount and fair value, less costs to sell. Assets are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, expected to be completed within one year from the date of classification and accordingly included in current assets with the associated liabilities being included in current liabilities, and the asset is available for immediate sale in its present condition.

2.13 Impairment of non-financial assets
The Group assesses at each balance sheet date whether there are any indicators that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its fair value less costs to sell and its value-in-use and it is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculations on detailed budgets and industry forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and industry forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Goodwill
Goodwill has specific characteristics for impairment and is tested annually (at 31 December) or when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. For the purpose of impairment testing, goodwill is allocated to the related CGUs. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment before aggregation. Where the recoverable amount of the CGU is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

Impairment losses related to goodwill are not reversed in future periods.

2.14 Leasing
Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its expected useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

Notes to the Group Financial Statements continued

2.14 Leasing continued
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

2.15 Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not recognised at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group's financial assets include cash and cash equivalents and trade and other receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification. The Group does not currently hold any fair value through other comprehensive income financial assets.

Financial assets at amortised cost
The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents and trade receivables.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the

Notes to the Group Financial Statements continued

Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment
The Group recognises an allowance for expected credit losses (ECLs) for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each balance sheet date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, lease liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities, deferred and contingent consideration, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Derivative financial instruments are classified as FVTPL unless they are designated as effective hedging instruments. Gains and losses on such derivatives are recognised in the income statement. However, in the current and prior period all derivatives have been designated as hedging instruments in effective hedging relationships. Further information on their accounting is provided at 2.16 below. As such, the only financial liability at FVTPL is the deferred and contingent consideration (see Note 18).

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Profits and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in finance revenues and finance costs, respectively.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts, together with any costs or fees incurred, is recognised in the income statement.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.16 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward foreign currency exchange contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

Notes to the Group Financial Statements continued

2.16 Derivative financial instruments and hedge accounting continued

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below:

Cash flow hedge

Cash flow hedging matches the cash flows of hedged items against the corresponding cash flows of the derivative. The effective part of any profit or loss on the derivative is recognised directly in other comprehensive income and the hedged item is accounted for in accordance with the policy for that financial instrument. Any ineffective part of any profit or loss is recognised immediately in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative profit or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative profit or loss recognised in equity is transferred to the income statement for the period.

The Group does not currently have any designated fair value hedges or net investment hedges.

Note 29 sets out the details of the fair values of the derivative financial instruments used for hedging purposes.

2.17 Fair values

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of financial instruments that are traded in active markets at the balance sheet date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 29.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials – purchase cost on a first in, first out basis.
- Work in progress and finished goods – cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

2.19 Cash and short-term deposits

Cash and short-term deposits consist of cash at bank and in hand.

2.20 Pensions

The Group operates defined contribution pension plans. Contributions payable in the year are charged to the income statement. The assets are held separately from those of the Group in an independently administered fund. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2.21 Non-underlying items

The Group presents amortisation and impairment of intangible assets arising on business combinations, the unwind of inventory fair value adjustments resulting from acquisitions, significant profit on disposal of property, plant and equipment, restructuring costs, non-recurring operating costs, finance costs and tax in respect of acquisitions, as non-underlying items on the face of the income statement. These are items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, the Directors consider merit separate presentation to provide a better and more consistent indication of the Group's underlying financial performance and a more meaningful comparison with prior and future periods to assess trends in financial performance. The tax effect of the above is also included.

Notes to the Group Financial Statements continued

2.22 Share-based payments

In the case of equity-settled schemes, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The value of the options is measured using the Black–Scholes and Monte Carlo models, taking into account the terms and conditions (including market and non-vesting conditions) upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.23 Cash dividend

The Group recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. Under UK company law a distribution is authorised when it is approved by the shareholders. A corresponding amount is then recognised directly in equity.

2.24 Own shares

The Group operates an Employee Benefit Trust (EBT). The Group and/or the EBT, holds Genuit Group plc shares for the granting of Genuit Group plc shares to employees and Directors. These shares are recognised at cost and presented in the balance sheet as a deduction from equity. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of these shares. No dividends are earned on these shares, and they are ignored for the purposes of calculating the Group's earnings per share.

2.25 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

3. Judgements and key sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgement(s), in the consolidated financial statements in the years ended 31 December 2022 and 2021:

3.1 Business combinations

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are the identification of which intangible assets meet the recognition criteria as set out in IAS 38, the fair values attributable to those intangible assets, and the useful lives of individual intangible assets. The Group has applied judgement in determining whether amounts contingently payable to previous owners of the businesses we have acquired should be recognised as a remuneration cost in the income statement, or within total consideration that is allocated to the fair value of assets and liabilities included in the balance sheet.

3.2 Determination of cash generating units

Under IAS 36, Impairment of Assets, the Group is required to determine its Cash Generating Units (CGUs) by identifying the lowest aggregation of assets that generate largely independent cash inflows; and perform impairment assessments at a chosen annual date (the Group has historically chosen 31 December) or when an event occurs that indicates the carrying amount maybe impaired. When the Group first adopted IFRS (effective 1 January 2013) it determined its CGUs and then allocated the consolidated goodwill at that time to each of those CGUs. Subsequently, separately identifiable goodwill arose on the acquisitions of Surestop (January 2015), Nuaire (August 2015), Permavoid (August 2018), Manthorpe (October 2018), Alderburgh (October 2019), Adey, Nu-Heat and Plura (February 2021) and the acquisition of Keytec Geomembranes (March 2022).

During 2021, following the acquisition of Adey, Nu-Heat and Plura, the Group revised its CGU structure to more accurately reflect the lowest aggregation of assets that generate largely independent cash inflows. This revision resulted in the number of CGUs consolidating to 7, from 17 previously, but did not necessitate goodwill to be reallocated between the revised CGUs. Accordingly, the Group did not need to perform an impairment review immediately prior to the revision of the CGU structure. There have been no further revisions to the CGU structure in 2022. Keytec Geomembranes was acquired during the year and forms part of the Commercial and Infrastructure Systems segment. The goodwill arising on its acquisition has been allocated to the 'Infrastructure and Landscape' CGU grouping. See Note 17 for further details.

Notes to the Group Financial Statements continued

3.2 Determination of cash generating units continued
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3.3 Revenue recognition and customer rebates
The Group's pricing structure involves rebate arrangements with several of its direct and indirect customers. These can be complex in nature and involve estimation in determining the required level of provision for rebate liabilities, particularly where the Group is reliant on information from customers which may not be available at the time the liabilities are assessed.

3.4 Impairment of non-financial assets
Non-financial assets include goodwill, other intangible assets and property, plant and equipment. In accordance with IFRS, the Group considers whether there are any indicators of impairment of these assets. Where indicators of impairment are identified, the Group tests the asset for impairment. Goodwill is tested for impairment annually (at 31 December) or more frequently when circumstances indicate that the carrying amount may be impaired.

The Group's impairment test for goodwill is based on a value-in-use calculation, using a discounted cash flow model. The aim of the test is to ensure that goodwill is not carried at a value greater than the recoverable amount. The cash flows are derived from the budgets and forecasts for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the asset or the cash-generating unit (CGU) being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are further explained in Note 17.

3.5 Contingent consideration
The Directors assess the likelihood that financial targets will be achieved in order to trigger the contingent consideration to the previous owners of the businesses we have acquired, to quantify the possible range of that contingent consideration, and to how that contingent consideration should be calculated and disclosed in the consolidated financial statements. Due to the inherent uncertainty in this process, actual liabilities may be different from those originally estimated.

4. New and amended accounting standards and interpretations
Accounting standards or interpretations which have been adopted in the year
There were no accounting standards or interpretations that have become effective in the year which had an impact on disclosures, financial position or performance.

Accounting standards or interpretations issued but not yet effective
There were no accounting standards or interpretations issued which have an effective date after the date of these consolidated financial statements that the Group reasonably expects to have an impact on disclosures, financial position or performance.

5. Segment information
IFRS 8, Operating Segments, requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM is deemed to be the Board of Directors, which is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group has two reporting segments – Residential Systems and Commercial and Infrastructure Systems. The reporting segments are organised based on the nature of the end markets served. Inter-segment sales are on an arm's length basis in a manner similar to transactions with third parties. During the period one acquired business was added to the Commercial and Infrastructure Systems segment (see Note 18).

	2022			2021		
	Residential Systems £m	**Commercial & Infrastructure Systems £m**	**Total £m**	Residential Systems £m	Commercial & Infrastructure Systems £m	Total £m
Segmental revenue	**400.4**	**238.6**	**639.0**	378.0	231.8	609.8
Inter-segment revenue	**(6.1)**	**(10.7)**	**(16.8)**	(5.1)	(10.4)	(15.5)
Revenue	**394.3**	**227.9**	**622.2**	372.9	221.4	594.3
Underlying operating profit*	**79.1**	**19.1**	**98.2**	73.1	22.2	95.3
Non-underlying items – segmental	**(31.2)**	**(9.3)**	**(40.5)**	(18.5)	(8.8)	(27.3)
Segmental operating profit	**47.9**	**9.8**	**57.7**	54.6	13.4	68.0
Non-underlying items – Group			**(4.3)**			(0.9)
Operating profit			**53.4**			67.1
Non-underlying items – finance costs			**(0.4)**			–
Finance costs			**(7.6)**			(4.2)
Profit before tax			**45.4**			62.9

* Underlying operating profit is stated before non-underlying items as defined in the Group Accounting Policies on page 148 and is the measure of segment profit used by the Group's CODM. Details of the non-underlying items of £45.2m (2021: £28.2m) are set out below at non-underlying items before tax.

Notes to the Group Financial Statements continued

Balance sheet

	31 December 2022		31 December 2021	
	Total assets £m	**Total liabilities £m**	Total assets £m	Total liabilities £m
Residential Systems	**727.3**	**(99.0)**	665.0	(101.9)
Commercial and Infrastructure Systems	**248.7**	**(58.9)**	307.6	(60.5)
Total segment assets/(liabilities)	**976.0**	**(157.9)**	972.6	(162.4)
Current and deferred income taxes	**2.2**	**(50.1)**	1.1	(48.5)
Net debt excluding lease liabilities	**50.0**	**(193.1)**	52.3	(197.4)
Total – Group	**1,028.2**	**(401.1)**	1,026.0	(408.3)
Net assets		**627.1**		617.7

Property, plant and equipment additions

	2022 £m	2021 £m
Residential Systems	**25.3**	20.2
Commercial and Infrastructure Systems	**15.8**	12.6
Total – Group	**41.1**	32.8

Right-of-use asset additions

	2022 £m	2021 £m
Residential Systems	**4.5**	2.7
Commercial and Infrastructure Systems	**3.6**	2.7
Total – Group	**8.1**	5.4

Depreciation of property, plant and equipment

	2022 £m	2021 £m
Residential Systems	**10.9**	9.9
Commercial and Infrastructure Systems	**8.5**	8.5
Total – Group	**19.4**	18.4

Depreciation of right-of-use assets

	2022 £m	2021 £m
Residential Systems	**3.1**	2.2
Commercial and Infrastructure Systems	**2.3**	2.2
Total – Group	**5.4**	4.4

Non-underlying items before tax

	2022 £m	2021 £m
Residential Systems – impairment of goodwill	**12.0**	–
Residential Systems – impairment of intangible assets	**2.8**	–
Residential Systems – amortisation of intangible assets	**12.1**	10.4
Residential Systems – restructuring costs	**3.7**	1.1
Residential Systems – Isolated cyber incident costs	**0.6**	–
Residential Systems – acquisition costs	**–**	3.3
Residential Systems – unwind of inventory fair value adjustment	**–**	3.7
Commercial and Infrastructure Systems – amortisation of intangible assets	**3.1**	3.8
Commercial and Infrastructure Systems – acquisition costs	**3.3**	2.4
Commercial and Infrastructure Systems – restructuring costs	**1.3**	–
Commercial and Infrastructure Systems – product liability claim	**1.0**	2.6
Commercial and Infrastructure Systems – isolated cyber incident costs	**0.6**	–
UK operations	**40.5**	27.3
Group – restructuring costs	**4.3**	0.9
Group – unamortised deal fees	**0.4**	–
Total – Group	**45.2**	28.2

Notes to the Group Financial Statements continued

5. Segment information continued

Geographical analysis

Revenue by destination	2022 £m	2021 £m
UK	**560.8**	534.1
Rest of Europe	**32.4**	38.3
Rest of World	**29.0**	21.9
Total – Group	**622.2**	594.3

Non-current assets	31 December 2022 £m	31 December 2021 £m
UK	**800.2**	809.4
Rest of Europe	**7.1**	5.7
Total – Group	**807.3**	815.1

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, goodwill and other intangible assets.

The Group has two customers (2021: two) which individually accounted for more than 10% of the Group's total revenue during 2022. These customers accounted for 11.9% and 10. 8%, respectively (2021: 13.0% and 10.4%, respectively) and are included in both reporting segments.

6. Operating profit

	2022 £m	2021 £m
Income statement charges		
Depreciation of property, plant and equipment (owned)	**19.4**	18.4
Depreciation of right-of-use assets	**5.4**	4.4
Cost of inventories recognised as an expense	**318.3**	290.4
Research and development costs expensed	**8.8**	8.8
Income statement credits		
Research and development expenditure credit	**1.2**	2.0
Profit on disposal of property, plant and equipment	**0.7**	0.2

7. Auditor's remuneration

The Group paid the following amounts to the Company's auditor in respect of the audit of the consolidated financial statements and for other services provided to the Group.

Auditor's remuneration for audit services:

	2022 £m	2021 £m
Audit of the Company's annual financial statements	**–**	–
Audit of the Company's subsidiaries	**0.9**	0.7
Total audit fees	**0.9**	0.7

The Group paid the Company's auditor £0.2m for audit related assurance services (2021: £0.1m).

8. Non-underlying items

Non-underlying items comprised:

	2022			2021		
	Gross £m	Tax £m	Net £m	Gross £m	Tax £m	Net £m
Cost of sales: Restructuring costs – inventory write down	**1.5**	**(0.3)**	**1.2**	–	–	–
Cost of sales: Unwind of inventory fair value adjustment	**–**	**–**	**–**	3.7	–	3.7
Cost of sales: Restructuring costs	**–**	**–**	**–**	0.2	–	0.2
Cost of sales: Product liability claim	**1.0**	**–**	**1.0**	2.6	(0.5)	2.1
Administration expenses: Isolated cyber incident costs	**1.2**	**(0.2)**	**1.0**	–	–	–
Administration expenses: Restructuring costs	**7.8**	**(1.5)**	**6.3**	0.9	(0.2)	0.7
Administration expenses: Acquisition costs – acquisition and other M&A activity	**3.3**	**–**	**3.3**	6.6	–	6.6
Amortisation of intangible assets	**15.2**	**(2.6)**	**12.6**	14.2	6.6	20.8
Impairment of intangible assets	**2.8**	**(0.5)**	**2.3**	–	–	–
Impairment of goodwill	**12.0**	**–**	**12.0**	–	–	–
Finance costs: Unamortised deal fees	**0.4**	**(0.1)**	**0.3**	–	–	–
Total non-underlying items	**45.2**	**(5.2)**	**40.0**	28.2	5.9	34.1

Notes to the Group Financial Statements continued

Restructuring costs incurred in relation to the reorganisation of the Group. This included an inventory write down for items immediately taken off the market that do not sit within the new Genuit product strategy and on this basis the inventory holding was deemed obsolete, a closure of a business and the reorganisation of the segmental units and consultancy fees for advisory support and reorganisation design.

The product liability claim is associated with a historic acquisition. Including the prior year charge of £2.6m, recognised in non-underlying costs, the total amount recognised as a liability on the balance sheet at 31 December 2022 is £3.3m.

During 2022, there was an isolated cyber incident at one of the Group's businesses, which resulted in temporary disruption to manufacturing and consequently sales in April and May 2022.

Acquisition costs in 2022 relate predominantly to a £3.1m charge arising in connection with contingent consideration treated as remuneration in respect of the acquisition of Plura. Acquisition costs in 2021 related to the acquisition of Nu-Heat, Plura and Adey (see Note 18).

Impairment of intangible assets (£2.8m) is in respect of a customer relationship agreement ending early and impairment of goodwill relates to a 2021 acquisition, (see Note 18).

Amortisation charged relates to intangible assets arising on business combinations. In 2021 the non-underlying tax charge relating to amortisation included a £9.3m charge in respect of restating the deferred income tax liability on the intangible assets as a result of the change in the main UK corporation tax rate (see Note 12).

9. Staff costs

Staff costs (including Directors) comprised:

	2022 £m	2021 £m
Wages and salaries	**128.5**	125.9
Social security costs	**13.2**	14.3
Other pension costs	**6.5**	5.4
	148.2	145.6

The average monthly number of persons employed by the Group by segment was as follows:

	2022	2021
Residential Systems	**2,215**	2,204
Commercial and Infrastructure Systems	**1,425**	1,454
Total – Group	**3,640**	3,658

10. Directors' remuneration

Details of the Directors' remuneration are set out below:

	2022 £m	2021 £m
Fees	**0.5**	0.4
Emoluments	**3.1**	3.3
	3.6	3.7

Further details of Directors' remuneration are provided in the Annual Report on Remuneration. The aggregate amount of gains made by the Directors on the exercise of share options during the year was £0.2m (2021: £0.4m).

11. Finance costs

	2022 £m	2021 £m
Interest on bank loan	**6.2**	2.5
Debt issue cost amortisation	**0.5**	0.5
Unwind of discount on lease liabilities	**0.8**	0.7
Other finance costs	**0.1**	0.5
	7.6	4.2

Notes to the Group Financial Statements continued

12. Income tax

(a) Tax expense reported in the income statement

	2022 £m	2021 £m
Current income tax:		
UK income tax	**7.7**	9.5
Overseas income tax	**0.1**	0.5
Current income tax	**7.8**	10.0
Adjustment in respect of prior years	**(0.5)**	0.4
Total current income tax	**7.3**	10.4
Deferred income tax:		
Origination and reversal of temporary differences	**0.4**	(1.3)
Effects of changes in income tax rates	**1.3**	11.7
Deferred income tax	**1.7**	10.4
Adjustment in respect of prior years	**(0.1)**	1.1
Total deferred income tax	**1.6**	11.5
Total tax expense reported in the income statement	**8.9**	21.9

Details of the non-underlying tax credit of £5.2m (2021: £5.9m net charge) are set out in Note 8.

(b) Reconciliation of the total tax expense

A reconciliation between the tax expense and the product of accounting profit multiplied by the UK standard rate of income tax for the years ended 31 December 2022 and 2021 is as follows:

	2022 £m	2021 £m
Accounting profit before tax	**45.4**	62.9
Accounting profit multiplied by the UK standard rate of income tax of 19.0% (2021: 19.0%)	**8.6**	12.0
Expenses not deductible for income tax	**3.4**	1.8
Non-taxable income	**(0.4)**	(1.0)
Adjustment in respect of prior years	**(0.6)**	1.5
Effects of patent box	**(1.6)**	(1.6)
Effects of changes in income tax rates	**1.3**	11.4
Effects of tax losses	**–**	(1.1)
Effects of super deduction	**(1.8)**	(0.6)
Effects of other tax rates/credits	**–**	(0.5)
Total tax expense reported in the income statement	**8.9**	21.9

The effective rate for the full year was 19.6% (2021: 34.8%). If the impact of non-underlying items is excluded, the underlying income tax rate would be 15.6% (2021: 17.6%).

(c) Deferred income tax

The deferred income tax included in the Group balance sheet is as follows:

	2022 £m	2021 £m
Deferred income tax liabilities/(assets)		
Short-term timing differences	**37.8**	41.3
Capital allowances in excess of depreciation	**16.9**	11.1
Share-based payments	**(2.1)**	(2.3)
Tax losses	**(2.5)**	(1.6)
	50.1	48.5

Notes to the Group Financial Statements continued

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current income tax assets and current income tax liabilities and the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority.

A reconciliation of deferred income taxes for the years ended 31 December 2022 and 2021 is as follows:

	2022 £m	2021 £m
Deferred income tax reported in the income statement	**1.6**	11.5
Share-based payments excess tax benefit	**–**	(0.1)
Deferred income tax acquired	**–**	26.3
	1.6	37.7

(d) Change in corporation tax rate

The Finance (No.2) Act 2015 reduced the main UK corporation tax rate to 19%, effective from 1 April 2017. A further reduction in the main UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by the Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the rate, thereby maintaining the current rate of 19%.

On 24 May 2021, legislation was passed which substantively enacted an increase in UK corporation tax rate from 19% to 25% from April 2023. Deferred income tax on the balance sheet at 31 December 2022 was therefore measured at 19% or 25% depending on when the deferred income tax asset or liability is expected to reverse.

(e) Unrecognised tax losses

No deferred income tax has been recognised on non-trading losses and other timing differences of £1.3m (2021: £1.4m) as the Directors do not consider that they will be utilised in the foreseeable future.

13. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share amounts are calculated by dividing profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of potential ordinary shares that would be issued on the conversion of all the dilutive share options into ordinary shares.

The calculation of basic and diluted earnings per share is based on the following:

	2022	2021
Weighted average number of ordinary shares for the purpose of basic earnings per share	**248,001,063**	245,097,578
Effect of dilutive potential ordinary shares	**2,414,364**	3,168,838
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**250,415,427**	248,266,416

Underlying earnings per share is based on the result for the year after tax excluding the impact of non-underlying items of £40.0m (2021: £34.1m). The Directors consider that this measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance. The underlying earnings per share is calculated as follows:

	2022	2021
Underlying profit for the year attributable to the owners of the parent company (£m)	**76.5**	75.1
Underlying basic earnings per share (pence)	**30.8**	30.6
Underlying diluted earnings per share (pence)	**30.5**	30.2

Notes to the Group Financial Statements continued

14. Dividend per share

	2022 £m	2021 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2021 of 8.2p per share (2020: 4.8p)	**20.3**	11.8
Interim dividend for the year ended 31 December 2022 of 4.1p per share (2021: 4.0p)	**10.2**	9.9
	30.5	21.7
Proposed final dividend for the year ended 31 December 2022 of 8.2p per share (2021: 8.2p)	**20.3**	20.3

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

15. Property, plant and equipment

	Freehold land and buildings £m	Plant and other equipment £m	Total £m
Cost			
At 1 January 2021	54.3	160.4	214.7
Additions	3.9	28.9	32.8
Disposals	(1.0)	(7.7)	(8.7)
Transfer to intangible assets	–	(0.8)	(0.8)
Acquisition of businesses	1.2	3.0	4.2
Exchange adjustment	–	(0.3)	(0.3)
At 31 December 2021	58.4	183.5	241.9
Additions	**4.9**	**36.1**	**41.0**
Disposals	**(0.1)**	**(10.6)**	**(10.7)**
Acquisition of businesses	**–**	**0.4**	**0.4**
Exchange adjustment	**–**	**0.4**	**0.4**
Transfer to assets held-for-sale	**–**	**(6.4)**	**(6.4)**
At 31 December 2022	**63.2**	**203.4**	**266.6**
Depreciation and impairment losses			
At 1 January 2021	8.5	72.0	80.5
Provided during the year	1.6	16.8	18.4
Disposals	(1.0)	(7.4)	(8.4)
Transfer to intangible assets	–	(0.1)	(0.1)
Exchange adjustment	–	(0.2)	(0.2)
At 31 December 2021	9.1	81.1	90.2
Provided during the year	**1.7**	**17.7**	**19.4**
Disposals	**–**	**(8.7)**	**(8.7)**
Exchange adjustment	**–**	**(0.2)**	**(0.2)**
Transfer to assets held-for-sale	**–**	**(4.0)**	**(4.0)**
At 31 December 2022	**10.8**	**85.9**	**96.7**
Net book value			
At 31 December 2022	**52.4**	**117.5**	**169.9**
At 31 December 2021	49.3	102.4	151.7

Included in freehold land and buildings is non-depreciable land of £18.2m (2021: £17.7m).

Notes to the Group Financial Statements continued

Capital commitments
At 31 December 2022, the Group had commitments of £2.8m (2021: £5.4m) relating to plant and equipment purchases.

16. Right-of-use assets and lease liabilities

	Right-of-use assets				Lease liabilities
	Freehold land and buildings £m	Plant and other equipment £m	Motor vehicles £m	Total £m	£m
At 1 January 2021	5.9	6.9	0.1	12.9	(12.9)
Additions	2.9	2.5	–	5.4	(5.4)
Acquisition of businesses	6.0	0.8	–	6.8	(6.8)
Depreciation of right-of-use assets	(2.1)	(2.3)	–	(4.4)	–
Unwind of discount on lease liabilities	–	–	–	–	(0.7)
Settlement of lease liabilities	–	–	–	–	5.1
Exchange adjustment	–	(0.1)	–	(0.1)	0.1
At 31 December 2021	12.7	7.8	0.1	20.6	(20.6)
Additions	**3.2**	**3.8**	**1.1**	**8.1**	**(8.2)**
Disposals	**(0.5)**	**(0.6)**	**–**	**(1.1)**	**–**
Depreciation of right-of-use assets	**(2.2)**	**(2.7)**	**(0.5)**	**(5.4)**	**–**
Depreciation on disposal of right-of-use asset	**0.1**	**0.4**	**–**	**0.5**	**–**
Transfer to assets held-for-sale	**(0.4)**	**–**	**–**	**(0.4)**	**0.3**
Unwind of discount on lease liabilities	**–**	**–**	**–**	**–**	**(0.8)**
Settlement of lease liabilities	**–**	**–**	**–**	**–**	**6.2**
At 31 December 2022	**12.9**	**8.7**	**0.7**	**22.3**	**(23.1)**

17. Intangible assets

	Goodwill £m	Patents £m	Brand names £m	Customer relationships £m	Licences £m	Customer order book £m	Development costs £m	Total £m
Cost								
At 1 January 2021	345.4	34.4	30.3	17.4	0.8	–	–	428.3
Additions	–	0.3	–	–	–	–	1.2	1.5
Transfer from tangible assets	–	–	–	–	–	–	0.8	0.8
Acquisition of businesses	122.3	4.8	36.2	96.9	–	0.9	–	261.1
At 31 December 2021	467.7	39.5	66.5	114.3	0.8	0.9	2.0	691.7
Additions	**–**	**0.5**	**–**	**–**	**–**	**–**	**2.3**	**2.8**
Acquisition of businesses	**2.9**	**–**	**–**	**–**	**–**	**–**	**–**	**2.9**
Transfer to assets held-for-sale	**(3.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3.2)**
At 31 December 2022	**467.4**	**40.0**	**66.5**	**114.3**	**0.8**	**0.9**	**4.3**	**694.2**
Amortisation and impairment losses								
At 1 January 2021	–	12.1	14.3	7.9	0.2	–	–	34.5
Charge for the year	–	3.3	4.9	5.5	0.1	0.4	0.1	14.3
Transfer from tangible assets	–	–	–	–	–	–	0.1	0.1
At 31 December 2021	–	15.4	19.2	13.4	0.3	0.4	0.2	48.9
Charge for the year	**–**	**3.4**	**5.1**	**6.1**	**0.1**	**0.5**	**0.2**	**15.4**
Impairment losses	**12.0**	**–**	**–**	**2.8**	**–**	**–**	**–**	**14.8**
At 31 December 2022	**12.0**	**18.8**	**24.3**	**22.3**	**0.4**	**0.9**	**0.4**	**79.1**
Net book value								
At 31 December 2022	**455.4**	**21.2**	**42.2**	**92.0**	**0.4**	**–**	**3.9**	**615.1**
At 31 December 2021	467.7	24.1	47.3	100.9	0.5	0.5	1.8	642.8

Goodwill arising on the acquisition of businesses was increased by £2.9m (2021: £122.3m) following the acquisition of Keytec Geomembranes Holding Company Limited as detailed in Note 18.

Notes to the Group Financial Statements continued

17. Intangible assets continued

Impairment testing of goodwill

Goodwill is not amortised but is subject to annual impairment testing. Goodwill has been allocated for impairment testing purposes to a number of cash-generating units (CGUs) which represent the lowest level in the Group at which goodwill is monitored for internal management purposes. The carrying amount of goodwill allocated to each of the CGUs is as follows:

CGU	31 December 2022 £m	31 December 2021 £m
Building Services & International	**30.4**	33.6
Infrastructure & Landscape	**43.6**	40.7
Residential Systems	**169.6**	169.6
Climate & Ventilation	**93.7**	93.7
Nu-Heat	**17.3**	17.3
Adey	**92.8**	104.8
Others (comprising Surestop and Ulster)	**8.0**	8.0
	455.4	467.7

At 31 December 2022, £3.2m of goodwill has been allocated to assets held-for-sale from the Building Services & International CGU, in relation to Polypipe Italia SRL as detailed in Note 19.

Impairment tests on the carrying amounts of goodwill are performed by analysing the carrying amount allocated to each CGU against its value-in-use. Value-in-use is calculated for each CGU as the net present value of that CGU's discounted future pre-tax cash flows covering a 5-year period. These pre-tax cash flows are based on budgeted cash flows information for a period of one year, construction industry forecasts of growth for the following year and management's forecast of growth between 2.0% to 5.0% for years 3 to 5 (2021: 2.74% to 2.80%). Terminal growth rates of 2% (2021: 2%) have been applied beyond this, based on historical macroeconomic performance and projections of the sector served by the CGUs.

When assessing for impairment of goodwill, management have considered the impact of climate change, particularly in the context of the risks and opportunities identified within the Task Force on Climate-Related Financial Disclosures Report on pages 29 to 32 of the Strategic Report and have not identified any material short-term impacts from climate change that would impact the carrying value of goodwill. Over the longer term, the risks and opportunities are more uncertain, and management will continue to assess the quantitative impact of risks at each balance sheet date.

A pre-tax discount rate of 12.9% (2021: 10.4%) has been applied in determining the recoverable amounts of CGUs. The pre-tax discount rate is estimated based on the Group's risk adjusted cost of capital.

The Group has applied sensitivities to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. Due to a removal of longer term overseas strategic growth opportunities and increasing cash flow risks, ongoing headwinds from the upstream boiler manufacturing shortages driven by a global lack of printed circuit boards and the significantly increased pre-tax discount rate there has been a reduction in the value in use of the Adey CGU. This has resulted in an impairment charge of £12.0m in the year to reflect that the discounted present value of future pre-tax cash flows did not support the full carrying value of the asset. As an impairment loss has been recognised in respect of Adey in the current year, the recoverable amount is equal to its carrying value at the year end and therefore any negative changes in key assumptions would result in the recognition of an additional impairment loss.

18. Acquisitions

Acquisition-related deferred and contingent consideration comprised:

	31 December 2022 £m	31 December 2021 £m
Deferred consideration on Keytec acquisition	**0.6**	–
Deferred and contingent consideration on Plura acquisition	**7.4**	4.3
Contingent consideration on Permavoid acquisition	**–**	0.5
	8.0	4.8

Acquisition-related cash flows comprised:

	2022 £m	2021 £m
Operating cash flows – settlement of acquisition costs		
Keytec	**0.1**	–
Nu-Heat	**–**	0.6
Plura	**0.1**	0.7
Adey	**–**	3.1
Permavoid	**–**	2.5
	0.2	6.9

Notes to the Group Financial Statements continued

	2022 £m	2021 £m
Investing cash flows – Settlement of deferred and contingent consideration		
Permavoid	**0.5**	–
	0.5	–

	2022 £m	2021 £m
Investing cash flows – acquisition of businesses net of cash at acquisition		
Keytec	**2.6**	–
Nu-Heat	**–**	25.8
Plura	**–**	1.8
Adey	**–**	208.6
Tree Ground Solutions	**–**	0.2
	2.6	236.4

Keytec
On 31 March 2022, the Group acquired 100% of the voting rights and shares of Keytec Geomembranes Holding Company Limited (Keytec), for an initial cash consideration of £2.5m on a cash-free and debt-free basis plus a deferred consideration of £0.6m due no later than 12 months from completion. The total cash consideration of £2.9m included a payment for net cash and working capital commitments on completion of £0.4m. Keytec is a supplier and installer of stormwater attenuation products, geomembranes and gas protection products.

Details of the acquisition, including fair value adjustments, were as follows:

	Fair value £m
Property, plant and equipment	0.1
Inventories	0.1
Trade and other receivables	0.7
Cash and cash equivalents	0.3
Trade and other payables	(0.5)
Income tax payable	(0.1)
Net identifiable assets	**0.6**
Goodwill on acquisition	2.9
Total cash consideration	**3.5**
Less: Deferred consideration	(0.6)
Initial cash consideration	**2.9**

No material intangible assets have been identified. The goodwill arising on the acquisition primarily represented the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Commercial and Infrastructure Systems segment.

The fair value of trade and other receivables was £0.7m. The gross amount of trade and other receivables was £0.7m and it is expected that the full contractual amounts will be collected.

Post-acquisition Keytec contributed £5.3m revenue and £0.6m underlying operating profit which were included in the Group Income Statement. If Keytec had been acquired on 1 January 2022, the Group's results for the twelve months ended 31 December 2022 would have shown revenue of £624.0m and underlying operating profit of £98.4m.

Notes to the Group Financial Statements continued

18. Acquisitions continued

Nu-Heat

On 2 February 2021, the Group acquired 100% of the voting rights and shares of Nu-Heat (Holdings) Limited (Nu-Heat), the leading supplier of sustainable underfloor heating solutions, air and ground source heat pumps, and other renewable heating systems, for a consideration of £27.0m on a cash-free, debt-free basis. The total cash consideration of £24.8m included a payment of £5.7m for net cash on completion and was net of loans and borrowings at acquisition of £6.7m. Additional debt and debt like items amounted to £1.2m.

The 'Nu-Heat' brand, order book and customer relationships have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally related to the recognition of intangible assets and deferred income tax arising on these adjustments. The goodwill arising on the acquisition primarily represented the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Residential Systems segment.

Plura

On 5 February 2021, the Group acquired 51% of the voting rights and shares of Plura Composites Ltd (Plura) for an initial cash consideration of £1.25m, and further payment in respect of the remaining 49% of between £6.0m and £16.4m depending on the EBITDA performance of Plura in the 12-month period ending no earlier than 5 February 2024 and no later than 31 July 2024 as well as the continued employment of key personnel.

Customer relationships is the only material intangible asset that has been recognised as a result of this acquisition. Fair value adjustments principally related to the recognition of intangible assets and deferred income tax arising on these adjustments. The goodwill arising on the acquisition is immaterial.

An amount of £3.1m has been recognised as a non-underlying expense in the Group Income Statement in the year ended 31 December 2022 in respect of the Plura contingent consideration arrangement. This takes the total amount recognised as a liability on the Group Balance Sheet at 31 December 2022 to £7.4m. Accordingly, the aggregate final consideration is expected to be approximately £11.9m. Contingent consideration was determined using the Directors' assessment of the likelihood that financial targets will be achieved. There is no material difference between the estimated cash consideration and the fair value. The estimated cash consideration is derived from the budgets and forecasts for Plura.

Adey

On 10 February 2021, the Group acquired 100% of the voting rights and shares of London Topco Limited (Adey) for a consideration of £210.0m on a cash-free, debt-free basis. Adey is the UK's leading provider of magnetic filters, chemicals and related products, which protect against magnetite and other performance constraints in water-based heating systems and improve energy efficiency, operating in predominantly residential end markets. The cash consideration of £86.6m included a payment of £7.3m for net cash on completion and was net of loans and borrowings at acquisition of £129.3m. Additional debt and debt-like items amounted to £1.4m.

Customer relationships, the 'Adey' brand and patents have been recognised as specific intangible assets as a result of this acquisition. Fair value adjustments principally related to the recognition of intangible assets and deferred income tax arising on these adjustments. The goodwill arising on the acquisition primarily represented the assembled workforce, technical expertise and market share. The goodwill is allocated entirely to the Residential Systems segment.

19. Assets held-for-sale

During the year the Group announced its intention to dispose of Polypipe Italia SRL following a strategic review and began marketing the company for sale. The Group determined a sale was highly probable and expected to be sold within 12 months from the Balance Sheet date and negotiations with several interested parties have subsequently taken place. The proceeds of disposal are expected to exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of Polypipe Italia SRL as held-for-sale.

The following major class of assets and liabilities relating to Polypipe Italia SRL that have been classified as held-for-sale are as follows:

	Fair value £m
Property, plant and equipment	**2.4**
Right-of-use assets	**0.3**
Goodwill	**3.2**
Trade receivables	**1.7**
Inventories	**3.1**
Assets held-for-sale	**10.7**
Trade and other payables	**2.3**
Finance lease liabilities	**0.3**
Liabilities held-for-sale	**2.6**

Notes to the Group Financial Statements continued

20. Investments

Details of Group undertakings

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital at 31 December 2022 are set out in Note 4 to the Parent Company financial statements.

21. Inventories

	31 December 2022 £m	31 December 2021 £m
Raw materials	**25.3**	23.9
Work in progress	**9.2**	10.3
Finished goods	**55.4**	46.6
	89.9	80.8

All inventories are carried at cost less a provision to take account of slow-moving and obsolete items. The provision at 31 December 2022 was £14.9m (2021: £12.0m).

22. Trade and other receivables

	31 December 2022 £m	31 December 2021 £m
Trade receivables	**60.5**	69.7
Prepayments	**6.1**	7.0
Other receivables	**1.5**	–
	68.1	76.7

Trade receivables are non-interest bearing and are generally settled on 30 days' credit.

Expected credit losses

The Group maintains a substantial level of credit insurance covering a significant proportion of its trade receivables which mitigates against expected credit losses. Therefore, such credit losses are not significant.

The ageing of trade receivables at the balance sheet date was as follows:

	31 December 2022			31 December 2021		
	Gross £m	Allowance for expected credit losses £m	Net £m	Gross £m	Allowance for expected credit losses £m	Net £m
Not past due	**22.3**	**–**	**22.3**	41.7	(0.2)	41.5
Past due 1 to 30 days	**35.3**	**–**	**35.3**	22.8	(0.2)	22.6
Past due 31 to 90 days	**2.0**	**(0.2)**	**1.8**	5.5	(0.2)	5.3
Past due more than 90 days	**1.5**	**(0.4)**	**1.1**	1.1	(0.8)	0.3
	61.1	**(0.6)**	**60.5**	71.1	(1.4)	69.7

The movements in the allowance for expected credit losses of trade receivables comprised:

	£m
At 31 December 2020	1.1
Acquisition of businesses	0.4
Credited to the income statement during the year	(0.1)
At 31 December 2021	1.4
Charged to the income statement during the year	**0.2**
Utilised during the year	**(1.0)**
At 31 December 2022	**0.6**

Notes to the Group Financial Statements continued

23. Cash and cash equivalents

Cash and cash equivalents comprised:

	31 December 2022 £m	31 December 2021 £m
Cash at bank and in hand	**50.0**	52.3

Cash at bank earns interest at variable rates based on daily bank deposit rates. The Group only deposits cash surpluses with banks that have as a minimum a single A credit rating.

24. Share capital and reserves

Share capital

	31 December 2022		31 December 2021	
	Number*	**£**	Number*	£
Authorised, allotted, called up and fully paid share capital:				
Ordinary shares of £0.001 each	**249**	**249,170**	248	248,170

* Millions of shares.

The ordinary shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

Share premium

On 11 February 2021, the Group conducted a non-pre-emptive placing of 18,704,085 new ordinary shares at £5.15 per share generating gross proceeds of £96.3m with issue costs of £2.7m. Net proceeds in excess of the nominal value of £93.6m have been credited to the share premium account. A further £0.1m of listing fees have been incurred and charged to the income statement in 2021.

Capital redemption reserve

Following the consolidation and subdivision of shares in 2014 the Company's deferred shares were cancelled. In order to maintain the Company's capital, a transfer was made from retained earnings to a capital redemption reserve at that time.

Own shares

Own shares represent the cost of Genuit Group plc shares purchased in the market and held by the Company, and/or the Employee Benefit Trust (EBT), to satisfy the future exercise of options under the Group's share option schemes.

During the year the Group issued 1,000,000 shares (2021: 1,000,000 shares) to the EBT at the nominal value of £0.001.

At 31 December 2022, the Group held 375 (2021: 965) of its own shares at an average cost of £4.20 (2021: £4.20) per share. The market value of these shares at 31 December 2022 was less than £0.1m (2021: less than £0.1m). The nominal value of each share is £0.001.

The EBT held 1,071,188 shares at 31 December 2022 (2021: 353,385) at an average cost of 0.1p (2021: 0.1p) per share. The market value of these shares at 31 December 2022 was £3.0m (2021: £2.1m). The nominal value of each share is £0.001.

Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships entered into by the Group in respect of interest rate swaps and forward foreign currency derivatives as discussed in Note 29.

Foreign currency retranslation reserve

The foreign currency retranslation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Other reserves

On 7 May 2020, the Group conducted a non-pre-emptive placing of 26,966,300 new ordinary shares at £4.45 per share generating gross proceeds of £120.0m. The placing was undertaken using a cashbox structure. As a result, the Group was able to take relief under Section 612 of the Companies Act 2006 from crediting share premium and instead transfer the net proceeds in excess of the nominal value to other reserves. Advisers' fees of £3.5m have been netted off against the gross proceeds.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains an appropriate capital structure to support its business objectives and maximise shareholder value. The Group regards shareholders' equity and net debt as its capital. The Group's net debt is defined as cash and cash equivalents, loans and borrowings, and lease liabilities. At 31 December 2022, the Group had bank debt of £170.9m (2021: £198.0m), an undrawn committed revolving credit facility of £179.1m (2021: £102.0m), cash of £50.0m (2021: £52.3m), an uncommitted accordion facility of £50.0m (2021: £50.0m), private placement loan notes of £25.0m (2021: £nil) with a maturity date of August 2029 and lease liabilities of £23.1m (2021: £20.6m). A key objective of the Group is to maintain sufficient liquidity (cash and committed bank facilities) in order to meet its cash commitments including interest payments due on that debt. No changes were made to the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

Notes to the Group Financial Statements continued

25. Share-based payments

Share options were granted by the Company under its various share option schemes as detailed in the table below:

	Exercise price £	31 December 2021 Number	Granted Number	Dividend Accrual	Exercised Number	Lapsed/ forfeited Number	**31 December 2022 Number**	Date first exercisable	Expiry date
2014 Sharesave (granted 2018)	2.98	116,943	–	–	(115,087)[1]	(1,856)	**–**	1 Nov 2021	30 April 2022
2014 Sharesave (granted 2019)	3.05	1,034,024	–	–	(27,269)[2]	(323,127)	**683,628**	1 Nov 2022	30 April 2023
2014 Sharesave (granted 2020)	3.45	1,462,435	–	–	(5,999)[3]	(813,709)	**642,727**	1 Dec 2023	31 May 2024
2014 Sharesave (granted 2021)	5.78	998,276	–	–	–	(752,299)	**245,977**	1 Dec 2024	31 May 2025
2014 Sharesave (granted 2022)	2.21	–	4,521,667	–	–	–	**4,521,667**	1 Dec 2025	31 May 2026
2014 LTIP (granted 10 May 2016)	Nil	104,165	–	–	(17,960)[4]	–	**86,205**	10 May 2019	10 May 2026
2014 LTIP (granted 2 May 2017)	Nil	29,289	–	–	(16,715)[5]	–	**12,574**	2 May 2020	2 May 2027
2014 LTIP (granted 22 May 2017)	Nil	5,973	–	–	–	–	**5,973**	22 May 2021	22 May 2028
2014 LTIP (granted 2 May 2018)	Nil	32,647	–	–	(6,197)[6]	(5,308)	**21,142**	2 May 2021	2 May 2028
2014 LTIP (granted 30 April 2019)	Nil	526,151	–	–	(76,656)[7]	(399,499)	**49,996**	30 April 2022	30 April 2029
2014 LTIP (granted 22 Nov 2019)	Nil	23,531	–	–	–	(17,649)	**5,882**	22 Nov 2022	22 Nov 2029
2014 LTIP (granted 22 June 2020)	Nil	633,899	–	–	–	(159,661)	**474,238**	22 June 2023	22 June 2030
2014 LTIP (granted 20 May 2021)	Nil	676,916	–	–	–	(130,001)	**546,915**	20 May 2024	20 May 2031
2014 LTIP (granted 22 April 2022)	Nil	–	809,192	–	–	(65,334)	**743,858**	22 April 2025	22 April 2032
2014 LTIP (granted 13 July 2022)	Nil	–	11,973	–	–	–	**11,973**	13 July 2025	13 July 2032
Deferred share awards (granted 22 March 2022)	Nil	–	175,081	3,296	–	–	**178,377**	22 March 2023	22 March 2032
Deferred share awards (granted 22 March 2022)	Nil	–	124,683	2,347	–	–	**127,030**	22 March 2024	22 March 2032
Deferred share awards (granted 22 March 2022)	Nil	–	12,347	–	–	–	**12,347**	22 March 2022	22 March 2032
Deferred share awards (granted 22 March 2022)	Nil	–	30,640	576	–	–	**31,216**	22 March 2023	22 March 2032
DSBP (granted 30 April 2019)	Nil	19,437	–	–	(12,434)[8]	–	**7,003**	30 April 2021	30 April 2029
DSBP (granted 22 June 2020)	Nil	17,120	–	320	(4,125)[9]	–	**13,315**	22 June 2022	22 June 2030
DSBP (granted 22 April 2022)	Nil	–	79,144	1,486	–	–	**80,630**	22 April 2024	22 April 2031
		5,680,806	5,764,727	8,025	(282,442)	(2,668,443)	**8,502,673**		

1. The weighted average share price at the date of exercise of these options was £4.78.
2. The weighted average share price at the date of exercise of these options was £3.55.
3. The weighted average share price at the date of exercise of these options was £4.25.
4. The weighted average share price at the date of exercise of these options was £5.27.
5. The weighted average share price at the date of exercise of these options was £5.16.
6. The weighted average share price at the date of exercise of these options was £5.28.
7. The weighted average share price at the date of exercise of these options was £4.14.
8. The weighted average share price at the date of exercise of these options was £4.06.
9. The weighted average share price at the date of exercise of these options was £3.78.

Notes to the Group Financial Statements continued

25. Share-based payments continued

At 31 December 2022, 889,345 (2021: 292,541) share options were exercisable at a weighted average exercise price of £2.34 (2021: £1.19) per share.

Sharesave Plan

Sharesave Plan options were granted to eligible employees on 9 November 2022 at an exercise price of £2.21 per share, a 20% discount to the average share price over the three business days preceding the offer. Participating employees can exercise their options to purchase the shares acquired through their savings plans at the option price after three years. These options have an exercise date of 2025 to 2026.

Long-Term Incentive Plan (LTIP)

LTIP options were awarded to a number of senior managers on 22 April 2022. These options have an exercise date of 2025 to 2032. The vesting of each award is subject to the satisfaction of certain performance criteria, of which 25% is based on total shareholder return (the TSR element), 25% is based on sustainability performance (the sustainability element) and 50% is based on earnings per share (the EPS element). Further details of the scheme are provided in the Annual Report on Remuneration.

Deferred Share Bonus Plan (DSBP)

On 22 April 2022, the Executive Directors received an award of shares under the DSBP relating to the 2021 annual bonus.

Deferred share awards

On 22 March 2022, other share awards in the form of nil-cost options were made relating to the buyout arrangements to partially compensate Joe Vorih and Matt Pullen for bonus and long-term incentive awards which were forfeited when they left their previous employers. Further details are provided in the Annual Report on Remuneration on pages 120-123.

All these equity-settled, share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of the equity-settled, share-based payments is expensed to the income statement on a straight-line basis over the vesting period, based on the Group's estimates of shares that will eventually vest, with a corresponding adjustment to equity. Fair value for the Sharesave Plan options is measured by use of a Black–Scholes model. Fair value of the LTIP options is measured by use of a Monte Carlo model. The expected life used in the models has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The assumptions used for each share-based payment were as follows:

	2014 LTIP options granted 22 April 2022	2014 LTIP options granted 13 July 2022	2014 Sharesave options granted 2022
Share price at the date of grant	£4.57	£3.82	£2.70
Exercise price	Nil	Nil	£2.21
Shares under option	809,192	11,973	4,521,667
Vesting period (years)	3.00	3.00	3.25
Expected volatility	37.3%	37.3%	41.3%
Median volatility of the comparator group	38.2%	38.2%	n/a
Expected life (years)	3.00	3.00	3.25
Risk free rate	1.82%	1.70%	3.64%
Dividend yield	2.69%	3.20%	4.26%
TSR performance of the Company at the date of grant	(21.2)%	(21.2)%	n/a
Median TSR performance of the comparator group at the date of grant	(24.4)%	(24.4)%	n/a
Correlation (median)	33.3%	33.3%	n/a
Fair value per option	£3.65	£3.11	£0.84

Notes to the Group Financial Statements continued

	2014 LTIP options granted 20 May 2021	2014 Sharesave options granted 2021
Share price at the date of grant	£6.03	£6.96
Exercise price	Nil	£5.78
Shares under option	676,916	1,005,123
Vesting period (years)	3.00	3.25
Expected volatility	35.4%	37.8%
Median volatility of the comparator group	38.2%	n/a
Expected life (years)	3.00	3.25
Risk free rate	0.14%	0.69%
Dividend yield	2.5%	2.5%
TSR performance of the Company at the date of grant	1.9%	n/a
Median TSR performance of the comparator group at the date of grant	38.2%	n/a
Correlation (median)	33.3%	n/a
Fair value per option	£4.91	£2.02

The expected volatility is based on historical share price movements. The Directors anticipate it is possible the performance criteria in relation to the LTIP options may not be met.

	2022 £m	2021 £m
Share-based payments charge for the year	**2.9**	2.2

26. Trade and other payables

	31 December 2022 £m	31 December 2021 £m
Trade payables	**85.1**	94.1
Other taxes and social security costs	**7.9**	11.2
Accruals	**31.2**	30.2
	124.2	135.5

Trade payables are non-interest bearing and generally settled on 30 to 60 day terms.

27. Financial liabilities

	31 December 2022 £m	31 December 2021 £m
Non-current loans and borrowings:		
Bank loan		
– principal	**170.9**	198.0
– unamortised debt issue costs	**(2.8)**	(0.6)
Private Placement Loan Notes	**25.0**	–
Total non-current loans and borrowings	**193.1**	197.4
Cash at bank and in hand	**(50.0)**	(52.3)
Net debt excluding lease liabilities	**143.1**	145.1

	31 December 2022 £m	31 December 2021 £m
Other financial liabilities:		
Trade and other payables	**124.2**	135.5
Lease liabilities	**23.1**	20.6
Other liabilities	**–**	1.4
Deferred and contingent consideration	**8.0**	4.8
Derivative financial instruments	**–**	0.1
	155.3	162.4

Notes to the Group Financial Statements continued

27. Financial liabilities continued

Bank loan

On 19 November 2018, the Group entered into an Amendment and Restatement Agreement with various lenders in respect of the Group's previous revolving credit facility agreement dated 4 August 2015. The bank loan, which comprised a £300.0m revolving credit facility and £50.0m uncommitted accordion facility, was secured and would have matured in November 2023 (with two further uncommitted annual renewals through to November 2025 possible). The Group incurred £1.7m of debt issue costs in respect of entering into the Amendment and Restatement Agreement dated 19 November 2018 which were capitalised and were being amortised to the income statement over the term of the facility. Upon renewal of the facility in August 2022, the remaining unamortised amount was written off to non-underlying items.

On 10 August 2022, the Group renewed its banking facilities and entered a Sustainability-Linked Loan revolving credit facility agreement for £350.0m with a £50.0m uncommitted accordion facility expiring in August 2027 and a separate agreement for private placement loan notes of £25.0m with an uncommitted £125.0m shelf facility repayable in August 2029. The Group incurred debt issue costs of £3.1m, in respect of entering into both agreements, which have been capitalised and are being amortised to the income statement over the whole term of each facility, respectively.

Interest is payable on the bank loan at SONIA plus an interest margin ranging from 0.90% to 2.75% which is dependent on the Group's ESG targets and the Group's leverage (net debt excluding lease liabilities as a multiple of pro forma EBITDA) and reduces as the Group's leverage reduces. The interest margin at 31 December 2022 was 1.60% (2021: 1.40%). Pro forma EBITDA for the year was £120.3m (2021: £117.9m) and is defined as pre-IFRS 16 underlying operating profit before depreciation, amortisation and share-based payment charges, for the 12 months preceding the Balance Sheet date adjusted where relevant to include a full year of EBITDA from acquisitions made during those 12 months.

Interest is payable semi-annually on the loan notes and is fixed at 4.44% per annum for the period of the loan term.

	2022 £m	2021 £m
Pro forma EBITDA (12 months preceding the Balance Sheet)		
Underlying operating profit	**98.2**	95.3
Depreciation of property, plant and equipment	**19.4**	18.4
Amortisation of intangible assets arising on business combinations	**0.2**	0.1
Unwind of discount on lease liabilities	**(0.8)**	(0.7)
Share-based payments charge	**3.1**	2.5
	120.1	115.6
EBITDA from acquisitions	**0.2**	2.3
	120.3	117.9

At 31 December 2022, the Group had available, subject to covenant headroom, £179.1m (2021: £102.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Group is subject to a number of covenants in relation to its bank loan which, if breached, would result in the bank loan becoming immediately repayable. These covenants specify certain maximum limits in terms of net debt, excluding lease liabilities, as a multiple of pro forma EBITDA and interest cover. At 31 December 2022, the Group was not in breach of any bank covenants. The covenant position was as follows:

Covenant	Covenant Requirement	Position at 31 December 2022
Interest cover (Underlying operating profit: finance costs excluding debt issue cost amortisation)	>4.0:1	**16.0:1**
Leverage (Net debt excluding lease liabilities: pro forma EBITDA)	<3.0:1	**1.2:1**

The interest cover and leverage covenants remain at 4.0:1 and 3.0:1 respectively, throughout the remaining term of the revolving credit facility to August 2027, though there exists the option to apply to extend the leverage covenant to 3.5:1 for a limited period of time if the Group makes an acquisition.

28. Related party transactions

Compensation of key management personnel (including Directors):

	2022 £m	2021 £m
Short-term employee benefits	**3.3**	4.8
Share-based payments	**1.7**	0.7
	5.0	5.5

Key management personnel comprise the Executive Directors and other key managers in the Group.

Notes to the Group Financial Statements continued

29. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, deferred and contingent consideration, lease liabilities, derivative financial instruments and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables and cash that are derived directly from its operations.

The Group is exposed to interest rate cash flow, foreign currency exchange, credit and liquidity risk.

The Group's senior management oversees the mitigation of these risks which are summarised as follows:

Interest rate risk

The interest rate on the Group's £350.0m Sustainability-Linked Loan is variable, being payable at SONIA plus a margin. The Group manages its long-term borrowings policy centrally and operates weekly cash flow forecasting to manage its net debt position to ensure exposure to changes in interest rates are minimised where possible.

Interest rate sensitivity

The table below demonstrates the sensitivity to a change in 100 basis point in interest rates on the Group's borrowings which at the relevant reporting dates are not hedged. The analysis assumes all other variables remain constant and the change in rates takes place at the beginning of the financial year and held constant throughout the reporting period, the Group's profit after tax is affected through the impact on interest rate borrowings as follows:

Change in interest rate	Effect on profit after tax £m
2022	
Increase of 100 basis points	**(1.6)**
Decrease of 100 basis points	**0.6**
2021	
Increase of 100 basis points	(0.1)
Decrease of 100 basis points	0.1

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Group's operating activities where the revenue or expense is denominated in a currency other than the functional currency of the entity undertaking the transaction.

The Group enters into forward foreign currency exchange contracts for the purchase and sale of foreign currencies in order to manage its exposure to fluctuations in currency rates, primarily in respect of US Dollar and Euro receipts and payments.

Foreign currency exchange sensitivity

The table below demonstrates the sensitivity to a 10% change in the Euro exchange rate versus Pounds Sterling, the presentational currency of the Group used for translation purposes, on the net assets and profit after tax of the Group. The Group's exposure to foreign currency exchange rate changes for all other currencies is not material.

Change in exchange rate	Effect on net assets £m	Effect on profit after tax £m
2022		
10% strengthening of Pounds Sterling: against Euro	**(1.0)**	**–**
10% weakening of Pounds Sterling: against Euro	**1.3**	**–**
2021		
10% strengthening of Pounds Sterling: against Euro	(0.8)	(0.1)
10% weakening of Pounds Sterling: against Euro	1.0	0.1

Notes to the Group Financial Statements continued

29. Financial risk management objectives and policies continued

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including cash deposits with banks.

Trade receivables

Customer credit risk is managed by each subsidiary subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major export customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for impairment is analysed at each balance sheet date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the Balance Sheet date is the carrying amount of each class of financial assets as disclosed in Note 22 which is adjusted for forward-looking information.

The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low. At 31 December 2022, 53% (2021: 39%) of net trade receivables were covered by credit insurance which is subject to the normal policy deductibles.

Financial instruments and cash deposits

The Group maintains strong liquidity through cash balances and deposits (£50.0m at 31 December 2022) and its undrawn committed revolving credit facility £179.1m at 31 December 2022 which matures in August 2027 (with two further uncommitted annual renewals through to November 2029 possible).

Credit risk arising from cash deposits with banks is managed in accordance with the Group's established treasury policy, procedures and controls. Deposits of surplus funds are made only with banks that have as a minimum a single A credit rating. The Group's maximum exposure to credit risk for the components of the Balance Sheet at 31 December 2022 and 31 December 2021 is the carrying amounts as illustrated in Note 23.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group had cash and cash equivalents of £50.0m and undrawn and committed credit facilities of £179.1m at 31 December 2022, and no debt maturities within 12 months.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2022	< 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Bank loan – principal	**2.4**	**5.7**	**214.7**	**–**	**222.8**
Private placement loan notes	**–**	**1.1**	**4.4**	**27.2**	**32.7**
Other financial liabilities:					
Trade and other payables	**124.2**	**–**	**–**	**–**	**124.2**
Deferred and contingent consideration	**–**	**–**	**8.0**	**–**	**8.0**
Forward foreign currency derivatives	**0.9**	**–**	**–**	**–**	**0.9**
Lease liabilities	**1.3**	**3.7**	**14.9**	**10.4**	**30.3**
	128.8	**10.5**	**242.0**	**37.6**	**418.9**

The interest payments on the Sustainability-Linked Loan would be £10.9m per year if the interest rate plus margin remained at 5.6% and the level of debt did not change from the balance sheet date.

31 December 2021	< 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Bank loan – principal	–	–	198.0	–	198.0
Other financial liabilities:					
Trade and other payables	135.5	–	–	–	135.5
Deferred and contingent consideration	0.5	–	4.3	–	4.8
Forward foreign currency derivatives	6.0	–	–	–	6.0
Lease liabilities	0.9	3.6	11.1	8.3	23.9
Other liabilities	–	0.5	–	0.9	1.4
	142.9	4.1	213.4	9.2	369.6

Notes to the Group Financial Statements continued

Fair values of financial assets and financial liabilities
The book value of trade and other receivables, trade and other payables, cash balances, bank loan and other liabilities equates to fair value.

The table below sets out the Group's accounting classification of its other financial liabilities and their carrying amounts and fair values:

	Carrying value £m	Fair value £m
Forward foreign currency derivatives (designated as hedging instruments)	**–**	**–**
Interest-bearing loans and borrowings due after more than one year (designated as financial liabilities measured at amortised cost)	**193.1**	**193.1**
Deferred and contingent consideration (designated as financial liabilities at FVTPL)	**8.0**	**8.0**
Lease liabilities (designated as financial liabilities measured at amortised cost)	**23.1**	**23.1**
Total at 31 December 2022	**224.2**	**224.2**

	Carrying value £m	Fair value £m
Forward foreign currency derivatives (designated as hedging instruments)	0.1	0.1
Interest-bearing loans and borrowings due after more than one year (designated as financial liabilities measured at amortised cost)	197.4	197.4
Deferred and contingent consideration (designated as financial liabilities at FVTPL)	4.8	4.8
Lease liabilities (designated as financial liabilities measured at amortised cost)	20.6	20.6
Total at 31 December 2021	222.9	222.9

The fair values were determined as follows by reference to:

– Forward foreign currency derivatives: quoted exchange rates.

– Deferred and contingent consideration: Directors' assessment of the likelihood that financial targets will be achieved (see Note 18).

– Lease liabilities: present value of lease payments to be made over the lease terms.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recognised fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recognised fair value that are not based on observable market data.

The fair values disclosed above, with the exception of deferred and contingent consideration which is categorised as Level 3, all relate to items categorised as Level 2.

There have been no transfers in any direction between Levels 1, 2 or 3 in the years ended 31 December 2022 and 2021.

Directors' Responsibilities Statement

In relation to the parent company financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK law and regulations.

UK Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK-Adopted International Accounting Standards (IFRSs).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance
- state whether IASs in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Company Balance Sheet

At 31 December 2022

	Notes	31 December 2022 £m	31 December 2021 £m
Non-current assets			
Investments	4	**246.9**	245.5
Current assets			
Amounts owed by subsidiary undertakings and other receivables	5	**190.6**	190.9
Total assets		**437.5**	436.4
Current liabilities			
Amounts owed to subsidiary undertakings and other payables	6	**(86.3)**	(51.4)
Net assets		**351.2**	385.0
Capital and reserves			
Equity share capital	7	**0.2**	0.2
Share premium	7	**93.6**	93.6
Capital redemption reserve	7	**1.1**	1.1
Own shares	7	**–**	–
Other reserves	7	**116.5**	116.5
Retained earnings		**139.8**	173.6
Total equity		**351.2**	385.0

Included in retained earnings is a loss for the year of £6.6m (2021: £5.5m loss).

The financial statements were approved for issue by the Board of Directors and signed on its behalf by:

Joe Vorih
Director
14 March 2023

Paul James
Director
14 March 2023

Company Registration No. 06059130

Company Statement of Changes in Equity

For the year ended 31 December 2022

	Equity share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Total equity £m
At 31 December 2020	0.2	–	1.1	–	116.5	196.6	314.4
Loss for the year	–	–	–	–	–	(5.5)	(5.5)
Total comprehensive income for the year	–	–	–	–	–	(5.5)	(5.5)
Dividends paid	–	–	–	–	–	(21.7)	(21.7)
Issue of share capital	–	96.3	–	–	–	–	96.3
Transaction costs on issue of share capital	–	(2.7)	–	–	–	–	(2.7)
Share-based payments charge	–	–	–	–	–	2.2	2.2
Share-based payments settled	–	–	–	–	–	2.1	2.1
Share-based payments excess tax benefit	–	–	–	–	–	(0.1)	(0.1)
At 31 December 2021	0.2	93.6	1.1	–	116.5	173.6	385.0
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(6.6)**	**(6.6)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(6.6)**	**(6.6)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(30.5)**	**(30.5)**
Issue of share capital	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transaction costs on issue of share capital	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payments charge	**–**	**–**	**–**	**–**	**–**	**2.9**	**2.9**
Share-based payments settled	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
Share-based payments excess tax benefit	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2022	**0.2**	**93.6**	**1.1**	**–**	**116.5**	**139.8**	**351.2**

Company Cash Flow Statement

For the year ended 31 December 2022

	31 December 2022 £m	31 December 2021 £m
Operating activities		
(Loss)/profit before tax	**(6.6)**	(5.7)
Net finance cost/(income)	**–**	–
Operating loss	**(6.6)**	(5.7)
Transaction costs on issue of share capital	**–**	0.1
Non-cash items: Share-based payments	**1.5**	0.5
Operating cash flows before movement in working capital	**(5.1)**	(5.1)
Movement in working capital:		
Receivables	**0.3**	(0.2)
Payables	**0.1**	0.4
Inter-group balances	**34.8**	(69.0)
Net cash flows from operating activities	**30.1**	(73.9)
Financing activities		
Issue of share capital	**–**	96.3
Transaction costs on issue of share capital	**–**	(2.8)
Dividends paid	**(30.5)**	(21.7)
Proceeds from exercise of share options	**0.4**	2.1
Net cash flows from financing activities	**(30.1)**	73.9
Net change in cash and cash equivalents	**–**	–
Cash and cash equivalents at 1 January	**–**	–
Cash and cash equivalents at 31 December	**–**	–

Notes to the Company Financial Statements

For the year ended 31 December 2022

1. Authorisation of financial statements

The parent company financial statements of Genuit Group plc (formerly Polypipe Group plc) (the 'Company') for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 14 March 2023 and the balance sheet was signed on the Board's behalf by Joe Vorih and Paul James.

Genuit Group plc is a public limited company incorporated and domiciled in England and Wales. The principal activity of the Company is that of a holding company.

2. Summary of significant accounting policies

The basis of preparation and accounting policies used in preparing the historical financial information for the year ended 31 December 2022 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented.

2.1 Basis of preparation and statement of compliance with IFRSs

The Company's financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

The Company's financial statements have been prepared on a historical cost basis. The financial statements are presented in Pounds Sterling and all values are rounded to one decimal place of a million (£m) unless otherwise indicated. No income statement or statement of comprehensive income is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of Genuit Group plc are included in the consolidated financial statements of Genuit Group plc.

2.2 Going concern

The Directors have made enquiries into the adequacy of the Company's financial resources, through a review of the Group's budget and medium-term financial plan, including cash flow forecasts. The Group has modelled a range of scenarios, with the base forecast being one in which, over the 24 months ending 31 December 2024, sales volumes grow in line with or moderately above external construction industry forecasts.

In addition, the Directors have considered several downside scenarios, including adjustments to the base forecast, a period of significantly lower like-for-like sales, profitability and cash flows. Consistent with the Group's Principal Risks and Uncertainties these downside scenarios included, but were not limited to, loss of production, loss of a major customer, product failure, recession, increases in interest rates and increases in raw material prices. Downside scenarios also included a combination of these risks, and reverse stress testing.

The financial impact of the climate-related risks disclosed within the Task Force on Climate-Related Financial Disclosures Report on pages 26 to 35 of the Strategic Report continue to be assessed.

Through the detailed qualitative scenario analysis undertaken, the Directors conclude that there is no material adverse impact of climate change in the short to medium-term, and hence have not included any impacts in either the base case or downside scenarios of the going concern assessment. The Group has not experienced material adverse disruption during periods of adverse or extreme weather in recent years and do not expect this to occur to a material level over the period of the going concern assessment.

At 31 December 2022, the Group had available £179.1m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities are available until at least August 2027, subject to covenant headroom. The Directors are satisfied that the Group has sufficient liquidity and covenant headroom to withstand reasonable variances to the base forecast, as well as the downside scenarios. In addition, the Directors have noted the range of possible additional liquidity options available to the Group, should they be required.

As a result, the Directors have satisfied themselves that the Company has adequate financial resources to continue in operational existence for a period of at least the next 21 months. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Investments

Investments in subsidiary undertakings are held at historical cost less any applicable provision for impairment.

2.4 Share-based payments

In the case of equity-settled schemes, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The value of the options is measured using the Black–Scholes and Monte Carlo models, taking into account the terms and conditions (including market and non-vesting conditions) upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company in its individual financial statements. In particular, the Company records an increase in its investment in subsidiaries with a corresponding adjustment to equity equivalent to the IFRS 2 cost in subsidiary undertakings.

Notes to the Company Financial Statements continued

2.5 Cash dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. Under UK company law a distribution is authorised when it is approved by the shareholders. A corresponding amount is then recognised directly in equity.

2.6 Own shares
The Company operates an Employee Benefit Trust (EBT). The Company and/or the EBT, holds Genuit Group plc shares for the granting of Genuit Group plc shares to employees and Directors. These shares are recognised at cost and presented in the balance sheet as a deduction from equity. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of these shares. No dividends are earned on these shares.

2.7 Financial instruments
The Company policy for accounting for financial instruments is consistent with the Group policy detailed in Note 2.15 of the Group's consolidated financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company's only financial assets are amounts owed by subsidiary undertakings (see Note 5).

3. Dividend per share

	2022 £m	2021 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2021 of 8.2p per share (2020: 4.8p)	**20.3**	11.8
Interim dividend for the year ended 31 December 2022 of 4.1p per share (2021: 4.0p)	**10.2**	9.9
	30.5	21.7
Proposed final dividend for the year ended 31 December 2022 of 8.2p per share (2021: 8.2p)	**20.3**	20.3

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

4. Investments

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2021	243.8
Additions – share-based payments	1.7
At 31 December 2021	245.5
Additions – share-based payments	**1.4**
At 31 December 2022	**246.9**
Net book value	
At 31 December 2022	**246.9**
At 31 December 2021	245.5
At 1 January 2021	243.8

In 2022, an adjustment in respect of share-based payments of £1.4m (2021: £1.7m) was made to shares in subsidiary undertakings, representing the financial effects of awards by the Company of options over its equity shares to employees of subsidiary undertakings. The total contribution to date was £7.7m (2021: £6.3m).

Notes to the Company Financial Statements continued

4. Investments continued

The companies in which the Company had an interest at 31 December 2022 are shown below:

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
AAA Holdings Limited[1]	England & Wales	Ordinary £1	100%*
Adey Commercial Limited[2]	England & Wales	Ordinary £1	100%*
Adey Holdings (2008) Limited[2]	England & Wales	Ordinary £1	100%*
Adey Innovation Limited[2]	England & Wales	Ordinary £1	100%*
Adey Innovation LLC[3]	United States of America	n/a	100%*
Adey Innovation SAS[4]	France	Ordinary €1	100%*
Adey Innovation (Shanghai) Water Treatment Technology Co. Ltd[5]	China	Ordinary £1	100%*
Alderburgh Limited[1]	England & Wales	Ordinary £1	100%*
Alderburgh Ireland Limited[6]	Republic of Ireland	Ordinary €1	100%*
Alpha Scientific Ltd[2]	England & Wales	Ordinary £0.01	100%*
Drain Products Europe BV[7]	The Netherlands	Ordinary €100	100%*
Environmental Sustainable Solutions Ltd[1]	England & Wales	Ordinary £1	100%*
Equaflow Ltd[1]	England & Wales	Ordinary £1	50%*
Ferrob Ventilation Ltd[1]	England & Wales	Ordinary £1	100%*
Genuit Limited[1]	England & Wales	Ordinary £1	100%*
Hayes Pipes (Ulster) Limited[8]	Northern Ireland	Ordinary £1	100%*
Home Ventilation (Ireland) Limited[9]	Northern Ireland	Ordinary £1	100%*
Infra Green Limited[1]	England & Wales	Ordinary £1	100%*
Insulated Damp-Proof Course Limited[1]	England & Wales	Ordinary £1	100%*
Keytec Geomembranes Holding Company Limited[1]	England & Wales	Ordinary £1	100%*
Keytec Geomembranes Limited[1]	England & Wales	Ordinary £1	100%*
London Bidco Limited[2]	England & Wales	Ordinary £1	100%*
London Finco Limited[2]	England & Wales	Ordinary £1	100%*
London Topco Limited[2]	England & Wales	Ordinary £0.01 – £1	100%*
Manthorpe Building Products Limited[1]	England & Wales	Ordinary £1	100%*
Manthorpe Building Products Holdings Limited[1]	England & Wales	Ordinary £1	100%*
Mason Pinder (Toolmakers) Limited[1]	England & Wales	Ordinary £1	100%*
Nuaire Limited[1]	England & Wales	Ordinary £1	100%*

Notes to the Company Financial Statements continued

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
Nu-Heat (Holdings) Limited[1]	England & Wales	Ordinary £0.01	100%*
Nu-Heat UK Limited[1]	England & Wales	Ordinary £1	100%*
Nuhold Limited[1]	England & Wales	Ordinary £0.1	100%*
Nu-Oval Acquisitions 1 Limited[1]	England & Wales	Ordinary £0.94 – £1	100%*
Nu-Oval Acquisitions 2 Limited[1]	England & Wales	Ordinary £1	100%*
Nu-Oval Acquisitions 3 Limited[1]	England & Wales	Ordinary £1	100%*
Oracstar Limited[1]	England & Wales	Ordinary £1	100%*
Permavoid Limited[1]	England & Wales	Ordinary £1	100%*
Permavoid Technologies Limited[1]	England & Wales	Ordinary £1	100%*
Permavoid Technologies (USA) Limited[1]	England & Wales	Ordinary £1	100%*
Permavoid Technologies (USA) LLC[10]	United States of America	Ordinary $1	100%*
Pipe Holdings plc[1]	England & Wales	Ordinary £1	100%*
Pipe Holdings 1 plc[1]	England & Wales	Ordinary £1	100%*
Pipe Holdings 2 Limited[1]	England & Wales	Ordinary £1	100%*
Pipe Luxembourg Sarl[11]	Luxembourg	Ordinary £1	100%
Plumbexpress Limited[1]	England & Wales	Ordinary £1	100%*
Plura Composites Ltd[12]	England & Wales	Ordinary £1	51%*
Polydeck Limited[13]	England & Wales	Ordinary £1	51%*
Polypipe Limited[1]	England & Wales	Ordinary £0.1	100%*
Polypipe Building Products Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Civils Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Commercial Building Systems Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Group 1 Limited (formerly Genuit Group Limited)[1]	England & Wales	Ordinary £0.01	100%*
Polypipe (Ireland) Ltd[8]	Northern Ireland	Ordinary £1	100%*
Polypipe Italia SRL[14]	Italy	Ordinary €0.52	100%*
Polypipe Middle East FZE[15]	United Arab Emirates	Ordinary 1m UAE Dirhams	100%*
Polypipe Middle East Water Technology LLC[16]	United Arab Emirates	Ordinary 1,000 UAE Dirhams	100%*
Polypipe T.D.I. Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Terrain Limited[1]	England & Wales	Ordinary £1	100%*

Notes to the Company Financial Statements continued

4. Investments continued

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
Polypipe Terrain Holdings Limited[1]	England & Wales	Ordinary £1	100%*
Polypipe Trading Limited[1]	England & Wales	Ordinary £0.1	100%*
Polypipe (Ulster) Limited[8]	Northern Ireland	Ordinary £1	100%*
Polypipe Ventilation Limited[1]	England & Wales	Ordinary £1	100%*
Robimatic Limited[1]	England & Wales	Ordinary £1	100%*
Solutek Environmental Limited[1]	England & Wales	Ordinary £1	100%*
Surestop Limited[1]	England & Wales	Ordinary £1	100%*
Sustainable Water and Drainage Systems BV[7]	The Netherlands	Ordinary €1	50%*
Sustainable Water and Drainage Systems Limited[1]	England & Wales	Ordinary £1	50%*
Tree Ground Solutions BV[7]	The Netherlands	Ordinary €10	100%*
Water Management Solutions LLC[17]	Qatar	Ordinary 1,000 Qatari Riyals	49%*

All the companies operate principally in their country of registration and in the same class of business as the Group. The shares in the undertakings marked with an asterisk are held by subsidiary undertakings.

Registered offices of subsidiaries:

1. 4 Victoria Place, Holbeck, Leeds, LS11 5AE.
2. Unit 2 St Modwen Park, Haresfield, Stonehouse, Gloucestershire, GL10 3EZ.
3. c/o CT Corporation, 1209 Orange Street, Wilmington, Newcastle 19801, Delaware, United States of America.
4. 119B Rue de Colombes, 92600 Asnieres Sur Seine, France.
5. Room 308-18, No. 998, South Shen Bin Road, Min Hang District, Shanghai, China.
6. Ballybrack, Kilmacthomas, Co. Waterford.
7. Kattenburgerstraat 5, 1018, JA, Amsterdam, The Netherlands.
8. Dromore Road, Lurgan, Co. Armagh, BT66 7HL.
9. 19 Bedford Street, Belfast, BT2 7EJ.
10. 251 Little Falls Drive, Wilmington, Delaware, 19808-1674, United States of America.
11. 15 Boulevard F.W. Raiffeisen, L-2411 Luxembourg.
12. Unit 5 Johnsons Estate, Tarran Way South, Tarran Industrial Estate, Moreton, Wirral, Merseyside, CH46 4TP.
13. Unit 14 Burnett Industrial Estate, Cox's Green, Wrington, Bristol, Somerset, BS40 5QP.
14. Localita Pianmercato 5C-D-H, 16044 Cicagna, Genova, Italy.
15. PO Box 18679, Showroom A2 SR 07, First Al Khail Street, Jebel Ali Free Zone, Dubai, United Arab Emirates.
16. Arenco Tower – Office 908, Dubai Media City, Dubai, United Arab Emirates.
17. Level 15, Commercial Bank Plaza, West Bay, Doha, Qatar.

Notes to the Company Financial Statements continued

5. Amounts owed by subsidiary undertakings and other receivables

	31 December 2022 £m	31 December 2021 £m
Amounts owed by subsidiary undertakings	**189.9**	189.9
Deferred income tax assets	**0.7**	0.7
Prepayments	**–**	0.3
	190.6	190.9

No material allowance for expected credit losses is deemed necessary in respect of amounts owed by subsidiary undertakings.

6. Amounts owed to subsidiary undertakings and other payables

	31 December 2022 £m	31 December 2021 £m
Amounts owed to subsidiary undertakings	**85.0**	50.2
Other payables	**1.3**	1.2
	86.3	51.4

7. Share capital and reserves

Share capital

	31 December 2022		31 December 2021	
	Number*	£	Number*	£
Authorised, allotted, called up and fully paid share capital:				
Ordinary shares of £0.001 each	**249**	**249,170**	248	248,170

* Millions of shares.

The ordinary shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

Details of share options in issue on the Company's share capital and share-based payments are set out in Note 25 to the Group's consolidated financial statements.

Share premium

On 11 February 2021, the Company conducted a non-pre-emptive placing of 18,704,085 new ordinary shares at £5.15 per share generating gross proceeds of £96.3m with issue costs of £2.7m. Net proceeds in excess of the nominal value of £93.6m have been credited to the share premium account. A further £0.1m of listing fees have been incurred and charged to the income statement in 2021.

Capital redemption reserve

Following the consolidation and subdivision of shares in 2014 the Company's deferred shares were cancelled. In order to maintain the Company's capital a transfer was made from retained earnings to a capital redemption reserve at that time.

Own shares

Own shares represent the cost of Genuit Group plc shares purchased in the market and held by the Company and/or the Employee Benefit Trust (EBT), to satisfy the future exercise of options under the Group's share option schemes. These shares are recognised at cost and presented in the balance sheet as a deduction from equity. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of these shares. No dividends are earned on these shares.

During the year the Group issued 1,000,000 shares (2021: 1,000,000 shares) to the EBT at the nominal value of £0.001.

Other reserves

On 7 May 2020, the Company conducted a non-pre-emptive placing of 26,966,300 new ordinary shares at £4.45 per share generating gross proceeds of £120.0m. The placing was undertaken using a cashbox structure. As a result, the Company was able to take relief under section 612 of the Companies Act 2006 from crediting share premium and instead transfer the net proceeds in excess of the nominal value to other reserves. Advisers' fees of £3.5m were netted off against the gross proceeds.

8. Profit for the financial year

Genuit Group plc has not presented its own Income Statement as permitted by Section 408 of the Companies Act 2006. The loss for the year dealt with in the financial statements of the Company was £6.6m (2021: £5.5m loss for the year).

The only employees remunerated by the Company were the Directors of the Company. Remuneration paid to the Directors is disclosed in Note 10 to the Group's consolidated financial statements.

Amounts paid to the Company's auditor in respect of the audit of the financial statements of the Company are disclosed in Note 7 to the Group's consolidated financial statements.

Fees paid to the auditor for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Group's consolidated financial statements are prepared which are required to disclose such fees on a consolidated basis. These are disclosed in Note 7 to the Group's consolidated financial statements.

Notes to the Company Financial Statements continued

9. Related party transactions

The following table provides the analysis of transactions that have been entered into with related parties:

	31 December 2022		31 December 2021	
	Recharges from related parties £m	**Amounts owed to related parties £m**	Recharges to related parties £m	Amounts owed to related parties £m
Polypipe Limited	**34.8**	**(85.0)**	(69.0)	50.2

	Loan advanced £m	**Amounts owed by related parties £m**	Loan advanced £m	Amounts owed by related parties £m
Pipe Holdings 1 plc:				
Eurobonds	**–**	**64.9**	–	64.9
Preference shares	**–**	**18.3**	–	18.3
Other	**–**	**0.9**	–	0.9
Pipe Holdings 2 Limited	**–**	**6.4**	–	6.4
Pipe Holdings plc	**–**	**99.4**	–	99.4
	–	**189.9**	–	189.9

Other related party transactions are disclosed in Note 28 to the Group's consolidated financial statements.

Shareholder Information

Financial calendar

Preliminary Announcement of Results for the year ended 31 December 2022	14 March 2023
Annual General Meeting	18 May 2023
Final dividend for the year ended 31 December 2022:	
– Ex-dividend date	20 April 2023
– Record date	21 April 2023
– Payment date	24 May 2023
Half yearly results for the six months ending 30 June 2023	15 August 2023
Half yearly dividend for the six months ending 30 June 2023:	
– Ex-dividend date	31 August 2023
– Record date	1 September 2023
– Payment date	27 September 2023

Registrar services

Our shareholder register is managed and administered by Link Group.

Link Group should be able to help you with most questions you have in relation to your holding in Genuit Group plc shares.

Link Group can be contacted at:

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

www.linkgroup.eu

Shareholder helpline for information relating to your shares call:
+44 (0)371 664 0300

Website helpline for information on using this website call:
+44 (0)371 664 0391

Calls to 0371 are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate.

We are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales.

e-mail: enquiries@linkgroup.co.uk

In addition, Link offers a range of other services to shareholders including a share dealing service and a share portal to manage your holdings.

Share dealing service

A share dealing service is available to existing shareholders to buy or sell the Company's shares via Link Market Services.

Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please contact:

www.linksharedeal.com – online dealing
0371 664 0445 – telephone dealing

email: info@linksharedeal.com

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell their shares. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

Principal Group businesses

UK

Polypipe Building Products
Broomhouse Lane
Edlington
Doncaster
South Yorkshire
DN12 1ES

Neale Road
Doncaster
South Yorkshire
DN2 4PG

Sandall Stores Road
Kirk Sandall Industrial estate
Doncaster
DN3 1QR

Edlington Lane
Warmsworth
Doncaster
South Yorkshire
DN4 9LS

Polypipe Ulster
Dromore Road
Lurgan
Co. Armagh
BT66 7HL

Polypipe Civils and Green Urbanisation
Charnwood Business Park
North Road
Loughborough
LE11 1LE

Holmes Way
Horncastle
LN9 6JW

Polypipe Building Services
New Hythe Business Park
College Road
Aylesford
Kent
ME20 7PJ

Nuaire
Western Industrial Estate
Caerphilly
CF83 1NA

Domus Ventilation
Cambria House
Caerphilly Business Park
Van Road
Caerphilly
CF83 3ED

Manthorpe Building Products
Brittain Drive
Codnor Gate Business Park
Ripley
DE5 3ND

Alderburgh
Solutions House
Dane Street
Rochdale
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