Genuit Group plc
Annual Report & Accounts 2022

A culture of sustainable innovation

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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.

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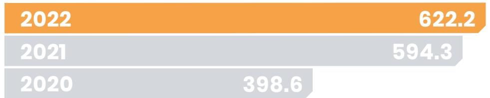
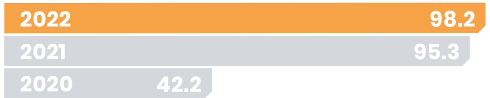
REVENUE
£m

£622.2m +4.7%



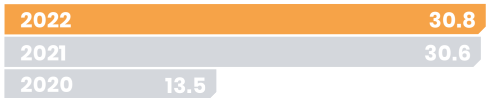
UNDERLYING OPERATING PROFIT
£m

£98.2m +3.0%



UNDERLYING BASIC EARNINGS PER SHARE
pence per share (pps)

30.8pps +0.7%

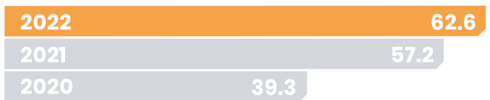


PROFIT BEFORE TAX
£m

£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

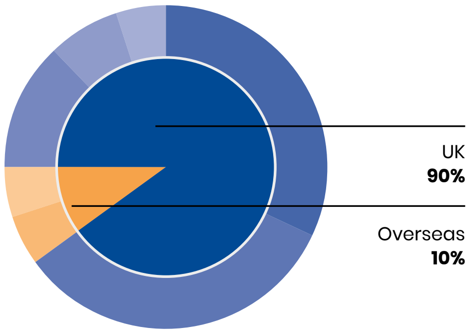
- Polypipe
- Manthorpe
- Terrain

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, 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.

Chair's Statement continued

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.

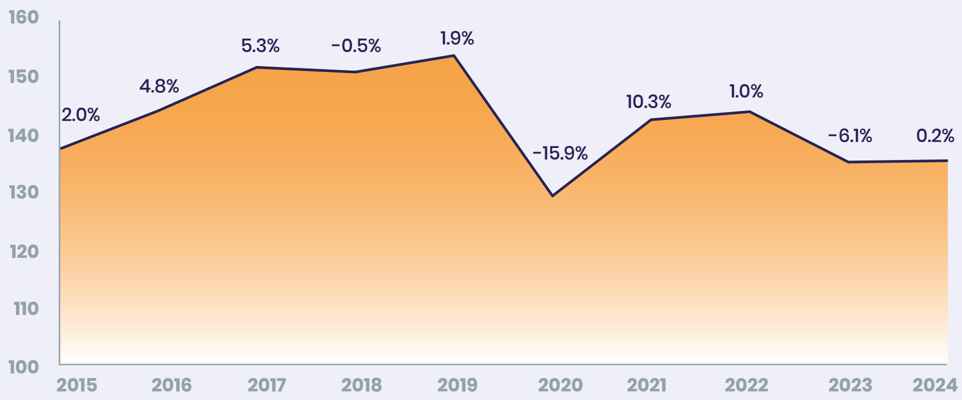
What do you see as your main priorities for 2023?

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.

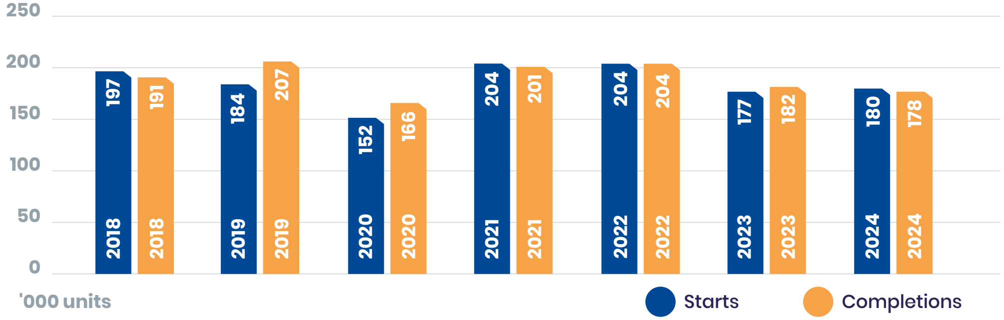
Private Housing RMI reached historic high levels in March 2022, and has been on a downward trend since then. Such a huge segment never moves homogeneously. The post pandemic RMI boom had been on the back of accumulated savings, and a desire for improved outdoor spaces as well as environments suitable 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.

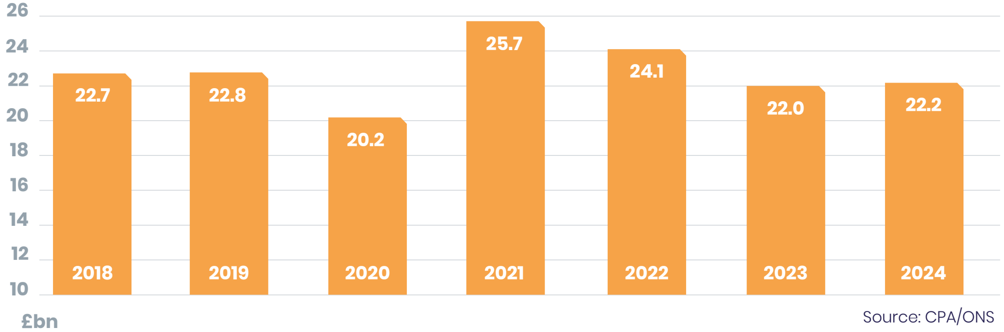
Market review continued

Commercial and infrastructure

New housing

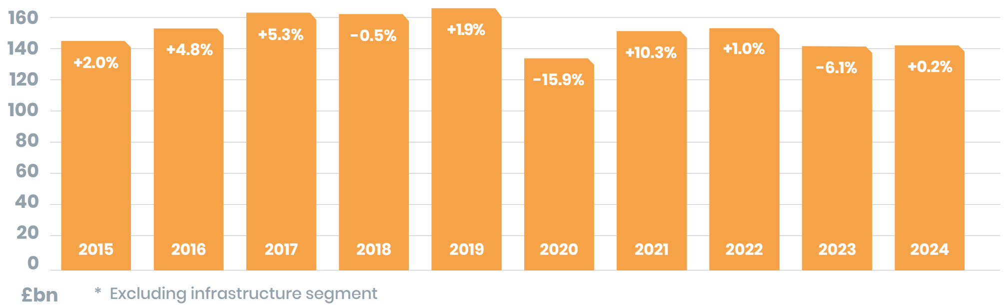


Private housing RMI



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

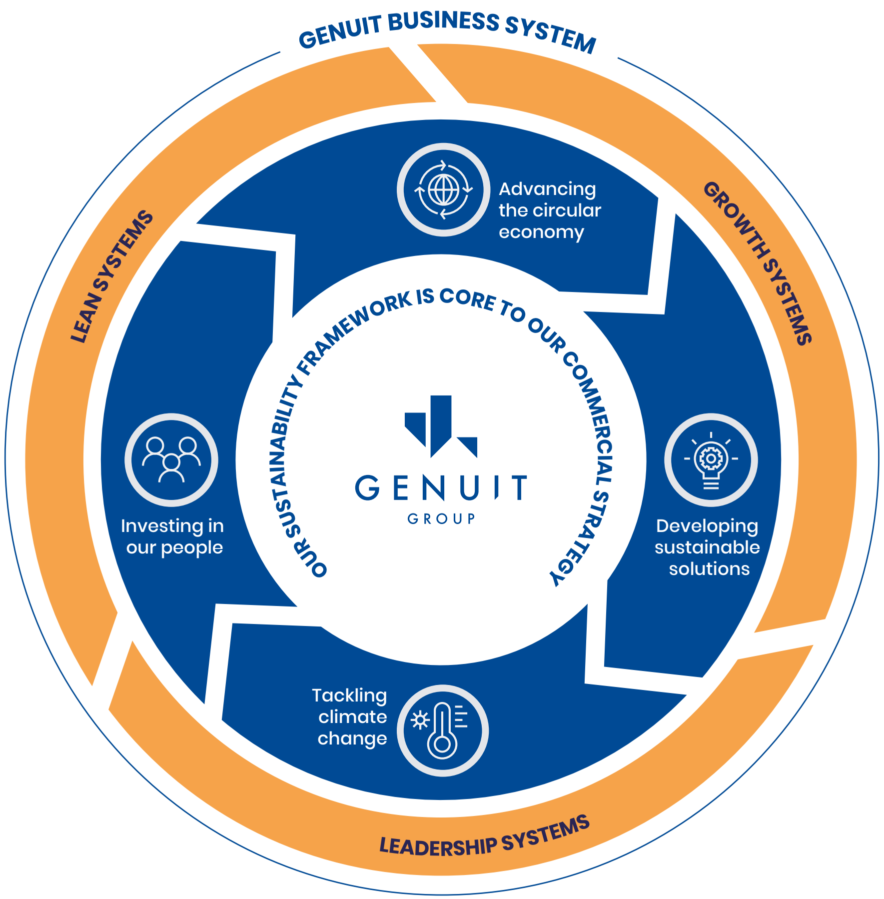
PEOPLE
Experts knowledgeable on our customers' applications and empowered to act.

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

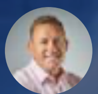
Providing value across technologies
For Genuit, we see real added value in bringing product technologies together to provide more integrated solutions. Historically the heating systems in our homes have been inefficient, but with plenty of spare capacity, so that when we were cold we simply put in more 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

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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.

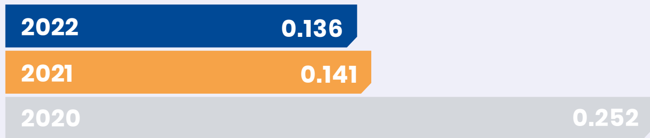
GREENHOUSE GAS EMISSIONS

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

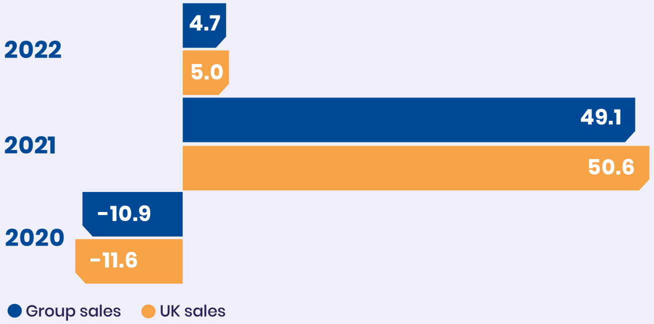
%

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

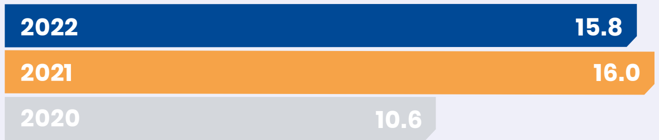
%

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

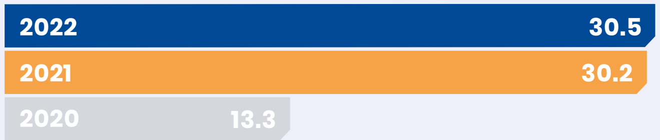
pps

30.5pps

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

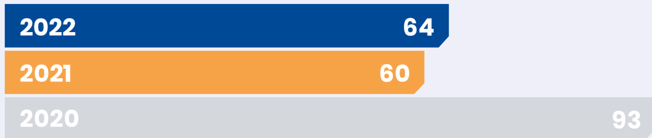
%

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

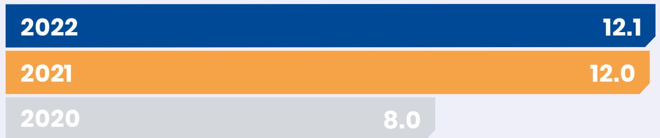
%

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. **Recycled materials:** 48.7%	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. **Vitality Index:** 24.7%	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. **Carbon intensity: Cumulative reduction of** 50.2%	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. **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.

Task Force on Climate-Related Financial Disclosures continued

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.	Green	Orange	Orange	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.	Green	Orange	Orange	
	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.	Green	Orange	Red	
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	Orange	Red	Red	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	Green	Red	Red	
	STEPS (>3°C) BAU	Only existing or announced carbon pricing schemes are applied under lower rates. 2030: £90/tCO_2 2050: £113/tCO_2	Green	Orange	Orange	
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.	Orange	Red	Red	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.	Green	Orange	Red	
	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.	Green	Orange	Orange	

Key

- Green: Low Risk/High Opportunity
- Orange: Medium Risk/Medium Opportunity
- Red: 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.				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.				
	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.				
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.				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.				
	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.				

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."

People continued

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.

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.

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.

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.

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.

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

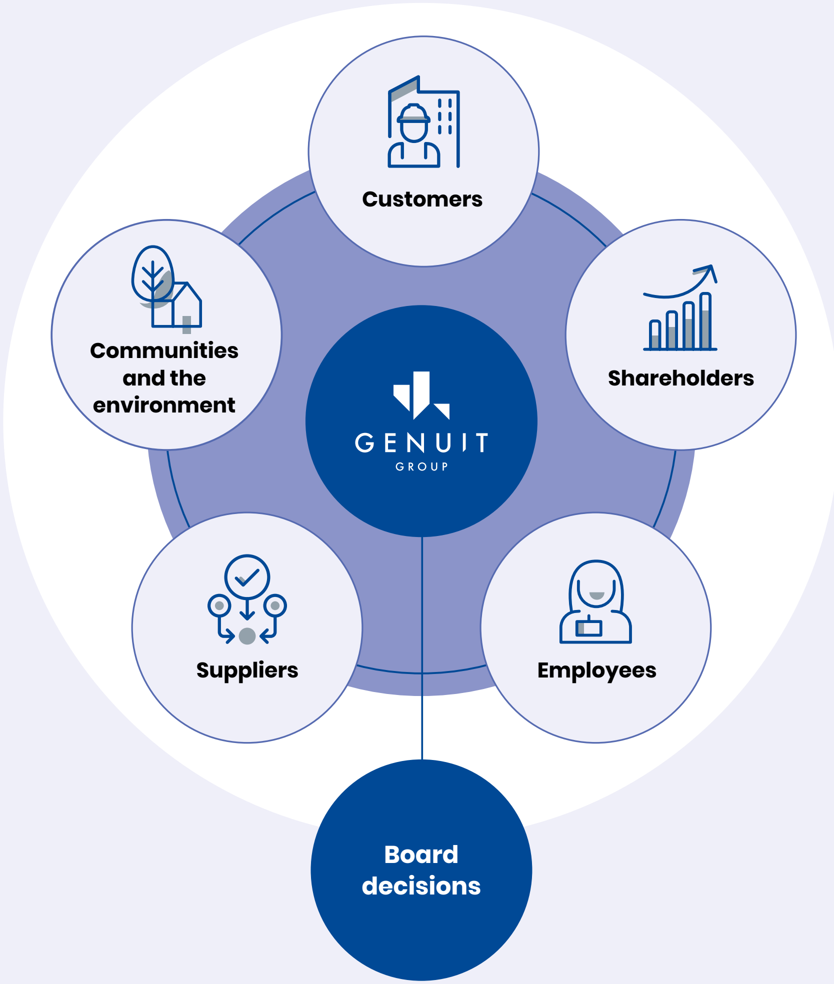
This Section 172 statement for the year ended 31 December 2022 gives further insight into some of the strategic decisions taken by the Board during the 2022 financial year where key stakeholders have influenced those decisions, and aims to help stakeholders better understand how the Directors have discharged 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
● (dark blue)	**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
● (dark green)	**The interests of the Group's employees**	
	– People	36
	– Health and safety	40
	– Stakeholder engagement	43
	– Employee engagement	76
● (brown)	**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
● (orange)	**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
● (light blue)	**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
● (navy)	**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

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.

+4.7%

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

+3.0%

Underlying operating proft driven by strong pricing and cost controls.

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

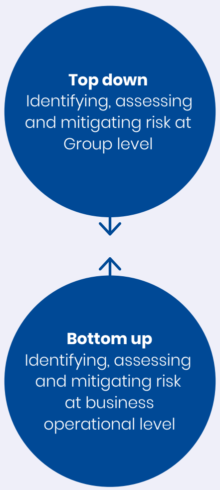
The Board has overall responsibility for ensuring that the Group maintains an effective risk management system, enabling it to deliver its strategic objectives. It determines the Group's culture and approach to risk management and is responsible for maintaining appropriate processes and controls. The 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.



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:

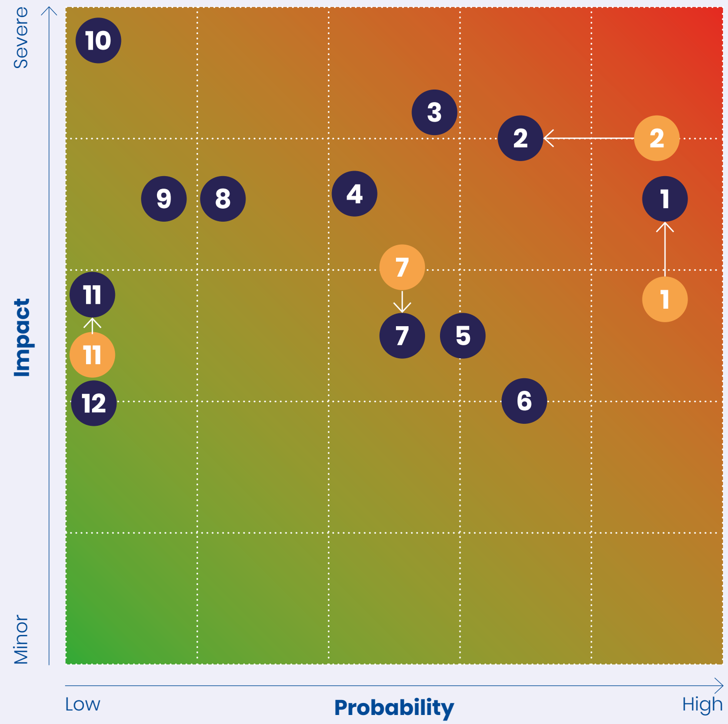
- The recording of all principal risks and uncertainties on a Group Risk Register, and an emerging risks register, which are updated at least every six months
- Analysing risks and allocating owners
- Scoring risks for impact and probability to determine the exposure for the Group
- Outlining which risks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