

# Together, we create sustainable living

Annual Report & Accounts 2023



# Together, we create sustainable living

At Genuit Group, we help create a better, more sustainable built environment, by developing and producing sustainable solutions for the key challenges faced in water, climate and ventilation management within the construction industry.

Together, we create sustainable living.

#### 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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# Highlights

## Financial highlights

Revenue £m

**£586.5m** -5.7%

2023	586.5
2022	622.2
2021	594.3

Revenue declining 5.7% despite an overall volume reduction of 12.4% year-on-year, in the context of market headwinds.

Dividend per share  
pence per share (p)

**12.4p** +0.8%

2023	12.4
2022	12.3
2021	12.2

Announced progressive dividend policy, to 12.4p per share (2.0x interest cover), reflecting strength of the balance sheet and confidence in execution of strategy.

Underlying cash conversion %

**87.7%** +30.3pps

2023	87.7
2022	57.4
2021	54.6

Underlying cash generated from operations of £83.2m with a cash conversion of 87.7% (2022: 57.4%).

Underlying operating profit £m

**£94.1m** -4.2%

2023	94.1
2022	98.2
2021	95.3

A full year volume reduction of 12.4% was partially offset by new product launches, balanced price and cost management and business simplification projects, resulting in a 4.2% year-on-year reduction in underlying operating profit.

Profit before tax £m

**£48.4m** +6.6%

2023	48.4
2022	45.4
2021	62.9

Increase of 6.6% of profit before tax.

Net debt £m

**£149.3m** -10.2%

2023	149.3
2022	166.2
2021	165.7

Maintaining a robust balance sheet with headroom for investment.

## ESG highlights

Carbon Intensity

**0.140tCO<sub>2</sub>e/t**

2022 0.136tCO<sub>2</sub>e/t

Despite the decrease in volumes we sustained a similar but only slightly increased level of carbon intensity across scopes 1 & 2. Given that aspects of our carbon impact such as heating are not directly related to volume output, the business has worked hard to ensure efficiency gains have offset the impact that a volume decrease would otherwise have on intensity.

Electricity Sourced from  
Renewable Sources

**91%**

2022 91%

We have continued to focus on the coverage of our renewables-based contracts. Looking forward, we are investigating those activities outside Great Britain to drive this further.

Use of Recycled  
Polymers

**49.2%**

2022 48.7%

Despite mixed challenges relating to the low level of housing starts in 2023, we maintained our prior year performance in recycle usage. We continue to lead our European peer group in this area, and work through our programme to switch further ranges to recycled polymers during 2024.

Absolute Carbon

**-33%**

2022 +9.6%

The absolute impact in terms of tCO<sub>2</sub>e reduced by 33% compared to prior year across scopes 1, 2, & scope 3: category one. Whilst some of this reduction reflects volumes being lower, there were also improvements in energy and carbon efficiencies during the year.

The 5% Club

**8.2%**

2022 3.5%

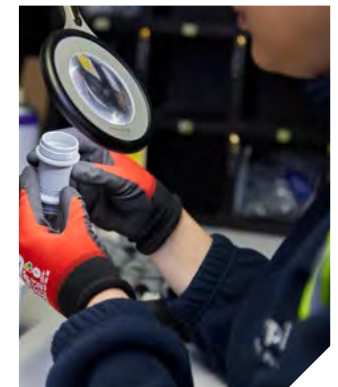
We retained our Silver Membership status within The 5% Club. Our programme of apprenticeships and accredited Earn and Learn schemes are consistent with improving social mobility, and help us to develop our talent in line with our strategic objectives.

Vitality Index

**21.5%**

2022 24.7%

Our Vitality Index showed minor decline in 2023 as some significant product ranges fell out of the qualifying period. However, with the launch of exciting products such as PolyPlumb Enhanced during 2023, and MRXBox with cooling capability late in 2022, we are confident this metric will improve as the associated revenues grow.



# At a glance

Genuit Group is an organisation with a clear purpose; **Together, we create sustainable living.**

We enact this purpose through our Sustainable Solutions for Growth strategy, which is based upon four interconnected and complementary themes.



Growth



Sustainability



Genuit Business System (GBS)



People and Culture

## Growth

We focus on higher-growth, sustainability-linked market segments. In addition to the tailwinds which drive these segments, we will outperform our market through innovation and commercial excellence. We will grow both organically, and through a disciplined approach to M&A.

## Genuit Business System

Genuit Business System (GBS) is our way of creating value across the Group through lean transformation and operational excellence. This allows us to realise synergies across our existing portfolio as well as creating a methodology for synergy realisation following future M&A.

## Sustainability

We will be the lowest carbon supplier of choice for our customers. Reducing our own carbon impact is consistent with offering a range of solutions which mitigate the impact the built environment has on climate change. Additionally, we provide solutions which address the need for the built environment to adapt to climate change.

## People and Culture

The capability, expertise and development of our employees is key to achieving our goals. Ensuring commonality of culture and trademark behaviours helps us to create a spirit of collaboration, allowing us to combine local entrepreneurialism with the benefits of scale.

Colleagues

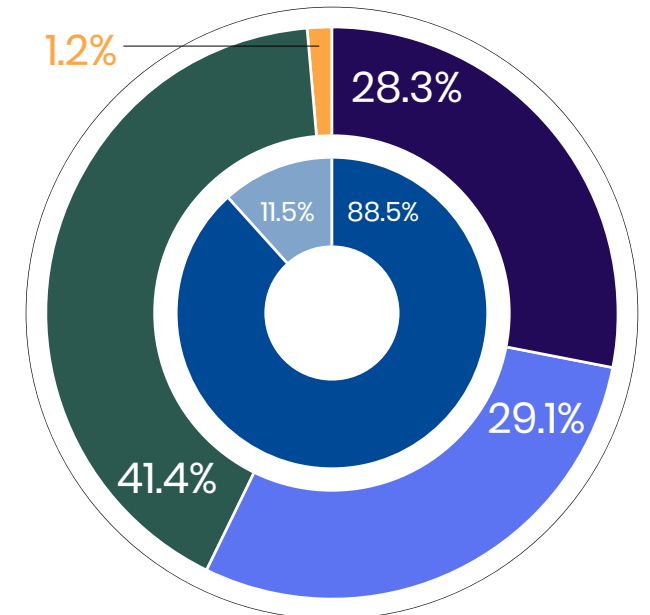
3,161

Sites

26



## Revenue split



- Climate Management Solutions
- Water Management Solutions
- Sustainable Building Solutions
- UK
- International
- Other

Our Business Units



**Climate Management Solutions**



Addressing the need for clean healthy air and low carbon heating and cooling.

Revenue

**£165.9m**

2022: £158.6m

Underlying Operating Margin

**13.7%**

2022: 15.9%

Brands



**Water Management Solutions**



Driving climate adaptation and resilience through integrated surface and drainage solutions.

Revenue

**£170.4m**

2022: £172.4m

Underlying Operating Margin

**10.4%**

2022: 8.2%

Brands



**Sustainable Building Solutions**



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

Revenue

**£242.8m**

2022: £282.4m

Underlying Operating Margin

**21.9%**

2022: 21.0%

Brands



# Investment Case

Delivering compounding earnings growth through sustainability-driven growth markets, margin expansion and effective capital allocation.

## 1.

Operating in built environment sectors with inherent sustainability-linked structural drivers

- Operating in a sector with high levels of sustainability-driven growth
- Helping customers to mitigate climate change and adapt to its effects
- Structural growth arising from changing regulation (e.g. UK 2025 Future Homes Standard) driving demand

## 2-4%

through-cycle target outperformance of the UK construction market

## 2.

Differentiated, innovative, low-carbon building products and solutions

- Meeting customers' evolving needs and helping them to deliver their sustainability targets
- Moving up the value chain by building end-to-end solutions with better cost of ownership
- Aiming to be lowest carbon choice for customers; >60% of polymers from recycle by 2025

## 66% reduction

in CO<sub>2</sub>e emissions by 2025; net-zero by 2050

## 3.

Leading positions across diverse markets, with strong brand recognition

- A trusted partner for customers, providing a range of products and integrated solutions
- Number one or two in key market segments, with scope to take further share

## c.20%

share of a £3bn served addressable UK market

## 4.

Significant margin expansion potential

- Clear pathway to improve operating margin, through:
  - Business simplification
  - GBS driving operational efficiency
  - Operating leverage as volumes normalise
- Driving improvement in return on capital

## >20%

operating margin target

## 5.

Opportunity to expand solution offering and create full-service Group

- Complementing organic growth with value-creative acquisitions, including internationally
- Successful M&A track record, reinforced by adoption and implementation of GBS approach
- Highly resilient Group due to breadth of portfolio

## >15% ROCE

Group target

## 6.

Highly cash-generative business model, with effective capital allocation

- Successful track record c.£300m underlying cash generated from operations over last five years
- The Group aims to pay a progressive dividend, based on dividend cover of 2.0x or greater over the business cycle

## Over 90%

cash conversion target



## Chair's Statement

# Generating value for stakeholders

Kevin Boyd  
Chair



## Introduction

Macroeconomic pressures and geopolitical turbulence over the last few years have persistently tested the resilience and adaptability of UK companies as a whole, which has in turn inevitably impacted the Group. We are aware of the impact that the increase in interest rates has had on our wider stakeholders, including our customers, employees and the communities we serve, as well as the increasing focus of stakeholders on the importance and impact of climate change and the need to transition to a low carbon economy. As a Board, we have needed to ensure that we mitigate the impact of these external pressures and that we are well equipped to respond to them. I am proud of the steps that the senior management team and Board have taken to navigate these challenges, whilst at the same time successfully rolling out our Sustainable Solutions for Growth strategy to provide a platform for future growth when volumes return to more normal levels. Therefore, despite these challenges, as demonstrated by our results, our performance has been strong and resilient and our ongoing self-help measures, deployment of the Genuit Business System and continued business simplification initiatives have enabled improvements in the quality of operating margin, despite the difficult market conditions.

“Our Sustainable Solutions for Growth strategy is underpinned by our people.”

## Performance and results

Against a backdrop of continued macroeconomic uncertainty, the Group's trading performance has remained resilient throughout the year, supported by the diversity of the Group's market segment exposure.

The Group continued to focus on business simplification measures that increased the efficiency of operations and partially mitigated the impact of lower volumes. These measures included undertaking site consolidations to increase economies of scale, without any associated reduction in production capacity. Together with other self-help measures, the Group will deliver a total of £15m of annualised savings. This proactive cost action and continued commercial progress resulted in full year underlying operating profit being above our initial expectations. This robust performance is down to the hard work and determination of our colleagues around the Group who have risen to, and overcome, the challenges we have faced.

Group revenue was 5.7% lower than prior year at £586.5m (2022: £622.2m). Underlying operating profit was £94.1m (2022: £98.2m) representing a margin of 16.0% (2022: 15.8%). Underlying basic earnings per share for the year was 25.2 pence (2022: 30.8 pence).

## Sustainable Solutions for Growth strategy

In 2022, following a review and refresh of the Group's strategy, we launched our Sustainable Solutions for Growth strategy and shared this publicly at the Capital Markets Day (CMD) in November 2022. This included details of our mid-term goals, our new organisational and reporting structure, and provided further insight into how this strategy will be delivered via our three Business Units. We held a Strategy Progress Update in November 2023 to describe the progress against our strategy, and to offer our shareholders and stakeholders the opportunity to engage with the senior management team. We also set out our new Group purpose, 'Together, we create sustainable living', which resonates strongly with our employees and our businesses across the Group, as well as with other stakeholders such as customers, suppliers and the communities we serve.

## Our Trademark Behaviours



### We work together

- by understanding and respecting our unique differences
- through collaborating and supporting, to achieve more
- by recognising the efforts and contributions of others

### New joiners to Genuit Leadership Team

**39%** female



### We take ownership

- always acting with health, safety and wellbeing in mind
- by striving for excellence in what we do
- through our commitment to doing the right thing

### 'Hazard' and 'Near Miss' reports

**8,214** +45%



### We find a better way

- through using our voice and actively listening
- by positively challenging the way we do things
- by seeking the right solution

### Business improvement training

**>10%** employees

**“We provide solutions for adaptation and mitigation of climate change and the challenges it poses for the built environment.”**



### People and Culture

People and Culture is another key element to our strategy on which we have placed significant focus during 2023. The successful delivery of our Sustainable Solutions for Growth strategy is underpinned by our people, creating value and enabling growth through employee capability, expertise and in an environment where everyone is comfortable to bring their whole selves to work. A dedicated working group was established in early 2023 led by our Chief People Officer, which consisted of a group of volunteers and representatives from across the Group who came together to define and establish a set of trademark behaviours. The process involved obtaining direct feedback by engaging with colleagues at all levels and across all businesses within the Group. Our final Trademark Behaviours are set out opposite and were launched to our Genuit Leadership Team at its October 2023 conference. We also hosted further training sessions to ensure we could provide all necessary tools to our leaders to enable successful deployment across the Group during 2024. I continue to be impressed by the commitment and output of our leaders, and look forward to seeing the development and embedding of our Trademark Behaviours and the positive impact they will have on our strategy deployment. Further detail about the culture workstream can be found in our People and Culture section on page 45 and Governance Report on pages 84 and 85.

Further details about the remaining key pillars of our strategy, being Growth and the GBS, are covered on pages 20 and 41 respectively.

### Sustainability

Sustainability is a key pillar of our strategy and continues to be at the heart of our growth agenda. As well as operating our businesses sustainably, we provide solutions for adaptation and mitigation of climate change and the challenges it poses for the built environment. We endeavour to provide innovative solutions to these challenges, whilst continuing to strengthen our position by being the lowest carbon choice for our customers. Our science-based targets, Pathway to Net-Zero and continued commitment to being abreast of regulatory developments, as well as taking steps to improve our messaging, continuously improve our processes and maintain engagement with our key stakeholders, shows our commitment to successful communication of the importance of sustainability to our strategy. Details of our sustainability practices are covered later in our Strategic Report on pages 22 to 29.



## Chair's Statement continued

“We are positive about the opportunities that lie ahead, and I am confident that we have the right leadership and people to generate value for our key stakeholders, and look forward to another year of progress.”



### Board changes

Paul James stepped down from the Board as Chief Financial Officer (CFO) in September 2023 after serving over five years with the Company. Paul successfully steered the Group through the Covid-19 pandemic and the challenges experienced post-pandemic, as well as helping build the Genuit Group into the successful business it is today. On behalf of the Board and everyone at Genuit Group, I would like to thank Paul for his years of service and wish him every future success. The Board is delighted to welcome Tim Pullen, who was appointed as permanent CFO in November 2023 having served as interim CFO from September 2023. Tim brings a broad range of public market experience which complements our Executive Management Team, and we look forward to working with Tim as we continue to deliver our Sustainable Solutions for Growth strategy. Further detail about the CFO recruitment process can be found in our Nomination Committee Report on page 94.

Matt Pullen stepped down from the Board as Chief Operating Officer in April 2023, remaining an employee until 30 June in an advisory capacity, and the Board agreed not to appoint a successor. This decision was supported by the strategic change to the structure of the Leadership Team in the newly expanded role of Chief Strategy and Sustainability Officer, assumed by Martin Gisbourne, which demonstrates our commitment and dedication to the future of our sustainability journey. The Business Unit Managing Directors now report directly to the CEO, as we increase our customer and market focus.

Shatish Dasani was appointed as a Non-Executive Director and Audit Committee Chair in March 2023, as reported in the 2022 Annual Report and Accounts, and Bronagh Kennedy was appointed as a Non-Executive Director in July 2023. Both bring significant experience and skills to our Board. Mark Hammond retired in October 2023 following the completion of his nine-year tenure in April 2023, having agreed to remain in post until October whilst the onboarding of the new Non-Executive Directors took place. Mark was appointed as a Non-Executive Director in 2014 when the Company listed on the London Stock Exchange, and has played a key role on the Board since that date. On behalf of the Group and Board, it has been a pleasure working alongside Mark, and we thank him for his time and dedication and wish him all the best with his future endeavours. As a result of his impending retirement, Mark's role as Senior Independent Director passed to Lisa Scenna in March 2023.

### Future outlook

Despite the difficult external macroeconomic environment, it is important that we remain focused on continuing to effectively execute our Sustainable Solutions for Growth strategy as a resilient business. This can only be achieved with the high-performance, purpose-led culture we continue to set in the Group, which we will continue to develop and embed during 2024. We are positive about the opportunities that lie ahead, and I am confident that we have the right leadership and people to generate value for our key stakeholders, and look forward to another year of progress, despite the continued challenging backdrop heading into 2024.

Kevin Boyd  
Chair  
12 March 2024

## Chief Executive Officer's review

# Progress toward our mid-term targets

Joe Vorih  
Chief Executive Officer



My second year as CEO of Genuit has been one of significant strategic progress for the Group, despite a backdrop of continued external challenges. Our performance was resilient in the face of ongoing softness in the UK construction market, with successful product launches, balanced price and cost management, ongoing business simplification and growth in our international revenues helping to offset this volume decline.

Importantly, our leadership team has remained fully focused on executing our Sustainable Solutions for Growth strategy, the benefits of which are already flowing through. All this has only been possible thanks to the great work of our incredible team across the entire Genuit Group.

Our business simplification programme over 2022 and 2023 has been highly successful, and we have announced £15m of annualised savings from a range of self-help measures that leave the Group more streamlined, efficient and better placed for profitable growth. This has included the site consolidation programme across six sites that we are in the final phases of completing, with no reduction to our productive capacity. The deployment of the Genuit Business System on a multi-year basis has also begun to bear fruit as we begin to implement lean processes throughout the Group in order to drive a culture of continuous improvement.

These strategic decisions have served to improve our annual underlying profit margin from 15.8% to 16.0% despite the market-driven decline in revenues of 5.7%. Underlying operating cash conversion has also been strong at 87.7%, approaching our 90% mid-term target, strengthening our financial position and allowing us to de-leverage the balance sheet while continuing to invest in growth.

With the Group on a firm financial footing and with high confidence in our strategic direction, we are pleased to be able to propose an increase in our full-year dividend to 12.4p and formally introduce a progressive dividend policy.

Revenue	EBIT Margin	EBIT	Cash Conversion	DPS	Net Debt
<b>£586.5m</b>	<b>16.0%</b>	<b>£94.1m</b>	<b>87.7%</b>	<b>12.4p</b>	<b>£149m</b>
Down 5.7%	Up 20bps	Down 4.2%	Up 30.3pps	Up 0.1p	Reduced 10.2%
Market headwinds	Improved operational gearing	Volume reduction offset by business simplification	Progress towards 90% target	Delivering shareholder returns	Leverage reduced from 1.2x (Dec 2022) to 1.1x
↓	↑	↓	↑	↑	↓

Chief Executive Officer's review continued

“While the short-term outlook is unsettled, there has never been a better time to be focused on creating sustainable living.”



Scan to hear more from Joe Vorih on Genuit's performance in 2023



## Our customers: challenging market conditions remain

Genuit today is focused on sustainability-driven growth, helping our customers respond to climate adaptation and mitigation challenges. We continue to focus on segments that benefit from mid-term regulation and a customer-driven need for climate solutions – the electrification of our houses and workplaces to reduce carbon, better cooling and ventilation as the climate warms, more effective rainwater collection and reuse, and attenuation of flooding and stormwater runoff now more prevalent than ever. We provide these solutions into a range of end markets – new house building and RMI, commercial and multi-story residential construction, infrastructure including stormwater management projects within road and rail – and we are growing in many of these sectors internationally.

The structural UK housing shortage continues and must be addressed, so that despite the recent weakness, mid-term growth in this sector should be robust as the UK seeks to build the houses needed. 2023 saw a decline in site openings and starts, with higher interest rates affecting mortgages, cost of living concerns continuing and planning constraints still affecting housebuilders. We are expecting these low levels to continue into 2024 but expect pent-up demand to drive stronger growth in time.

There were some important segmental trends in residential construction. Notably, our Nuaire ventilation business saw organic growth in 2023 driven by increased penetration of new ventilation solutions – most notably to control damp and mould in social housing. Our Nu-Heat business saw a decline in renewable energy conversion projects as affordability was a concern for consumers, though project interest has increased since the government announced the increase of the Boiler Upgrade Scheme from £5,000 to £7,500 – certainly a positive development. On the other hand, the gas boiler market remained below normal levels, as the supply chain constraints of 2022 were replaced with decreased demand as consumers put off boiler replacements, keeping existing systems running. Historically, this has created pent-up demand for replacement of boilers as they age, demand that may return quickly when confidence returns.

While the UK still represents nearly 90% of Group sales, our geographic expansion activity continues as the demand for water management and building drainage solutions in the Middle East continues to develop, and we introduced new network infrastructure products – including for the North American market.

Despite the short-term headwinds that continue in 2024, we do see positive developments. The Future Homes Standard is expected to drive a significantly increased uptake of air-source heat pumps (ASHPs) and underfloor heating, more heat recovery in ventilation, and a continued focus on energy efficiency and lower carbon products. Again, last year, we saw hotter summers and more pronounced storms and flooding – challenging construction in the short term but reaffirming confidence in the need for our water management and green urbanisation solutions. In addition, lower carbon content (such as with the higher recycled-content plastic products we provide) is quickly moving up the agenda for our customers, in line with their own carbon commitments or driven by local initiatives such as the London Plan. On balance, while the short-term outlook is unsettled, there has never been a better time to be focused on creating sustainable living.

## Our strategy: Sustainable Solutions for Growth

Our Sustainable Solutions for Growth strategy is built around four key pillars:



**Growth** – focus on higher-growth, sustainability-driven markets, via organic growth and disciplined M&A opportunities



**Sustainability** – continually improve the sustainability of our operations to be the lowest-carbon choice for our customers



**Genuit Business System** – create value through lean transformation and operational excellence



**People and Culture** – create value and enable growth through the capability, expertise and development of our employees

I am pleased with the progress that we have made against each of these commitments in 2023, which has seen us drive improvements throughout the business and strengthen our position going into 2024.



## Chief Executive Officer's review continued



## Growth

By focusing on sustainability-driven markets in the built environment, we see significant opportunities to outperform the broader construction market. The necessity of adapting to climate change, regulatory changes and shifting customer preferences create a series of structural tailwinds that will enable us to achieve organic growth and open the possibility for disciplined M&A opportunities.

Despite the softness in the UK construction sector in 2023 and the overall decline in volumes, I'm pleased to say that this approach helped to secure revenue opportunities across all three of our Business Units. Sustainability-driven structural growth drivers including the need for greater ventilation in social housing and stormwater attenuation have served to drive demand for our solutions.

The launch of exciting new product lines, including PolyPlumb Enhanced in Sustainable Building Solutions (SBS), Nu-Deck and MVHR with cooling in Climate Management Solutions (CMS) and SubTerra CT in Water Management Solutions (WMS), demonstrates our commitment to innovating within our product ranges and providing customers with innovative and highly relevant solutions. All these products tie into the need to address climate adaptation challenges and improve the resilience of the built environment.

Solution selling, including expanding the Nu-Heat direct-to-contractor or homeowner offering, and working with national and regional homebuilders to install early ASHP and underfloor heating solutions – ahead of the Future Homes Standard – were effective. Our commercial offering has expanded with Polypipe Advantage prefabricated solutions growing, enhanced with a new Stax line of pre-configured solutions. We merged our Keytec and Alderburgh installation businesses to create a class leading water management solution partner with national reach.

The launch of these products, solutions and services, with a continued pipeline of development, means that despite some variation as products mature, we remain on track to maintain our target of 25% of all sales coming from products developed in the last five years. Furthermore, our success in integrating past acquisitions successfully, stronger leadership capability, and decreased leverage, all position the Group well to continue to develop and pursue strategic acquisitions that will add to our organic growth potential and enhance shareholder returns in the future.

## Sustainability

Our growth strategy is inextricably linked to sustainability, as the key driver of our markets and the core of our product suites. It is therefore imperative that we are continually pursuing a programme of improvement in regard to our own sustainability metrics, ensuring that we are the lowest-carbon supplier of choice to our customers.

We are on a trajectory to become net-zero by 2050, and our sustainability plans have progressed well in the year. Most notably, in 2023 we became the first amongst our UK peers to have verified SBTi approval for our near-term carbon reduction targets, which amongst other commitments will see us reduce our scopes 1 & 2 greenhouse gas (GHG) emissions by 30% by 2027 compared to 2021.

We are also the largest user of recycled polymers across our European peer group, making up almost half our total tonnage, and we have held the LSE Green Economy Mark since 2019 with over 70% green revenues.

We said that we would leverage sustainability leadership for growth, remain the champion of the most sustainable building solutions and extend our plastic recycling usage. As these sustainability targets are a key component of our strategy, they form an integral part of Executive and senior management remuneration to ensure reward is fully aligned with our strategic priorities. In 2023, we added the annual measure of carbon reduction into the annual bonus arrangements for a wider cohort of our managers.

“In 2023 we became the first amongst our UK peers to have SBTi approval for our near-term carbon reduction targets.”

## Our science-based targets

	Progress
Reduce absolute scopes 1 & 2 GHG emissions 30% by 2027	<b>24%</b>
Increase annual sourcing of renewable electricity from 94% in 2021 to 100% by 2027 through 2030	<b>91%</b>
83% of suppliers (by emissions) of purchased goods and services will have science-based targets by 2027	<b>32%</b>

In 2023 the Science-Based Target initiative (SBTi) approved Genuit Group's near-term science-based emissions reduction target and we've already made significant progress towards meeting those targets with the 2023 performance seeing a 24% decrease from the 2021 base year.

During the year our GHG intensity was 0.140tCO<sub>2</sub>e/t despite lower production volumes and we decreased our scope 1 emissions by more than the corresponding decrease in production. The majority of electricity supplied to our operations was from renewable sources at 91%.

The Group is committed to provide leadership in the construction products sector when it comes to climate change and we see the adoption of science-based climate change targets as key. We'll continue to engage and work with our suppliers to ensure that they take action to reduce carbon in the supply chain, but already c.32% of suppliers have a science-based climate change target.

## Chief Executive Officer's review continued

**Genuit Business System**

Embedding the lean transformation of the business and creating a culture of continuous operational improvement and excellence is at the heart of our value creation strategy. The Genuit Business System (GBS) will enable the Group to standardise processes, share best practices and achieve benefits of scale, and will be at the core of our journey to achieving our medium-term >20% operating margin target.

In 2022, we started our journey to implement these principles as we began to deploy the GBS at Adey as our first Lean Lighthouse. We have seen significant productivity improvements, financial savings and space savings from this first lean site transformation.

In 2023, we extended that Lean Lighthouse deployment across Polypipe Building Products, and we also commenced a further project in Horncastle that will accelerate in 2024.

The success of our Lean Lighthouse projects has energised our people and allowed us to continue the multi-year deployment of the Genuit Business System on a wider scale across the Group. In the first full year, over 10% of Genuit employees have now participated in lean Kaizen events or training – showing both the pace of deployment across the Group and how much more progress and benefit there is to realise. We are very pleased with the results of this so far and believe that it will help to empower and inspire our people. Enabling our people to unlock the full potential of our business is at the heart of what we are building.

**People and Culture**

Our people are the heart of our business and the key driver of our success, and as such our growth strategy is highly focused on making sure that they are empowered to drive progress. Accordingly, we have continued to invest in talent, engagement and culture throughout 2023.

Core to the creation of a positive culture has been the creation of our Genuit Leadership Team (GLT) in 2022, consisting of c.70 of the top leaders across the Group. This group was instrumental in defining our new purpose (Together, we create sustainable living) and forming our Trademark Behaviours that will underpin our culture – We work together, We take ownership and We find a better way. Since this team will be instrumental in modelling and strengthening our culture and executing our strategy, we have focused our diversity and leadership development efforts with them first. We are proud that GLT membership now consists of 29% female leaders, and all of the GLT will participate in a new Genuit Leadership Programme over the coming year.

We have also worked to strengthen the Group-wide talent pipeline in 2023 and are committed to providing accredited learning programmes through our graduate schemes and apprenticeships. Further, we have been able to develop an accredited programme to help our current workforce be better prepared for the future, learning basic manufacturing and lean tools. All these efforts have helped us increase the percentage of our workforce in such programmes to 8% – a significant improvement and a sign of the importance we place on career development. The year also saw us launch Workday – our new self-serve HR platform to make people management and development more effective, and in early 2024 we plan to undertake our first Group-wide employee engagement survey. Additionally, our use of the Workplace platform has resulted in stronger cross-Group communication with all our colleagues.

Lastly, Genuit Group became a strategic partner of the Construction Inclusion Coalition in 2023, extending our commitment to inclusion in this all-important industry.

**Summary: we are well-placed for 2024 and beyond**

Overall, this has been a year of significant strategic progress towards our medium-term targets. We have successfully created a more streamlined and effective business, leading to improved margins and a strong financial position that has given us the confidence to implement a progressive dividend policy. Across our strategic pillars we have made good progress, and the work that has been done to create a Group that can achieve growth and efficiencies, underpinned by sustainability and a strong culture, is evident.

The macroeconomic uncertainty that impacted the construction sector in 2023 is likely to continue into 2024, and the softness in volumes is therefore expected to continue across several markets. The strategic successes that we have achieved in 2023, however, mean that Genuit is in an excellent position to navigate the near-term market headwinds, and will be well-placed to benefit when the market normalises. I remain highly confident that we are moving in the right direction, and sustainability-driven tailwinds such as the need for increasing energy efficiency in heating and ventilation, stormwater solutions to address significant rainfall events and the need for lower carbon building materials will significantly benefit our businesses over the medium-term.

I would like to close by thanking all my colleagues at Genuit for their efforts in the year. Ever since I joined as CEO, I have been constantly impressed by their dedication, imagination, and hard work, and I look forward to continuing to work with them all to create sustainable living together.

**Joe Vorih**  
Chief Executive Officer  
12 March 2024

“Genuit is in an excellent position to navigate the near-term market headwinds, and will be well-placed to benefit when the market normalises.”

## Chief Executive Officer's review continued



## Q&amp;A

**Joe Vorih**  
Chief Executive Officer

### Q What do you see as your main priorities for 2024?

I'm proud of the work our team did in the face of challenging market conditions in 2023. We do have some work to do to finish the simplification projects we started during the next few months – projects that are on track to underpin £15m of annualised savings without any reduction in capacity. Beyond that, we are investing in growth – new product launches, focused solution and cross-selling projects, and geographic expansion. And, importantly, preparing for the 2025 Future Homes Standard. To make this possible, we will continue to invest in our people and our leaders.

### Q Can you explain the new purpose statement 'Together, we create sustainable living'?

Our Genuit Leadership Team – the top 70 or so leaders in our business – felt we needed a better purpose statement. A group of them developed this – with input from Genuit team members. 'Together' speaks to all of us as Genuit, the 'we' will work as a team and in partnership with our customers. And we are an innovation company that will 'create' new solutions aimed at improving how we live and work, while mitigating climate change and helping ensuring climate adaptation. Hence, 'sustainable living.' I can't begin to convey how well this has resonated with our people and prospective joiners!

### Q Does M&A play a role in each Business Unit?

Absolutely! We've been clear that our M&A priorities will be to add to our solution capabilities and accelerate organic growth. To that end, Climate Management Solutions and Water Management Solutions are the clear focus as we look to expand the complete solution for low-carbon heating and cooling of our homes and offices, create complete blue/green urbanisation solutions, and more effective stormwater management solutions. Ideally, new Genuit companies will bring technology, routes to market, and an expanded global presence – in addition to being great investments. Of course, we will remain open to solid deals that expand our market share in any of the three Business Units.

### Q How are you building Genuit Group's employer brand equity?

While you won't see Genuit as a product brand, I've said all along that we want to be a great place to work – truly an exemplar company with the best talent top to bottom. To do that, we have to invest in leadership – as we are with our newly-launched Genuit Leadership Programme. Inclusiveness matters, especially when it comes to creating career advancement opportunities for any of our associates who aspire to a great career here. And, living our Trademark Behaviours of 'We work together,' 'We take ownership,' and 'We find a better way.' There's no shortcut to creating a great culture – but there's also nothing more important!

### Q What is next in lean and the Genuit Business System?

Clearly, we have put lean thinking at the heart of our strategy by making the Genuit Business System a core pillar of our growth strategy. This may surprise some, but it's about relentless focus on creating customer value, and shifting waste into investment in our future. We are actively deploying GBS across most of our sites and are starting to see bottom line results that allow us to reinvest in future growth. Most importantly, lean is one of the best possible ways to drive engagement – empowering everyone one of our 3,100 plus team members to learn how to improve their work to benefit them and their customers. What could be better than that?





Business Units in action

## Climate Management Solutions

# Lower carbon heating and cooling

The Climate Management Solutions (CMS) Business Unit is focused on reducing the carbon impact of the way we heat and cool our homes and workplaces. The built environment accounts for approximately 40% of the UK's greenhouse gas (GHG) emissions, and in terms of operational carbon, heating and cooling are the largest contributors.

Our mission is to offer solutions which reduce that operational carbon impact, in residential settings, offices, schools and elsewhere. This includes making existing technologies operate more efficiently, such as the improvements that can be achieved by installing our Adey magnetite filters and water treatment products. These ranges can offer significant energy efficiency improvements, reducing carbon impact alongside providing monetary savings – which is increasingly significant in these times of high energy costs. Such solutions are also enabling people to switch over to renewable energy sources, such as ASHP, as by operating more efficiently they do not rely upon the high energy capability of gas boilers. These concepts are also true for our Nu-Heat underfloor heating offering. Underfloor heating (UFH) is a lower energy way to heat our spaces, which also makes it suitable for use alongside renewables such as ASHP; indeed in 2023, 20% of our business involved supplying customers with the heat pump as part of a tailored package designed specifically for their homes. We also help to make that transition easier by providing expert advice to customers around the various grant or subsidy mechanisms which may be available to them.

Where Adey and Nu-Heat operate in the context of hydronic or water-based solutions, our Nuaire and Domus businesses are focused upon providing the benefit of fresh healthy air, alongside low carbon ways of heating and cooling our homes and commercial spaces. Our Mechanical Ventilation and Heat Recovery (MVHR) ranges take warmed air from areas such as bathrooms, capture that heat, and transfer it via heat exchangers back into the buildings' hot water system. As our summers become hotter, even a temperate climate such as the UK's is becoming uncomfortable on summer days. Products such as our MRXBox can be supplied with a cooling module in addition to MVHR. This means that when required, the unit can temper incoming warm air, and cool it sufficiently to make the building comfortable. This is lower energy than re-circulating air conditioning and is also replenishing the property with fresh healthy air.

Within CMS, we are working hard to develop products, and provide innovations for these evolving challenges. In 2023, our Vitality Index was 28.1%, reflecting our high innovation rate, and the opportunities for new technology in this sector. Looking ahead, as well as introducing new products and technologies, we remain focused on offering product combinations and integrated solutions which represent real value to our customers who can benefit from seamless interfaces between different heating and cooling technologies.



Scan for more information on the combination of heating and cooling



## MRXBox – MVHR with Cooling

Nuaire's MRXBox Hybrid product combines year round provision of clean, healthy air, with the benefits of mechanical heat recovery, along with the ability to significantly reduce the temperature of fresh air entering the dwelling. This helps to maintain comfortable room temperatures even on the warmest of days in city centre apartments.

MRXBox Hybrid is helping to adapt to the consequences of climate change, whilst also improving energy efficiency and reducing the carbon impact of a heating system via MVHR.

Business Units in action

## Water Management Solutions

# Enabling adaptation and resilience

The year was a significant move forward in simplifying the Business Unit, and positioning us for future growth in line with our Sustainable Solutions for Growth strategy. Within Water Management Solutions (WMS), our colleagues are focused on upgrading the stormwater and waste water infrastructure to adapt to the increasingly challenging results of climate change. As the climate warms, the air is capable of holding more water, and this creates more frequent bouts of extreme rainfall – amounts of rain for which much of our ageing infrastructure was not designed. In parallel with this, the so-called concretisation of our urban areas is accelerating runoff rates, and so our green urbanisation strategy addresses these twin needs of providing stormwater resilience along with enhanced urban living spaces. Our technical and commercial teams are experts in modern drainage design, and add value to our customers by helping them to design solutions which bring together these aspects of functionality.

Alongside our objective of improving resilience to climate change, within WMS we also mitigate our own impact upon it. This Business Unit led Genuit's use of recyclate during 2023. The majority of our products use high proportions of recycled polymer, with some solutions, such as parts of our Permavoid range being made from 100% post-consumer waste. Some of this material is processed at our Horncastle site, where we take in consumer waste such as milk cartons and detergent bottles, and process them into plastic pellets to go into our production facility. The carbon impact of these solutions is significantly below that of concrete or other legacy material alternatives,

as well as helping us to play a significant role in developing a circular economy. We are also seeing that our customers increasingly value this philosophy, and recognise us as being in step with their own carbon reduction objectives. Carbon reduction is beginning to be recognised as having economic value in large-scale projects, where clients or local regulators have low carbon goals, and therefore in order to meet these goals, specifiers and decision makers face the choice of low carbon options, or having to pay some form of financial recognition of carbon content.

WMS has also undergone significant transformation in 2023, with consolidation of our manufacturing footprint without capacity reduction, and some redesign of our structures to allow greater cooperation across our commercial teams. As well as reducing our cost base, this is allowing greater collaboration between our teams, for example between those offering network solutions and those offering drainage, or providing a broader product portfolio through Keytec, our supply and install operation. These steps provide a strong platform for our continued growth. Our ability to offer product combinations, or a full service from design advice through to product supply and installation is an important way for us to represent greater value to our customers.



Scan to see how  
Polypipe C&GU  
engage with  
local schools



## Wash & Squash Community Engagement

Polypipe Civils & Green Urbanisation runs a recycling programme with a local school near to its manufacturing site in Horncastle. Children of the school take in their washed and squashed milk bottles which are then picked up by Polypipe to be recycled through its polymer processing plant and the plastic is reused in developing products to support major infrastructure projects across the country. As well as being the largest user of recyclate among our peers, we are committed to promoting the benefits of a circular economy.



Business Units in action

## Sustainable Building Solutions

Driving  
out carbon

The Sustainable Building Solutions (SBS) Business Unit provides its customers with a range of market-leading products and brands. Whether it is residential plumbing and drainage, prefabricated commercial soil stacks, or our range of GRS radiator pipe guides, all of these solutions are designed with efficient installation in mind. They are also part of our proposition to be the lowest carbon supplier of choice to our customers, be they a large housing developer, a commercial property owner, a large M&E contractor or a leading builders' merchant.

Our market-leading Polypipe and Terrain plumbing and drainage products have long been recognised as having performance advantages as well as lower embedded carbon than legacy materials such as copper or cast iron. However, we are increasingly differentiating our position versus other polymer-based brands due to our continued drive to reduce embedded carbon by increasing our use of recycled post-consumer waste, and seeking ways to reduce any unnecessary mass in our products. For example, the Terrain range of soil pipes now comprises up to 65% of recycled plastics, largely from recovered and re-processed PVC windows. This represents a carbon saving of c.44% compared to virgin polymer content. Genuit businesses are committed to helping customers make informed decisions, which can be difficult given the widespread use of vague terminology within the sustainability space. We are committed to the use of third party accredited Environmental Product Declarations (EPDs), so that decision-makers can make informed choices, and can utilise this data in their broader calculations of the carbon impact

within the building design. This is increasingly important not just as customers focus on their own carbon reductions, but also as they endeavour to meet the requirements of initiatives such as the London Plan, in terms of carbon content.

As well as being generally accepted as a lower carbon construction method, our value-added prefabricated solutions such as Polypipe Advantage also improve quality and consistency of manufacture, and go some way to addressing the skills shortage that exists within the UK construction sector. This is rightly recognised by the government and its targeting of 55% Pre-Manufactured Value (PMV) in its construction projects, where the amount of expenditure of offsite or prefabricated activity is expressed as a proportion of overall project value.

Consistent with this theme of installation efficiency, Polypipe Building Products launched the PolyPlumb Enhanced plastic plumbing range in 2023. This is the outcome of a multi-million pound investment, and includes patented technology around the InCert jointing system. By having detailed knowledge of our customers' challenges, we continue to innovate to build our market positions. Enhanced will continue the innovation story within Polypipe Building Products, and help to build on their existing Vitality Index of 24.8%.



Scan to see how  
Polypipe Building  
Services are adding  
value for their  
customers



### Polypipe Building Services: Value-Added Solutions

Due to the ongoing external issues of skill shortages and a desire to achieve process efficiencies by offsite manufacture, the Advantage proposition from Polypipe Building Services continues to gain traction and is now being supplemented by the Stax range of HDPE prefabricated sub-assemblies. Contractors spend a lot of time on site on repetitive tasks around cutting and jointing. Using data gathered from customers, Stax offers a range of the most commonly used configurations as prefabricated sub-assemblies, reducing time on site, and improving consistency of jointing.



# 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.

- 1 Growth
- 2 Sustainability
- 3 Genuit Business System
- 4 People and Culture

## Non-financial KPIs

### Recycling %

49.2%



Link to strategic objectives

1 2

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

#### Importance to Genuit

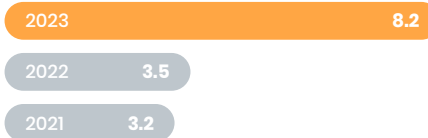
The Group has a commitment to achieving the highest standards of environmental performance, preventing pollution and minimising the impact of its operations including reducing waste to landfill.

#### Commentary

Our use of recycled material increased from 2022 to 49.2% of our total tonnage consumption. Further projects launched to continue the pathway to our 62% target.

### Developing our workforce %

8.2%



Link to strategic objectives

3 4

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 2023, we maintained Silver Membership status of The 5% Club. At end of 2023 we had over 250 employees in Earn and Learn programmes, which include a range of disciplines including; engineering apprenticeships, financial accounting qualifications, degrees in subjects such as facilities management and leadership.

### Accident frequency per 100,000 hours worked

4.71



Link to strategic objectives

3 4

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 health and safety performance 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

Incident rates have been decreasing year-on-year through increased engagement, which in 2023 gave more timely reporting of incidents and accidents, improving visibility of high-potential serious incidents and high-potential near misses occurring across the Group.

### Greenhouse gas emissions Intensity ratio

0.140tCO<sub>2</sub>e/t



Link to strategic objectives

1 2

The intensity ratio is defined as the total tonnes of scopes 1 & 2 CO<sub>2</sub>e 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.

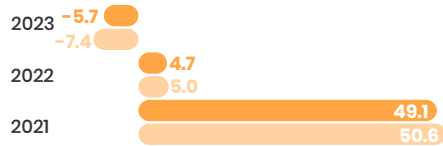
#### Commentary

Our scopes 1 & 2 carbon intensity has increased by 3.3% largely driven by a decrease in volume, but we are on track towards our goal of a 66% reduction since the 2019 baseline data was established through reductions in transport emissions and increasing our renewable energy purchases. To date we have achieved a cumulative intensity reduction of 48.6%.

Financial KPIs

Sales growth %

-5.7%



Link to strategic objectives

- 1
- 2
- 3
- 4

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

- Group
- UK

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 decreased 5.7%. UK revenue decreased by 7.4% partly offset with geographic expansion in Europe and the Rest of World.

Underlying operating margin %

16.0%



Link to strategic objectives

- 1
- 3

Underlying operating profit as a percentage of revenue.

Importance to Genuit

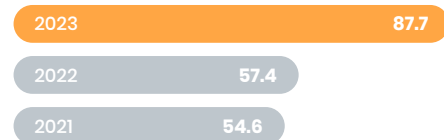
Indicates that we are investing in the right initiatives and operating efficiently, by driving out non-value-added costs and delivering productivity gains.

Commentary

Underlying operating margin percent improved by 20bps versus 2022, due to improved product mix, demonstrating continued progress towards the Group's medium-term target of >20%.

Underlying cash conversion %

87.7%



Link to strategic objectives

- 1
- 3

Underlying operating cashflow (after payments for capital expenditure excluding non-underlying proceeds of sale and lease liabilities) divided by 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 3030 basis points primarily through a positive working capital movement in the year which was achieved through lower levels of inventory.

Underlying diluted EPS pence per share

25.1p



Link to strategic objectives

- 1
- 3

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 EPS decreased by 17.7% in 2023 predominantly the result of increased interest and tax costs, driven by external factors.

Return on capital employed %

11.9%



Link to strategic objectives

- 1
- 3

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 net assets excluding loans and borrowings, cash and cash equivalents, assets held-for-sale and taxation. Further information is detailed on page 200.

Importance to Genuit

A key indicator of the efficient deployment of capital focusing on the right initiatives, and of the Group's overall business performance.

Commentary

Return on capital employed marginally declined in 2023 due to 4.2% decrease in underlying operating profit.

# Business model

## Our purpose Together, we create sustainable living

### 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.

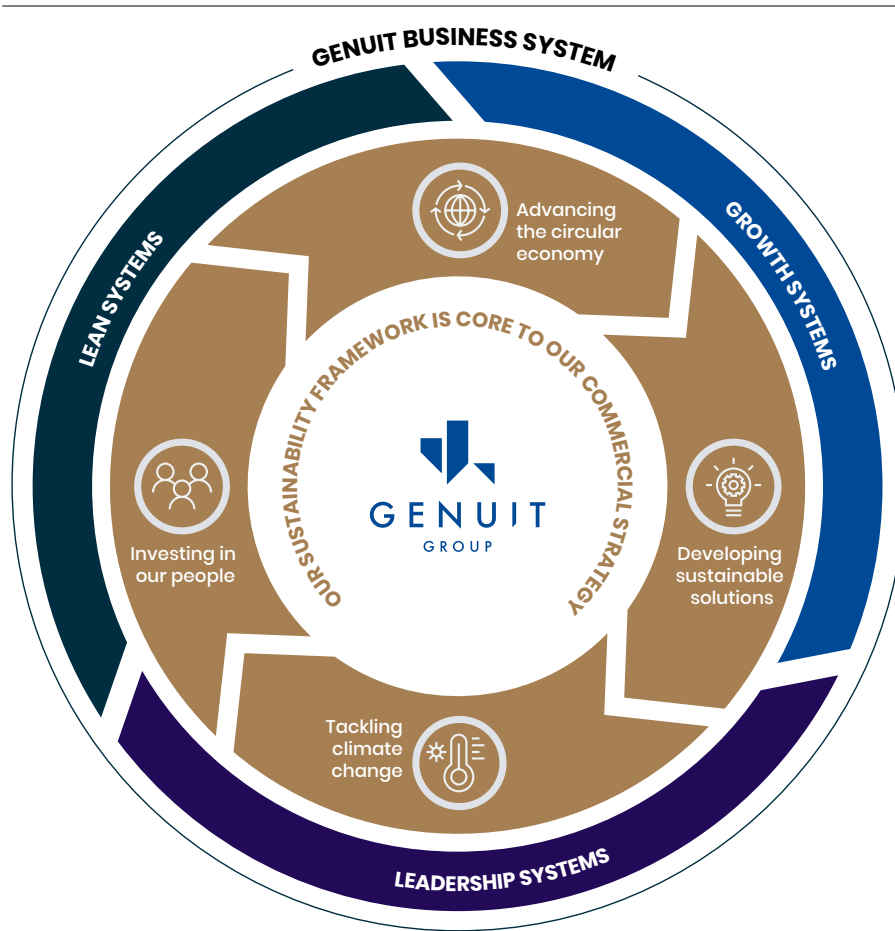
#### Strong leadership

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



### Competitive advantages

- Trust
- Value
- Capability
- Sustainability
- Range
- Support
- Competence

### Creating stakeholder value

#### 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 an opportunity 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.

#### 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



## Strategy framework

# Sustainable Solutions for Growth

**Our Sustainable Solutions for Growth strategy provides a clear pathway for the Group to create value and deliver against its purpose.** Our strategy is built upon four themes which are heavily interdependent, and ensure that everything we do is aligned around our common purpose of creating sustainable living. This strategy was outlined at our Capital Markets Day in 2022, and we provided details of progress at our Strategy Progress Update in November 2023.



## Growth

We aim to outperform the wider construction market by 2-4% through the cycle. Our served UK market is valued at c.£3bn, and within that we are focused upon segments which offer greater than average growth rates. Our growth strategy is firmly based upon improving the sustainability of the built environment. In doing so, we benefit from tailwinds supporting above-market growth. This involves focusing on application areas such as flood resilience, low carbon heating, and sustainably cooling our homes as well as more broadly ensuring we are the lowest carbon supplier of choice for our customers.

→ Pages 20–21 contain more information on our approach to Growth



## Sustainability

Sustainability within Genuit means more than simply being a responsible business. Because we are focused upon being the lowest carbon supplier of choice for our customers, it is a key element of our growth strategy. Our use of clean energy, our leadership in using recycled materials and our engagement in decarbonising our own supply chain all contribute to a sustainable value proposition for our customers, employees and other stakeholders.

→ Pages 22–40 contain more information on our approach to Sustainability



## Genuit Business System

Built upon the principles of lean thinking, the Genuit Business System is our way of extracting value from being part of a group. Sharing best practice, and deploying standard processes and tools, are ways to ensure we benefit from our scale, drive efficiencies which mean we can unlock synergies from our existing portfolio as well as future acquisitions, in a timely manner.

→ Pages 41–42 contain more information on our Genuit Business System



## People and Culture

Attracting and retaining the best talent and unlocking the capability of our people, is key to delivering upon our strategic aims. Whilst we recognise the different identities that exist within our businesses, we believe that our purpose and strategy are best achieved through an engaged workforce sharing a common culture, committed to collaboration. Working together across businesses is a key enabler of our strategy, whether that means bringing solutions together for customers, or in the sharing of process improvements as part of the Genuit Business System.

→ Pages 43–46 contain more information on our People and Culture

## Strategy



# Growth

We are focused on creating a sustainable built environment. By being the lowest carbon supplier of choice for our customers, and serving those segments linked to the challenges of climate change, we aim to outperform the broader construction market by between 2-4% through the cycle.

The built environment contributes c.40% of greenhouse gas (GHG) emissions. It is therefore imperative that this impact is reduced in order to meet the societal demands for climate change mitigation. This means that we need to construct buildings using lower embedded carbon solutions, and that we operate those buildings using lower carbon technologies and in an increasingly efficient way. These issues are of course underpinned by regulatory drivers, most notably those which form part of the Future Homes Standard 2025, and particularly Part L and Part F of the Building Regulations.

Genuit addresses these growth drivers in two key aspects. Firstly, primarily through our CMS Business Unit, we are focused on supplying solutions to the need for lower carbon heating and cooling. Underfloor heating is significantly more energy efficient, and is consistent with the use of renewable and sustainable energy platforms such as air source heat pumps. Our Adey brand leads the UK in supplying magnetic filters and treatment products that improve the efficiency of new and replacement water-based heating systems, with energy reduction on average around 7%.



## Growth continued

Nuair supplies a range of domestic and commercial ventilation products which recover the heat from areas such as showers and bathrooms, and via Mechanical Vent and Heat Recovery (MVHR), reusing heat that would otherwise be wasted. The enactment of the Future Homes Standard, and achievement of its objective to reduce the carbon impact of new homes will see a significant increase on the relevance of these technologies in new housing.

Secondly, in addition to the adoption of new technologies around heating and cooling, we need to reduce the embedded carbon within the building. Genuit is on a clear pathway to reduce the carbon impact of its products, and we offer our customers a variety of solutions to assist them in decarbonising the homes and workplaces which they build. Being the lowest carbon supplier of choice is a key growth opportunity, particularly given the number of developers, contractors and major merchant groups who themselves have made scope 3 carbon reduction commitments, or who are seeking to comply with the carbon reduction targets of initiatives such as the London Plan.



The Adey range of filters remove sludge from water based heating systems, improving performance and reducing energy consumption

Growth through addressing the issues surrounding decarbonising construction is one important pillar of our strategy. The other is to address the fact that climate change is with us, and its impacts are already felt. The built environment needs to be resilient to these impacts, and Genuit is focused upon various elements within this adaptation challenge.

Our summers continue to be warmer, with 2023 now officially the warmest year on record. With this increase in temperatures, cooling our homes and workspaces is becoming increasingly important. This needs to be done in a low carbon, sustainable manner, and so technologies such as MRXBox from Nuair which can combine MVHR with cooling capability, provide a source of low carbon heating as well as the ability to cool a building using clean fresh air.

This rise in temperatures is also continuing to generate more frequent and more severe rainfall events. This is placing increasing stress upon our drainage and stormwater infrastructure. The range of solutions within WMS, is designed to accommodate these increasing volumes of water, as well as providing ways of storing that water which protect the existing infrastructure and indeed use it to assist in providing more green spaces and a higher-value urban environment. Our WMS Business Unit is also our largest user of low carbon recycled polymers, and so it offers the added benefit of providing these solutions with an extremely low embedded carbon content compared to alternative materials.

Genuit has a clear purpose that 'Together, we create sustainable living'. The pursuit of this purpose provides a clear growth trajectory for the Group. We have a portfolio of businesses and brands with leadership positions in segments that benefit from these growth tailwinds, and colleagues with extensive experience and technical capability in these segments to ensure we are innovating to address the opportunities that these challenges create.



### Case Study

## Nu-Deck

Nu-Deck is the perfect solution for installing an underfloor heating system into a repair or improvement project, where there is an existing joisted wooden floor.

The integral boarding provides complete structural integrity making the installation process faster and less disruptive for the homeowner. The foil base layer is designed for optimum thermal performance, ensuring maximum heat transfer upward into the living space. In renovation projects there is often a wariness around joints in the piping system being unprotected beneath the floor; Nu-Heat supply a range of lengths of pipework such that installations can be made without the need for joints under the floorboards and the only joints being readily accessible above ground around the manifold. This combines with Nu-Heats promise of lifetime technical support to ensure peace of mind for both the installer and the homeowner.

Our upfront technical support and bespoke design service also ensures the system is tailor-made for the specific thermal requirements of the property. This also allows us to achieve the high levels of efficiency enabling the use of renewables such as ASHP.



Scan to see  
a customer  
testimonial of  
Nu-Deck in a  
renovation project



## Strategy



# Sustainability

Genuit has sustainability at its core.

For us, sustainability is not an after-thought, or something that comes after everything else has been taken into account.

Our strategy to grow the business focuses on addressing issues largely related to climate change, and making the built environment more resilient.

Whether that means catering for ever more frequent extreme rainfall, or leading the transition to lower carbon heating and cooling, we are focused on addressing climate change and its consequences. We want to grow by being the lowest carbon supplier of choice for our customers. Therefore driving carbon from our business and the supply chain is not only the right thing to do from a societal perspective, but it is also commercially fundamental to us.

As part of this process we have committed to reduce our scopes 1 & 2 greenhouse gas (GHG) emissions by 30% by 2027, compared to where we were in 2021. This goes beyond the already significant reductions achieved; in fact between 2019 and 2021 we made reductions approaching 50%.

Our scope 3 GHG emissions are dominated by the goods and services we purchase. For a manufacturing group this is usually the largest proportion of GHG inventory. In this area we recognise the key role that our supply chain plays, and therefore we have set a target to

engage with our suppliers so that they reduce their carbon impact, which in turn supports the Group strategy. By 2027, we will ensure that the suppliers who account for 83% of our purchased goods and services emissions, will have science-based carbon reduction targets in place.

Going further, and recognising the need to reduce carbon across the whole supply chain, the Group has also committed to reducing absolute scope 3 GHG emissions by 13% for our purchased goods and services by 2027.

We are also aware of what we can do ourselves. The transition to recycling and other low carbon material choices will continue to play a key role for us. Using recycled polymers has significantly less carbon impact than virgin polymers, and our target of 62% of our materials being from recycled inputs by 2025 remains an important milestone for us in our journey to net-zero. The use of recycled materials is key to increase and enhance the circular economy benefits that come with using materials that can be recycled, repeatedly, through the manufacturing process.

On page 23, we show our progress against our sustainability framework and climate targets.





## Sustainability continued

## Our sustainability framework

	Advancing the circular economy	Developing sustainable solutions	Tackling climate change	Investing in an engaged and diverse workforce
	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
<b>Our 2025 targets</b>	<b>62%</b> 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	<b>25%</b> of our revenue coming from products launched within the preceding five years	<b>66%</b> Reduction of CO <sub>2</sub> e emissions intensity from a 2019 base year (scopes 1 & 2)	<b>5%</b> of colleagues to be in accredited Earn and Learn programmes
<b>Our progress</b>	Our use of recycled content increased from 48.7% to 49.2% from 2022 to 2023  Our Sustainable Materials Working Group and Business Units continued to increase the recycled content of our products and pursue opportunities to switch from virgin to recycled raw materials where specifications allow	We continued to develop and launch new products during the year and achieved an overall Vitality Index of 21.5%  We also continued to innovate our product lines, crucially where these support customer desires, recycled content and lower-embedded carbon	Our scopes 1 & 2 GHG intensity increased during 2023 affected by lower production volumes. As a result of lower production volumes a reduction in absolute emissions was achieved. The Group has achieved a cumulative intensity reduction of 48.6% since the 2019 baseline data was established. We continue to focus on efficiency programmes in our manufacturing processes, being driven by the rollout of GBS. We'll continue to drive out carbon in transport activities with bio-fuels where we plan further adoption in 2024/2025	At the end of the year we had over 250 employees in Earn and Learn programmes, which across a range of disciplines including; engineering apprenticeships, financial accounting qualifications, degrees in subjects such as facilities management and leadership.  As part of our GBS strategic pillar, we are investing in developing our people at all levels of the business in understanding Lean concepts and how to deploy them to support business improvement. This learning is accredited through further education colleges, and is being recognised as part of our participation in The 5% Club
	Recycled materials: <b>49.2%</b>	Vitality Index: <b>21.5%</b>	Carbon reduction (intensity): Cumulative reduction of <b>48.6%</b>	People: Percentage in Earn and Learn <b>8.2%</b>

## Our Climate Targets

	Reduction of CO <sub>2</sub> e emissions intensity by 66% from a 2019 base year (scopes 1 & 2)	Reduction in absolute scopes 1 & 2 GHG emissions 30% by 2027 from a 2021 base year	Increase annual sourcing of renewable electricity from 94% in 2021 to 100% by 2027 through 2030	83% of suppliers by emissions covering purchased goods and services will have science-based targets by 2027	Reduction in absolute scope 3 GHG emissions by 13% for our purchased goods and services by 2027 from a 2021 base year
		SBTi near-term target	SBTi near-term target	SBTi near-term target	
<b>Our progress</b>	<b>48.6%</b>	<b>24%</b>	<b>91%</b>	<b>32%</b>	<b>26.7%</b>

Sustainability continued

**Climate change targets**

The Group has set ambitious near-term greenhouse gas reduction targets and made long-term reduction commitments to achieve net-zero reductions in line with the latest thinking on climate science. During 2023 the Science-Based Target initiative (SBTi) approved the Group’s near-term science-based emissions reduction target.

Genuit Group’s climate-related targets include commitment to:

- Reduce absolute scopes 1 & 2 GHG emissions 30% by 2027 from a 2021 base year (SBTi Target)
- Reduction of CO<sub>2</sub>e emissions intensity by 66% from a 2019 base year (scopes 1 & 2)
- Increase annual sourcing of renewable electricity from 94% in 2021 to 100% by 2027 through 2030 (SBTi Target)
- 83% of our suppliers by emissions covering purchased goods and services will have science-based targets by 2027 (SBTi Target)
- Reduction in absolute scope 3 GHG emissions by 13% for our purchased goods and services by 2027 from a 2021 base year

Going beyond the SBTi near-term targets and recognising the need to reduce carbon across the whole supply chain, Group has also committed to reduce absolute scope 3 GHG emissions by 13% for our purchased goods and services by 2027.

The Group already had an established climate target prior to having an SBTi for 2025 of reducing the CO<sub>2</sub>e intensity. This target is aligned and complementary to our science-based target and will remain part of the near-term target setting. We will continue to showcase progress towards the 2025 target to maintain consistency with previous reporting, supplemented by reporting against our full set of climate targets. As you can see from the table on page 23, our 2023 results show further progress against all our targets. This means that on a like-for-like basis, we have now removed nearly 50% of scopes 1 & 2 GHG emissions from the business since the target was put in place in 2020. We continue to source the majority of our electricity from renewable sources.

During 2023 we continued to switch our company car fleet scheme around PHEV/EV choices, and since the scheme was activated, 60% of our eligible colleagues have selected these vehicles.

We also continued to use biodiesel for in our transport fleet, where we’ll take the lessons learned and continue the transition to switch to non-fossil diesel across our transport fleet during 2024.

Case Study

**LSE Green Economy Mark**

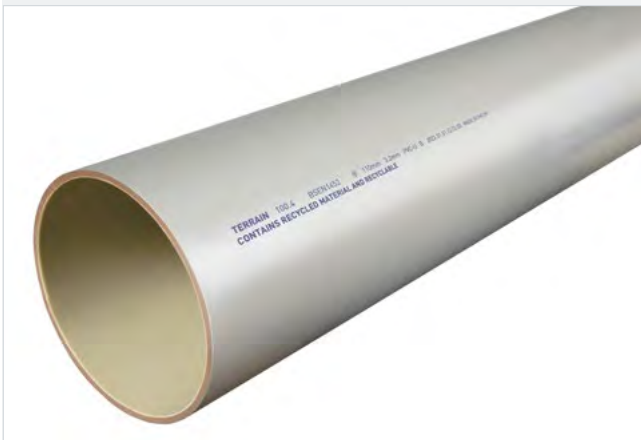


The sustainability of our products and services and their positive impact on the environment is a core aspect of our Sustainable Solutions for Growth strategy. The Group manufactures products that both mitigate and provide adaptation solutions to tackle

climate change for example our range of stormwater management solutions can help mitigate the impacts of flooding from increased frequency and severity of storm events. Our heating and ventilation solutions help customers reduce their own GHG emissions by enabling low-carbon solutions to be used and in the case of Adey’s magnetic filters provide a means to reduce energy consumption and CO<sub>2</sub>e emissions.

The Group continues to be recognised by the London Stock Exchange for generating more than 50% of revenues from these green products and services through the Green Economy Mark.

The Green Economy Mark is provided by the London Stock Exchange and draws upon FTSE Russell’s Green Revenues Classification System, which identifies companies providing green products and services which achieve environmental objectives.



On scopes 1 & 2 we target absolute reduction as well as intensity based reductions, and as detailed on this page, we’ve set a comprehensive range of targets to reduce our scope 3 emissions.

**30%**

Reduction in scopes 1 & 2 by 2027

**13%**

Reduction in scope 3: category 1 purchased goods and services 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 & 3 GHG emissions by 2050 from a 2021 base year. In addition to our science-based targets, during 2023 we have developed a Pathway to Net-Zero plan, showcased on page 29.

As described above, reducing carbon from our supply chain is an important initiative for the Group, given that 80% of our total 2023 carbon emissions fell within purchased goods and services.

During 2023 the Group has pursued the use of recycled materials. 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 49.2%. We continue to see mechanical recycling as the key medium-term method for reducing the carbon impact of our products. We have a clear plan and 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 and economically viable solutions at that point in time.

## Sustainability continued

By offering polymer alternatives to legacy materials such as concrete or copper, we are able to offer more sustainable products than those legacy alternatives. 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.

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. We continue to roll out the adoption of verified Environmental Product Declarations (EPDs) which allow quantitative carbon impact comparison at the product or product family level.

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 2023 shows a Vitality Index of 21.5%, which represents a slight decrease versus the prior year result of 24.7%.

Vitality Index  
**21.5%**

## Circular Economy

The Group recognises the need to move towards a more circular use of raw materials and the re-use of so called 'waste materials'. We see a future where less is discarded without being re-used or recycled, and new products are increasingly made with recycled materials that have already fulfilled a useful role in the economy and society, rather than virgin materials.

In moving to a circular economy that operates in a circular and not linear fashion, we'll see a reduction in the use of virgin materials and as a consequence society will benefit from:

- reduction in waste destined for disposal and reduction of materials lost into the environment; and
- reduction in carbon impact (CO<sub>2</sub>e emissions), as the majority of embedded carbon in products is associated with the first use of virgin raw materials such as plastic, cement, steel and aluminium.

We have adopted circular economy thinking by prioritising the use of recycled polymers in our manufacturing sites and setting targets to maximise their use. As a secondary consequence, these recycled polymers are commonly lower embedded carbon materials. Therefore, as we increase our use of recycled polymers to support a transition to a circular economy, we also benefit by decarbonising our supply chain and realising a reduction in our scope 3 GHG emissions.

As part of our Sustainable Solutions for Growth strategy, a workstream focused on increasing the circularity of materials in the sectors in which we operate. This Sustainable Materials workstream is working to shift products being manufactured from virgin polymers and materials to recycled materials wherever possible and without detriment to the products quality or functionality. We are also looking at emerging opportunities such as bio-polymers in the medium term.

We understand both the need for a rapid transition to a low carbon economy and the need to promote circular economy thinking and how these offer opportunities and challenges for our business activities.



Our sustainability strategy is dominated by recycled material and climate change; the Group wants to be the 'lowest carbon supplier of choice' to our customers, meaning continuing our focus and reduction activities on operational and supply chain carbon emissions. We also understand the need to promote and drive behaviour that prevents the loss of plastic materials into the environment through the entire life cycle and as such are a signatory to Operation Clean Sweep; an international initiative from the plastics industry to reduce loss of plastic pellet, flake or powder into the environment. Providing a route for end-of-waste plastic to be consumed within the manufacture of new plastic products provides an economic base to help prevent waste plastics being discarded into the environment.

As can be seen on page 23, our use of recycled materials has increased from 2022 and we now have more than 49.2% of all raw materials supplied from the secondary products market, significantly adding to the UK capability to recycle used plastics and avoid the use of virgin materials.

## Sustainability continued

**The environment and greenhouse gas emissions**

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

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. Based on the type and nature of our production processes, energy and carbon emissions are some of our largest environmental impacts.

The following tables detail the energy consumption and greenhouse gas (GHG) emissions from the activities of the Group during the period 1 January 2023 to 31 December 2023. Our GHG, reportable under Streamlined Energy and Carbon Reporting (SECR) during the period specified above, was 17,426 tonnes CO<sub>2</sub>e. This figure has been derived using the UK Government's most recent GHG Conversion Factors for Company Reporting (2023) and other appropriate emission factors for non-UK electricity. This is in line with standard industry practice and allows fair comparison with other UK businesses. The scope 3 emissions presented in Table 1 include transmission and distribution losses and business travel in private vehicles (grey fleet) emissions, in line with previous submissions. A full scope 3 inventory is presented in Table 5. The intensity figure presented in Table 2 is inclusive of those aforementioned scope 3 entries; our 2025 KPI target and performance indicator includes all scopes 1 & 2.

The Group's absolute scopes 1 & 2 GHG emissions were 12% lower than in the 2022 reporting period, and although influenced by lower production volumes we also saw improvements in our emissions, independent of those production volume reductions. This resulted in the Group achieving an emissions intensity of 0.140 tonnes CO<sub>2</sub>e per tonne of product during 2023, a strong performance despite lower production output.

**Energy efficiency initiatives**

SECR legislation requires us to provide information in our Directors' Report on the energy efficiency initiatives carried out during the financial year. A number of our production sites operate an energy management system certified to the international standard ISO50001 and we have production sites included in the UK government Climate Change Agreement (CCA) scheme. During 2023 the business prepared for UK's Energy Savings Opportunity Scheme (ESOS) Phase 3 compliance deadline with site based energy audits and identification of energy saving projects. These, along with CCA audits and continuous improvement required by ISO50001, have given the sites and the Group a wide range of energy reduction programmes to take forward in the short-term.

Our focus on reducing scopes 1 & 2 emissions, measured either by absolute emissions or emissions intensity is providing the drive to reduce our use of energy.

**Table 1 Group GHG emissions (tonnes CO<sub>2</sub>e) by source and reporting period for SECR reporting**

	2022	2023	Change	Percentage Share
Source				
– fuel combustion (stationary)	4,821	<b>4,200</b>	<b>-12.9%</b>	<b>24.1%</b>
– fuel combustion (mobile)	11,514	<b>9,815</b>	<b>-14.8%</b>	<b>56.3%</b>
– fugitive emissions (F-gas)	536	<b>39</b>	<b>-92.8%</b>	<b>0.2%</b>
– purchased electricity*	2,841	<b>3,372</b>	<b>18.7%</b>	<b>19.4%</b>
Total emissions (tCO <sub>2</sub> e)	19,712	<b>17,426</b>	<b>-11.6%</b>	<b>100%</b>
Output (tonnes of production)	134,022	<b>113,873</b>	<b>-15.0%</b>	
Intensity (tCO <sub>2</sub> e) per tonne of production	0.147	<b>0.153</b>	<b>4.1%</b>	

\* The 2023 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 GHG 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 2023 emissions from electricity were 17,426 tCO<sub>2</sub>e (including transmission and distribution losses), giving total emissions of 30,342 tCO<sub>2</sub>e and an intensity of 0.266 tCO<sub>2</sub>e per tonne of production – an 5.3% increase on 2022. The remaining electricity emissions figure above of 3,372 tCO<sub>2</sub>e is from electricity not covered by our zero-carbon tariff, and from transmission and distribution losses. For the production of the 2023 energy and greenhouse gas data the Group used updated emissions factors including country specific grid intensity factors leading to an increase in reported emissions for electricity in 2023. Table 3 shows the year-on-year reduction in total electricity consumed.



## Sustainability continued

UK legislation requires the public reporting of scopes 1 & 2 emissions, with scope 3 emissions for quoted companies being optional. Tables 1 and 2 presents limited scope 3 emissions resulting from transmission and distribution, associated with losses during the use of grid electricity, as well as the grey fleet. In order to maintain a comparison with previous years reporting this limited scope 3 inventory is presented in Table 2. Full reporting of scope 3 emissions is shown in Table 5.

**Table 2 Group GHG emissions (tonnes CO<sub>2</sub>e) by scope and reporting period for SECR reporting**

Emissions Scope	2022	2023	Change
Scope 1	16,839	<b>13,893</b>	<b>-17.5%</b>
Scope 2	1,412	<b>2,093</b>	<b>48.2%</b>
Scope 3: category 3 and grey fleet	1,461	<b>1,440</b>	<b>-1.4%</b>
<b>Total emissions (tCO<sub>2</sub>e)</b>	<b>19,712</b>	<b>17,426</b>	<b>-11.6%</b>

When the SECR related emissions are split by type as shown in Table 1 it is fuel combustion in transportation and combustion of fossil fuels at the sites that make up the largest portion of the portfolio at 80%.



The table below shows the total energy consumption for the Group and the split in energy source/fuel type. We can see a general reduction in energy consumption in both electricity and transport fuel, when compared to 2022. The 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**

	2022	2023	Change	Percentage Share
Energy Source (MWh)				
Electricity	80,812	<b>69,986</b>	<b>-13.4%</b>	<b>49.8%</b>
Transport Fuel	45,482	<b>41,391</b>	<b>-9.0%</b>	<b>29.5%</b>
Other Fuel	26,409	<b>29,017</b>	<b>9.9%</b>	<b>20.7%</b>
<b>Total</b>	<b>152,703</b>	<b>140,394</b>	<b>-8.2%</b>	<b>100%</b>

### UK and Global Consumption

A requirement of SECR reporting for applicable companies is that they provide a split of their scopes 1, 2 & 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**

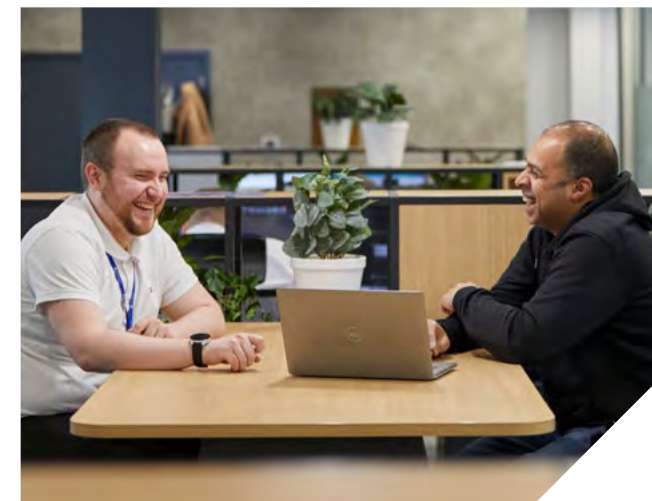
Territory	Scope	tCO <sub>2</sub> e	MWh
UK	1	13,856	63,082
Global		37	624
UK	2	1,679	68,575
Global		414	1,412
UK	3	1,413	6,610
Global		27	91
<b>Total</b>		<b>17,426</b>	<b>140,394</b>

### Genuit Group GHG inventory for 2023

In Table 5 we present the full scopes 1, 2 & 3 greenhouse gas inventory for the Group.

As highlighted earlier in this Report, our greenhouse gas intensity value remained the same from 2022 to 2023. This was in spite of lower production volumes which would be expected to drive an increase in intensity. In producing the 2023 energy and GHG data, we used updated emissions factors (including country specific grid intensity factors) leading to an increase in reported emissions for electricity in 2023. Despite these two headwinds factors, 2023 showed an increase in performance. Furthermore, we can see that a reduction in absolute emissions was achieved during the year. For scope 3 data reporting we have continued to refine the methodology, improve the primary data collection and reduce carbon through our Sustainable Materials Working Group and the switch from virgin materials to recycled content. These, combined with the reduction in production volumes, has contributed to the decrease in scope 3; category 1 emissions.

We continue to focus on efficiency programmes in our manufacturing processes being driven by the rollout of the Genuit Business System and GHG and energy efficiency programs, and we continue to drive out carbon in transport activities with bio-fuels where we plan further adoption in 2024/2025.



## Sustainability continued

Table 5 below shows the GHG Inventory including our science-based targets and performance against those targets

Reporting item	Base year value FY2021 (tCO <sub>2</sub> e)	Base year emissions covered by targets (tCO <sub>2</sub> e) (%)	FY2022 reporting value	FY2023 reporting value
Scope 1 (tCO <sub>2</sub> e)	19,547	19,547 (100%)	16,839	<b>13,893</b>
Scope 2 (market-based) (tCO <sub>2</sub> e)	1,487	1,487 (100%)	1,412	<b>2,093</b>
<b>Total scopes 1 &amp; 2 (market-based) (tCO<sub>2</sub>e) (ABSI)</b>	<b>21,034</b>	<b>21,034 (100%)</b>	<b>18,251</b>	<b>15,986</b>
Electricity				
<b>Total electricity use (MWh)</b>	<b>81,102</b>	<b>81,102 (100%)</b>	<b>80,812</b>	<b>69,986</b>
Electricity procurement from renewable sources (MWh)	76,236		73,512	<b>63,460</b>
% of electricity from renewable sources (O1)	94%		91%	<b>91%</b>
Scope 3 (tCO <sub>2</sub> e)				
Category 1: Purchased goods and services	335,282	335,282 (100%)	372,279	<b>245,734</b>
Category 2: Capital Goods	17,803		17,204	<b>15,685</b>
Category 3: Fuel- and Energy-Related Activities	10,879		13,743	<b>11,673</b>
Category 4: Upstream transportation and distribution	9,204		1,206	<b>1,024</b>
Category 5: Waste Generated in Operations	1,052		1,248	<b>1,060</b>
Category 6: Business Travel	636		490	<b>416</b>
Category 7: Employee Commuting	6,932		8,199	<b>6,964</b>
Category 8: Upstream leased assets	N/A		N/A	<b>N/A</b>
Category 9: Downstream Transportation and Distribution	6,002		896	<b>761</b>
Category 10: Processing of sold products	N/A		N/A	<b>N/A</b>
Category 11: Use of Sold Products	4,464		4,321	<b>3,670</b>
Category 12: End-of-Life Treatment of Sold Products	3,054		3,561	<b>3,024</b>
Category 13: Downstream leased assets	N/A		N/A	<b>N/A</b>
Category 14: Franchises	N/A		N/A	<b>N/A</b>
Category 15: Investments	N/A		N/A	<b>N/A</b>
Suppliers of purchased goods and services with science-based targets (% coverage of scope 3: cat. 1) (O2)	0%		20%	<b>32%</b>

## Notes:

- Genuit Group performed full inventory of its scopes 1 & 2 emissions on an annual basis. Scope 3 full inventories took place in 2021 and 2022. During 2023 scope 3 category 1 and 2 was fully re-assessed with other categories being estimated based on changes to activity at a site level
- 90% of the data is calculated using actual data, with 10% being estimated based on pro-rated actual data as described in note a
- Following a materiality assessment categories 8, 10, 13, 14 and 15 were not deemed relevant to the nature of the business and marked as N/A
- Data is prepared following the GHG Protocol methodologies with the following notes and alternative methodologies for scope 3 categories (<https://ghgprotocol.org/sites/default/files/2022-12/AppendixD.pdf>)
- Category 1 for the Nuair business is undertaken using the methodology defined in the standard 'Embodied carbon in building services: a calculation methodology CIBSE TM65: 2021'
- Category 11 was assessed based on power consumption over a 12 month period. This is a deviation from the GHG Protocol as the in use periods are not always known and depend on actual customer behaviour. Genuit Group continues to review and refine the methodology for category 11 assessment which may lead to changes in the reported value in future years

**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, both production and office locations. 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 or other appropriate agency. There are no material omissions from the mandatory reporting scope. The reporting period is 1 January 2023 to 31 December 2023.

The reporting of scope 3 emissions is in line with the GHG protocol. Based on this work scope 3 accounts for 95% of all emissions and amounts to 290,013 tCO<sub>2</sub>e. This proportion is consistent with other businesses who rely on raw material suppliers to support manufacturing processes. Looking closely at the scope 3 inventory we can see that category 1 has decreased from 2022 to 2023, largely driven by a reduction in volumes and by improvements in the data calculation methodologies. We've also seen how emission factors can have an impact, with year-on-year variance impacting on the GHG inventories especially for scope 3; category 1.

Having consistent and accurate emission factors for the supply chain is crucially important and we continue to work with the supply chain and supply partners to improve the accuracy of emissions factors that our inventories rely upon.

Sustainability continued

# Pathway to Net-Zero

## 1 Leading the pack

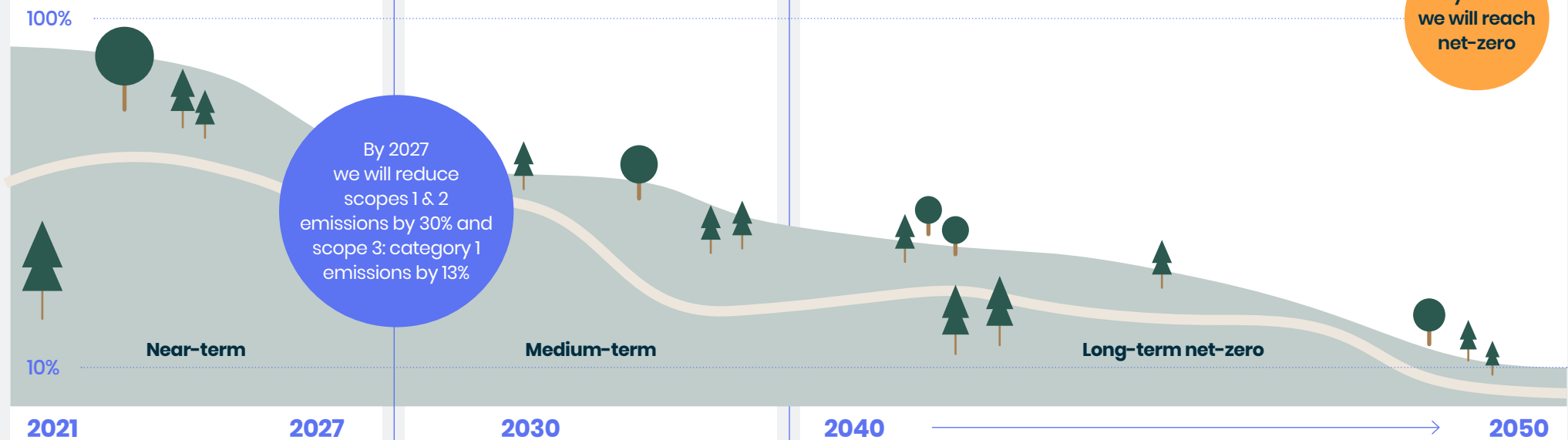
- Aligning ambition to climate science through setting of science-based targets
- Decarbonising our own site operations
- Reducing emissions from transport with PHEVs and bio-fuels
- Increasing recycled content
- 30% reduction in absolute scopes 1 & 2 GHG emissions by 2027

## 2 Scaling up and driving down emissions

- Driving down scope 1 emissions from production activities
- Fully decarbonising transport emissions
- Adoption of innovative raw materials when available
- Decarbonisation of value chain through supply chain science-based target commitments

## 3 Delivering net-zero

- Deeper decarbonisation of Genuit Group operations
- Advanced circular economy activities
- 90% reduction in scopes 1, 2 & 3 emissions by 2050



# Pathway to Net-Zero

**We have committed to setting long-term Group-wide emission reductions in line with net-zero with the Science-Based Target initiative (SBTi). We have responded to the SBTi's urgent call for corporate climate action by committing to align with 1.5°C and net-zero through the Business Ambition for 1.5°C campaign.**

**In December 2023 we submitted to SBTi for validation our long-term reduction plan for a 90% reduction in scopes 1, 2 & 3 emissions by 2050.**

Goods purchased for the manufacture of products dominate our greenhouse gas inventory (scopes 1, 2 & 3) emissions. In the medium and long-term reducing this aspect will be key to achieving net-zero by 2050. The embedded carbon in these purchased raw materials derives from the primary products of the polymers and metals. With circular economy thinking and industry recognised practices, once materials go through their first use and come back in to the raw material supply chain the primary production and embedded carbon is no longer associated with the material; to avoid double counting. Therefore recycled materials or materials made from recycled content offer the most obvious low-carbon solutions in the short to medium-term, hence our position as one of the leading consumers of recycled polymers. You can read more about circular economy on page 25.

In the short and medium-term the switch from virgin materials to recycled is clear. In the longer-term, low-carbon primary materials are likely to become available as the primary materials supply chain decarbonises in line with a net-zero trajectory. Furthermore, new and innovative materials such as bio-polymers are likely to become available, offering lower embedded carbon content than conventional materials. These will be crucial where applications do not allow for the use of recycled materials. Bio-polymers are material where the base component is produced from natural sources, for example chemically synthesised from a biological material.

A key element of achieving our Pathway to Net-Zero is the setting of challenging targets in blocks of 3-5 years to provide the impetus for continuous progression and to remain on the required trajectory. As part of this journey and as 80% of our total GHG inventory is in our purchased goods i.e. the raw materials we buy to manufacture our finished goods, the supply chain engagement is crucially important. We have set ambitious scope 3 targets both in terms of absolute reductions of emissions and also in requiring 83% of our suppliers by GHG emissions to adopt science-based targets. We understand our leadership role in giving clear signals to the supply chain and working with our partners to achieve the carbon reductions required to avoid the worst effects of climate change.

## Pathway to Net-Zero Definitions

### What does 'Carbon Neutral' mean?

Although often used interchangeably with 'net-zero', the two are not the same. In general, when companies claim carbon neutrality they are counterbalancing CO<sub>2</sub>e emissions with carbon offsets without necessarily having reduced emissions by an amount consistent with reaching net-zero at the global or sector level (science-based targeted reductions).

Products that directly reduce or mitigate emissions during the life-cycle may be described as carbon neutral if rigorous assessment shows this to be the case. Individual products may also be carbon neutral if residual emissions are offset by other carbon reduction activities and a third-party assessment has verified the claim. Third parties are developing processes to verify and approve carbon neutral claims. This is a developing area of product declaration and one that the Group is evaluating.

### What does 'net-zero' mean?

A state of balance between anthropogenic (man-made) emissions of greenhouse gases (GHG) and anthropogenic (man-made) removals. Net-zero GHG emissions must be achieved at the global level to stabilise temperature increases.

The Science-Based Targets initiatives (SBTi) net-zero standard outlines what companies need to do to enable the global economy to achieve net-zero by 2050.

Companies must take action to halve emissions before 2030. Likewise, long-term deep emissions cuts of at least 90% before 2050 are crucial for net-zero targets to align with climate science.

Our net-zero target boundary includes all scopes 1, 2 & 3 emissions, both upstream and downstream.

### Who is the 'Science-Based Targets Initiative'?

The Science-Based Targets initiative (SBTi) is a partnership between Carbon Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

The SBTi's goal is to enable companies worldwide to do what climate science requires of the global economy: to halve emissions by 2030, and achieve net-zero before 2050.

SBTi develop criteria and provide tools and guidance to enable businesses and financial institutions to set GHG emissions reduction targets in line with what science tells us is needed to keep global heating below 1.5°C.

As previously highlighted the Group has approved near-term targets and has submitted to SBTi long-term reduction targets of 90% for approval.

### What are 'science-based targets'?

Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gases (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth.

Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement; limiting global warming to 1.5°C above pre-industrial levels.



# 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 comply with the FCA's Listing Rule 9.8.6R(8), and make disclosures consistent with the 2017 and amended 2021 TCFD recommendations and recommended disclosures across all four of the TCFD pillars, and s414CA and s414CB of the Companies Act 2006.**

We consider that sufficient information sharing in this Annual Report and Accounts has been made to make the disclosures consistent with the TCFD framework.

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 and fittings 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 aim 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 recognise the benefits of embedding climate risk and opportunity evaluation and action along with climate-related financial disclosures into our business risk management and decision-making processes. You can read more about our science-based targets (SBTs) on page 24.

In the 2022 Annual Report and Accounts, we updated stakeholders on the Group's progress on assessing climate-related risk and opportunities. During 2023 we have enhanced our assessment of risk and opportunities with the deployment of quantitative analysis for both transition and physical risk and opportunities. In both cases a third-party was used to build bespoke scenario models. For transition risk and opportunities, the models enable the Group to analyse various possible short, medium and long-term policy scenarios that may have a financial impact.

We outline further in this report the process we followed and the risks and opportunities that were identified, as well as the quantitative and qualitative scenario analysis conducted on those selected risks and opportunities.

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

TCFD Pillar	TCFD Recommendation	More detail on pages
<b>Governance</b>	a) Board oversight	32
	b) Management's role	32
<b>Strategy</b>	a) Climate-related risks and opportunities	36 to 39
	b) Impact on the Company's business, strategy, and financial planning	
	c) Resilience of the Company's strategy	
<b>Risk management</b>	a) Risk identification and assessment process	36 to 39
	b) Risk management process	
	c) Integration into overall risk management	
<b>Metrics and targets</b>	a) Climate-related metrics to assess climate risks and opportunities	16 and 23
	b) Scopes 1 & 2 and, if appropriate, scope 3 GHG metrics and the related risks	40
	c) Climate-related targets and performance against targets	28

Task Force on Climate-Related Financial Disclosures continued

## 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 science-based targets 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 99 to 105. 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 2023, we continued to integrate the monitoring, reporting and understanding 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 75, and the risk management framework can be found on page 101.

Climate-related risk and opportunities in the context of the TCFD framework is a standing agenda item at Risk Committee meetings and was considered at all meetings during 2023. 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 and opportunities, the report and verbal update includes a summary of the discussion, as well as any other relevant items such as climate risk and opportunity assessment and evaluation updates 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 83.

Mechanisms, such as the use of a specific pro-forma template structured as a dedicated climate-related risk and opportunities register, provides the committee with detailed assessments of those risk and opportunities. This will continue to increase education and awareness of climate-related risks and opportunities across the Group.

Climate-related risks and opportunities are integrated in our decision-making and strategy formulation processes. For example, as our polymer processes are electro-intensive, we have established a target to buy renewable energy and decarbonise our scope 2 emissions. We target the use of recycled polymer materials which disconnects the business from carbon pass-through costs associated with virgin material production. We have aligned our product offerings with climate mitigation and adaptation solutions and made strategic acquisitions that align with those aspects.

During 2022 the Board approved the Group's submission of our near-term science-based climate target to the Science-Based Target initiative (SBTi). In April 2023 the SBTi approved the Group's near-term science-based emissions reduction target. In addition to our near-term targets, the Group has also set long-term emission reduction targets, which have been submitted to SBTi for approval. Genuit Group has responded to the SBTi's urgent call for corporate climate action by committing to align with 1.5°C and net-zero through the Business Ambition for 1.5°C campaign.

Further details on our Pathway to Net-Zero ambition and targets can be found on page 29.

The Board monitors climate-related targets through the non-financial KPIs relating to scopes 1 & 2 emissions, as outlined within the Strategy section of this Report on pages 36 to 39. 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 Remuneration Policy includes 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 118 to 121.

Task Force on Climate-Related Financial Disclosures continued

## 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.



Climate was included as a principal risk in 2021, and the outcomes of the subsequent TCFD assessments have enabled more accurate conclusions in respect of mitigations and impact in accordance with the Group's risk management framework. During 2023, the Group's use of quantitative scenario modelling of transition and physical risks have enabled a deeper understanding of climate risk and opportunities and progression of mitigating actions and key performance indicators. 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 66 to 73 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 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.

Led by the Chief Strategy and Sustainability Officer (an Executive Committee member and member of the Risk Committee), during the year the climate-related risk and opportunities risk register was monitored and updated in line with the risk management framework, and given additional focus following the appointment of a Sustainability Director. Updates were made to reflect changes in the Group's assessment of the risks and opportunities identified, and these were shared with the Risk Committee at each meeting held during the year. This is a mechanism and opportunity for challenge and scrutiny by the Risk Committee of the climate-related risks and opportunities, and ensures adequate approvals are in place for any significant changes. At its meeting in June 2023, the Risk Committee approved the identified transition and physical risks and opportunities to undertake additional quantitative scenario analysis to obtain a greater understanding of their financial impact.

To assist with the completion of the approved quantitative scenario analysis, we engaged a leading sustainability and environment consultancy to develop bespoke scenario models. For transition and physical risk and opportunities, the models enable the Group to analyse various possible short, medium, and long-term scenarios and how they may impact the business.

Output from these models was integrated into the climate risk register and presented to the Risk Committee for review and approval. The final risks and opportunities deemed most important and significant to the Group were selected for disclosure in this Report. Those are detailed and disclosed on pages 36 to 39.

Undertaking this analysis and discussing the methodology and outputs with the Risk Committee has provided further educational opportunities on the increasing impact of climate-related risk on the Group's operations, also confirming the opportunities that it presents which are inherent to the Group's strategy.

These discussions around the impact of climate change, further embedded climate-related risk into the Group risk management framework.

In order to ensure the Group is informed of future regulatory direction, we participate in industry bodies within the UK and Europe, such as Construction Products Association (CPA), The European Plastic Pipes and Fittings Association (TEPPFA) and the British Plastics Federation (BPF), 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.

It's important to continuously review and update analysis that provides the basis for risk and opportunity assessment and disclosure. The Risk Committee included the requirement to monitor climate-related risks and opportunities in its Terms of Reference update during 2023, a copy of which is included on our website. During 2023, our climate-related risks and opportunities were updated three times and reviewed by the Risk Committee. The Group intends to continue to update its analysis on climate-related risks and opportunities during 2024, enabling the Risk Committee to determine whether the considerations are adequately reflected in the Group's strategy.

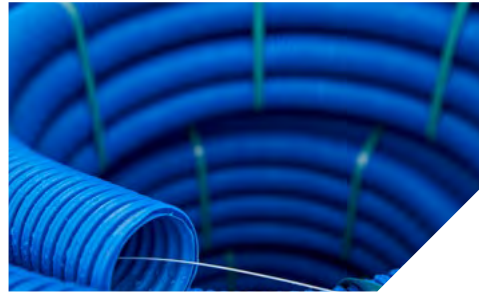
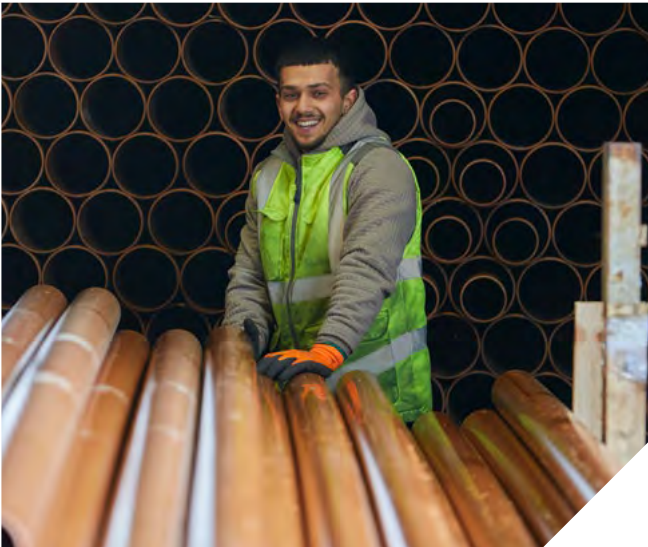
The Risk Committee will continue to drive the integration of climate-related risks into the risk management framework across the Group, as well as monitoring the opportunities it presents, ensuring progress continues to be adequately reported to the Board.



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 seek to address and mitigate. However, we acknowledge that with these risks come various opportunities, given our sustainability framework (read more on pages 22 and 23 of the Strategic Report). It should be noted, therefore, that whilst climate change is assessed to be a principal risk, it was through considering the potential impact and likelihood over the medium and 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.

As part of the input to the Viability Statement, the Group assesses climate change and its impact over a three-year time horizon. During 2023 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

(0–5 years):



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

### Medium-term

(5–10 years):



This period is consistent with our view on SBTs and Pathway to Net-Zero.

### 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 three opportunities were identified as having the greatest combination of probability and impact, and consequently of significance to the business.

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 Pathway to Net-Zero transition plan as detailed on pages 29 and 30 is based upon the 1.5°C Business Ambition and achieving a 90% reduction in total GHG emissions by 2050. In the short term this is supported by 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 & 3 and in doing so mitigate the risks identified in this report. During 2023, as part of our Pathway to Net-Zero, we expanded and evolved the projects supporting our SBTs and formed 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 progressing strategies to go beyond that in the medium term. We also continued to roll out our transition to EV/PHEV across our car fleet and the move of our commercial fleet away from fossil fuels. Given the profile of our revenue streams in 2023 with 88.5% 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 Government's current targets. 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 engagement with key stakeholders (see the Risk Management section of this Report on page 33), we carried out quantitative and qualitative climate scenario analysis on a subset of the most

significant risks and opportunities. The potential 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 0-5 years (<5 years), medium-term 5-10 years (2030) and long-term 10+ years (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. Furthermore timeframes align with our short/medium-term business planning processes and our longer-term strategic overview.

Warming trajectory by 2100	Transition scenarios (IEA) <sup>1</sup>	Physical scenarios (IPCC) <sup>3</sup>
1.5°C	Net Zero Emissions (NZE)	
<2°C	Announced Pledges Scenario (APS)	SSP1 <sup>4</sup> -2.6 <sup>2</sup> (low challenges to mitigation and adaptation)
2-3°C	Stated Policies Scenario (STEPS)	SSP2-4.5 and SSP3-7.0 for supply chain disruption physical risk (medium-high challenges to mitigation and adaptation)
>3°C		SSP5-8.5 (high challenges to mitigation, low challenges to adaptation)

### 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 disclosure.

Include reputable and broadly used data and assumptions.

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. 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 RCP 8.5 respectively.
3. IPCC – The Intergovernmental Panel on Climate Change RCPs are the market accepted reference scenarios which outline the possible consequences of climate change.
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).

### 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 and materiality of each of these risks and opportunities was assessed using the 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. Overall, transition risks were found to have the highest potential impact in the short to medium term, with carbon taxes and supply chain disruption

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.

## Climate-related Risks and Opportunities

### Disclosure Definition/Materiality

<£1m financial impact	Low risk	£1m to £10m financial impact	Medium risk	>£10m financial impact	High risk
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For opportunities >£10m is coloured green, opportunity <£1m is coloured red. Between £1m-10m is coloured amber.

Risk	Risk type	TCFD category	Potential impact	Mitigating actions	Scenario analysis and results			Time horizon/ metrics/targets	
					Short (< 5 years)	Medium (2030)	Long (2050)		
<b>Climate reporting obligations</b>									
<b>Potential financial impact if perceived by stakeholders as failing to meet climate reporting expectations/ requirements or reporting poor performance against climate commitments.</b>	Transition	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.	Transition risk assessed but scenario analysis not undertaken			<b>Time Horizon</b> Short – medium  <b>Metrics</b> Annual carbon inventory GHG emissions, scopes 1, 2 & 3  <b>Targets</b> GHG inventories and public reporting on climate related topics	
<b>Business interruption and damage to assets</b>									
<b>The potential financial impact of damage to and closure of the Group's offices, warehouses and factories caused by extreme weather.</b>	Physical	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.	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.	SSP2-4.5 (2-3°C) Similar to trends observed in Scenario SSP1-2.6, with increased frequency and size of extreme weather events.	SSP5-8.5 (>3°C) Compared to Scenario 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 versus SSP1-2.6.	The risk of business interruption and damage to our assets increases from <2°C to >3°C. Financial impacts are expected to be greatest under the >3°C 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.  – Reduction in asset values due to increased exposure to physical risk.  During 2023 this risk was reviewed in accordance with the risk management framework as outlined earlier in this report, and there was no change in its assessment.	<b>Time Horizon</b> Medium – long  <b>Metrics</b> Annual carbon inventory in line with SBTs  Proportion of sites deemed as at flood risk during annual review process  <b>Targets</b> No worsening of flood risk assessment

Task Force on Climate-Related Financial Disclosures  
continued

Risk	Risk type	TCFD category	Potential impact	Mitigating actions	Scenario analysis and results			Time horizon/ metrics/targets	
					Short (< 5 years)	Medium (2030)	Long (2050)		
<b>Carbon taxes</b>									
<b>The potential financial impact of current and future potential carbon taxes applied to our own operations and supply chain.</b>	Transition	Policy & Legal	<p>Financial: Increase in operating costs driven by indirect carbon taxes passed to Genuit Group through its supply chain and direct carbon taxes on manufacturing activity. These 'taxes' could be delivered through existing measures such as the UK and EU's Emissions Trading Scheme.</p> <p>Operations: Requirement for more comprehensive data assurance and verification of scopes 1, 2 &amp; 3 carbon emissions.</p>	<p>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.</p>	<p>NZE (1.5°C) Early Action – Early implementation of a carbon pricing mechanism to all economies with a net-zero commitment. 2030: £114/tCO<sub>2</sub>; 2050: £203/tCO<sub>2</sub></p>			<p>Based on quantitative financial modelling the potential impacts of carbon taxes and other carbon policy measures applying a carbon cost to our scopes 1, 2 &amp; 3 were examined and quantified. Overall, the impacts are predicted to be potentially significant under both the NZE and APS scenarios in the medium to long term.</p> <p>Carbon taxes are expected to increase in line with national Governments' commitments to decarbonise, especially those committed to net-zero by 2050 or earlier. Given our value chain predominantly operates in countries with net-zero commitments, this could result in the following potential financial implications:</p> <ul style="list-style-type: none"> <li>– increased expenditure due to the cost of carbon taxes and indirect costs passed through our supply chain; and</li> <li>– we may have to absorb this cost, leading to reduced profit margins. Or, alternatively, we may need to increase prices, potentially impacting our competitiveness.</li> </ul>	<p><b>Time Horizon</b> Medium</p> <p><b>Metrics</b> Annual carbon inventory in line with SBTs GHG emissions, scopes 1, 2 &amp; 3 Non-financial KPI, Vitality Index</p> <p><b>Targets</b> 2025 target of 25% of sales from products launched within preceding five years 2025 target of 62% of tonnage from recycled plastics 2025 66% reduction of CO<sub>2</sub>e emissions intensity (scopes 1 &amp; 2) from 2019 base year 2027 30% reduction in scopes 1 &amp; 2 emissions from 2021 base year 2027 13% reduction in scope 3: category 1 (purchased goods and services) emissions from 2021 base year 83% of suppliers by emissions covering purchased goods and services will have science-based targets by 2027</p>
					<p>APS (&lt;2°C) Late Action – Pricing mechanisms are introduced later on and at lower rates. 2030: £109/tCO<sub>2</sub>; 2050: £162/tCO<sub>2</sub></p>				
					<p>STEPS (&gt;3°C) Business as Usual – Only existing or announced carbon pricing schemes are applied under lower rates. 2030: £97/tCO<sub>2</sub>; 2050: £109/tCO<sub>2</sub></p>				
<b>Increased raw material costs</b>									
<b>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.</b>	Transition	Market	<p>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.</p> <p>Operations: Challenges in continuing operations or reduction in product offerings if materials become too costly.</p>	<p>The Group has established relationships with several raw material suppliers to ensure competition across its supplier base.</p> <p>Our move to increase our use of recycle also mitigates against raw material volatility.</p>	<p>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.</p>			<p>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:</p> <ul style="list-style-type: none"> <li>– 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.</li> <li>– In some cases our ability to procure low-carbon materials may be affected which could impact fulfilment of customer contracts and revenues generated.</li> </ul> <p>During 2023 this risk was reviewed in accordance with the risk management framework as outlined earlier in this report, and there was no change in its assessment.</p>	<p><b>Time Horizon</b> Short – medium</p> <p><b>Metrics</b> Non-financial KPI, Recycling Margin over direct materials</p> <p><b>Targets</b> 2025 target of 62% of tonnage from recycled plastics Achievement of the Group's operating margin targets</p>
					<p>APS (&lt;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.</p>				
					<p>STEPS (&gt;3°C) Business as Usual – 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.</p>				



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continued

Risk	Risk type	TCFD category	Potential impact	Mitigating actions	Scenario analysis and results			Time horizon/ metrics/targets	
					Short (< 5 years)	Medium (2030)	Long (2050)		
<b>Supply chain disruption</b>									
<b>Potential financial impact of disruption to supply of raw materials and products due to increased incidence and severity of extreme weather events.</b>	Physical	Acute/ Chronic	<p>Financial: Increased price of raw materials, particularly polymers, resulting in reduced profit margins.</p> <p>Supply Chain: Disruption in supply of raw materials could reduce stock availability and cause delays in fulfilling customers' orders.</p>	<p>The Group monitors and reviews its supply chain and does not rely on one single supplier or geographic region for critical materials.</p>	<p>SSP1-2.6 (&lt;2°C) The frequency and size of physical risks is likely to increase, especially for extreme heat events. Surface water flooding risks remain consistent through the 2030-2050 time period.</p> <p>SSP3-7.0 (2-3°C) Similar to trends observed in SSP1-2.6, with increased frequency and size of extreme weather events.</p> <p>SSP5-8.5 (&gt;3°C) Compared to SSP1-2.6 (in 2050), a marked increase in frequency and severity of extreme weather events is projected.</p>			<p>Based on quantitative financial modelling using industry standard climate models and based on location of suppliers manufacturing sites. Increased severity of climate-driven weather events leads to increased supplier disruption. Of the physical risks assessed surface water flooding was the largest type in the medium and long term.</p> <p>The analysis revealed a geographical split of risks within the current supply chain with surface water flooding being a greater risk for UK suppliers compared to extreme heat, whereas extreme heat is a greater risk than surface water flooding for non-UK suppliers.</p>	<p><b>Time Horizon</b> Medium – long</p> <p><b>Metrics</b> Non-financial KPI, Recycling (use of recycle reduces exposure to internationally sourced virgin raw materials)</p> <p><b>Targets</b> 2025 target of 62% of tonnage from recycled plastics</p> <p>2027 13% reduction in scope 3: category 1 (purchased goods and services) emissions from 2021 base year</p> <p>83% of suppliers by emissions covering purchased goods and services will have science-based targets by 2027</p>
<b>Low emission products and services</b>									
<b>The potential revenue generated from further developing low emissions products and services.</b>	Transition	Product & Services	<p>Financial: Overall revenue growth from increased sales of low emission products and services. Access to new sources of finance.</p> <p>Operations: Reduced exposure to increasing carbon taxes due to reduced carbon intensity of products.</p> <p>Decrease in scope 3 GHG emissions.</p>	<p>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.</p>	<p>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.</p> <p>APS (&lt;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.</p> <p>STEPS (&gt;3°C) Business as Usual – 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.</p>			<p>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 the Group:</p> <ul style="list-style-type: none"> <li>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.</li> <li>Utilising low-carbon materials could also reduce our exposure to carbon taxes.</li> </ul> <p>During 2023 this risk was reviewed in accordance with the risk management framework as outlined earlier in this report, and there was no change in its assessment.</p>	<p><b>Time Horizon</b> Medium</p> <p><b>Metrics</b> Revenues from low carbon products</p> <p>Non-financial KPI, Vitality Index</p> <p>Non-financial KPI, Recycling</p> <p>Measuring the carbon content of ranges as per Environmental Product Declarations</p> <p><b>Targets</b> 2025 target of 25% of sales from products launched within preceding five years</p> <p>2025 target of 62% of tonnage from recycled plastics</p> <p>2027 13% reduction in scope 3: category 1 (purchased goods and services) emissions from 2021 base year</p> <p>83% of suppliers by emissions covering purchased goods and services will have science-based targets by 2027</p>

Task Force on Climate-Related Financial Disclosures continued

Opportunity	Opportunity type	TCFD category	Potential impact	Actions to capitalise	Scenario analysis and results			Time horizon/ metrics/targets	
					Short (< 5 years)	Medium (2030)	Long (2050)		
<b>Increased demand for flood mitigation technology</b>									
<p><b>The potential revenue generated from further developing the Groups water management solutions.</b></p>	Transition	Market	<p>Financial: Increased revenue due to demand for reliable drainage systems and growing Sustainable Drainage Solutions (SuDS) requirements in new major developments.</p> <p>Operations: Positive reputational impact through being a part of a key climate adaptation strategy.</p>	<p>The Group continues to develop water management solutions and pursue opportunities to expand the portfolio.</p> <p>The Group recognises the demand for a full solution and is working with customers and partners to provide comprehensive technology-based solutions.</p>	SSPI-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.			<p>The potential size of the opportunity increases from SSPI-2.6 (&lt;2°C) to SSP5-8.5 (&gt;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.</p> <p>– There is potential for significant increases in revenue as demand for resilient drainage systems increases under higher emissions scenarios across all time horizons.</p> <p>During 2023 this risk was reviewed in accordance with the risk management framework as outlined earlier in this report, and there was no change in its assessment.</p>	<p><b>Time Horizon</b> Short</p> <p><b>Metrics</b> Measured via revenue from qualifying product ranges</p> <p><b>Targets</b> This is not disclosed due to commercial sensitivity</p>
					SSP2-4.5 (2-3°C) Similar to trends observed in SSPI-2.6, with increased frequency and size of extreme weather events.				
					SSP5-8.5 (>3°C) Compared to SSPI-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 versus SSPI-2.6.				
<b>Upstream supplier engagement</b>									
<p><b>Increased collaboration with suppliers to optimise the use of lower emissions materials and products could reduce overall emissions and support the Group to achieve net-zero.</b></p>	Transition	Technology and Market	<p>Financial: Protection from future pass through decarbonisation costs and increases to carbon pricing.</p> <p>Supply chain: Greater collaboration on decarbonisation and enhancements to circular economy thinking by greater use of recycled raw materials.</p>	<p>The Group continues to increase the use of recycled raw materials.</p> <p>The Group works with the supply chain to ensure that 83% of suppliers by emissions have a science-based climate target by 2027.</p>	NZE (15°C) Early Action – Material reduction in free allocation of carbon allowances under EU and UK Emission Trading Scheme’s driving 1) increased site exposure to carbon pricing (in the absence of free allocation) and 2) increases in carbon costs per carbon credit.			<p>Supplier exposure to carbon pricing and the level of carbon costs were examined and using a quantitative scenario analysis model. Assumptions were modelled around the future reduction of free allocation, but 2035 was assumed to be a common end point. The analysis showed cost avoidance was possible and beneficial especially under NZE and APS scenario. The analysis revealed the potential cost avoidance by maximising recycled content of the polymer products and engaging with the supply chain to ensure decarbonisation of virgin material supplies are implemented.</p>	<p><b>Time Horizon</b> Short/Medium/Long</p> <p><b>Metrics</b> 2027 SBTi and related carbon in the supply chain targets</p> <p><b>Targets</b> 2025 target of 62% of tonnage from recycled plastics 2025 66% reduction of CO<sub>2</sub>e emissions intensity (scopes 1 &amp; 2) from 2019 base year 2027 30% reduction in scopes 1 &amp; 2 emissions from 2021 base year 2027 13% reduction in scope 3: category 1 (purchased goods and services) emissions from 2021 base year 83% of suppliers by emissions covering purchased goods and services will have science-based targets by 2027</p>
					APS (<2°C) Late Action – Similar to NZE with a lower carbon price and later reduction in free allocation.				
					STEPS (>3°C) BAU – Similar to APS with a lower carbon price and later reduction in free allocation.				

Task Force on Climate-Related Financial Disclosures continued

## 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.

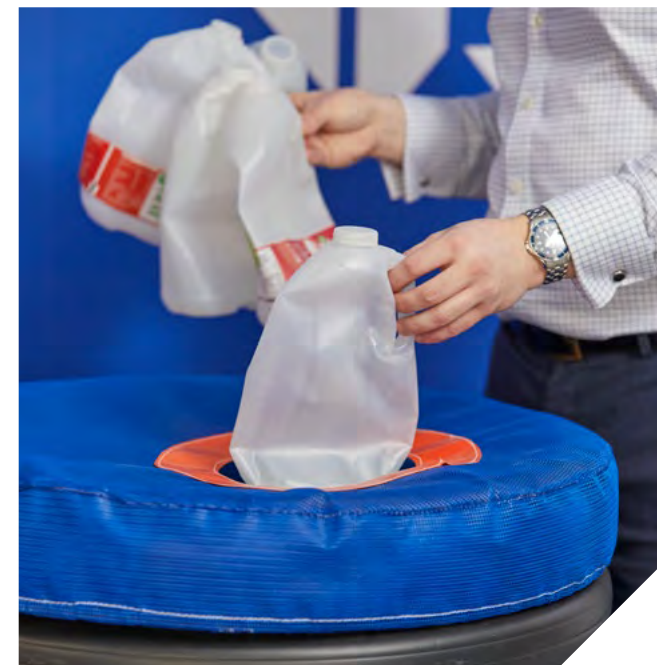
These have been mapped against our identified climate-related risks and opportunities, as detailed in the table on pages 36 to 39. This enables the risks and opportunities to be adequately monitored and mitigated as required. Additional metrics, such as revenue from qualifying product ranges, margin over direct materials and a specific proportion of sites seemed as at flood risk have also been included where relevant, to enable effective and targeted monitoring on an annual basis.

A core element of our transition plan is our commitment to being net-zero by 2050 which is based upon the 1.5 degree Business Ambition, and set near-term science-based targets with the Science-Based Target initiative (SBTi) for 2027, as well as continuing our existing and complementary 2025 targets which have been disclosed publicly and form part of management's incentive programmes. Our 2027 SBTi targets are our first interim targets on our Pathway to Net-Zero and achieving a 90% reduction by 2050.

In addition we've set targets to reduce, in absolute terms our scope 3 emissions relating to purchased raw materials and have a target for our supplies of raw materials to adopt science-based climate targets. Progress towards achieving the targets forms part of the ongoing monitoring and metrics identified, for more information on our progress see page 23.

Further information on our Pathway to Net-Zero transition plan can be found on page 29.

Details of scopes 1, 2 & 3 emissions are included in the sustainability section, included on page 28 within the Strategic Report. Our non-financial KPIs in respect of recycling and greenhouse gas emissions for the 2023 financial year, including progress during 2022 and 2023 are detailed on pages 16 and 17 of the Strategic Report. Progress towards achieving our 2025 and 2027 climate-change targets is included on page 23 of the Strategic Report, and historical data for these targets can be found in the Strategic Report of our 2022 Annual Report and Accounts.





## Strategy



# Genuit Business System

The Genuit Business System is the way that we achieve best practice in a series of common processes across the Group.

Although our business model is in principle decentralised, particularly in customer-facing activities, we recognise that we can benefit from our scale, harness the capability of our c.3,200 colleagues and realise synergies through the deployment of common processes to address business-wide challenges and opportunities. The Genuit Business System (GBS) provides the vehicle and structure for us to do this. GBS is based around lean thinking and techniques, and whilst we are training our people in a wide variety of techniques, the application of these is done in a way where the businesses deploy the ones which address their own particular challenges.

In 2023 we ran Lean Lighthouse projects at three key sites: Adey, Polypipe Building Products Broomhouse Lane plant, and Polypipe Civils & Green Urbanisation Horncastle plant.

The latter was only commenced toward the end of the year and will run into 2024. Whilst these programmes are initially externally facilitated, the ownership switches to our colleagues as they become more familiar with the tools and methodologies, so that improvements continue to be made, and embedded long after the Lighthouse Project concludes. During the first half of 2024, as well as these site-based activities, all of the Group Leadership Team of c.70 colleagues will also go through the training programme.

Given our historical evolution through acquisitions, and our light touch approach to integration, GBS is now realising synergies that have been hitherto unachieved. It also means we have developed a playbook so that we can more quickly realise synergies from future M&A activity which improves both affordability and returns.





Genuit Business System continued

Case Study

# Adey Lean Lighthouse Transformation



Adey's site at Stonehouse in Gloucestershire was the first Genuit location to benefit from the Lean Lighthouse deployment, starting at the end of 2022. The programme was externally facilitated through an initial 18-week period, with colleagues becoming increasingly self-sufficient in the various tools and techniques such that the activities are now ongoing, led by an internally promoted Operational Excellence Manager. The lean toolkit has included Value Stream Mapping, Plan for Every Part, running Kaizen workshops, and running daily management sessions. Nearly 40% of colleagues have been involved in one or more workshops. The improvements in processes, efficiencies and the removal of waste activity has yielded considerable benefits. The Sales, Inventory and Operations Planning (SIOP) process improvements have made significant savings in freight costs, as the business has relied less on expediting. The footprint taken up within production cells has reduced by 49%, which has been a key enabler for the integration of the Surestop activities onto the existing Adey site without any reduction in capacity. The engagement of our colleagues has been excellent, with almost a hundred improvement opportunities identified and implemented: with their energy and problem-solving skills, this will continue to yield benefits into the future.





Scan to see more about the deployment of the Genuit Business System at Adey

## Strategy



# People and Culture

Our people bring our strategy and purpose to life. We aim to deliver our growth ambitions through consistently driving the right behaviours and creating an environment that promotes positivity, wellbeing and high levels of employee engagement.

During 2022, we laid the foundations for our HR strategy and throughout 2023 built on these foundations, placing focus across: talent development, diversity and inclusion, improving policies to make them more engaging, improving processes and adding further value through the deployment of improved HR systems.

#### A focus on leadership, closer collaboration and development opportunities for all employees

Talent management and development remains a priority across the Group, building on the Group-wide talent identification and succession planning programme we rolled out in 2022, as highlighted in our 2022 Annual

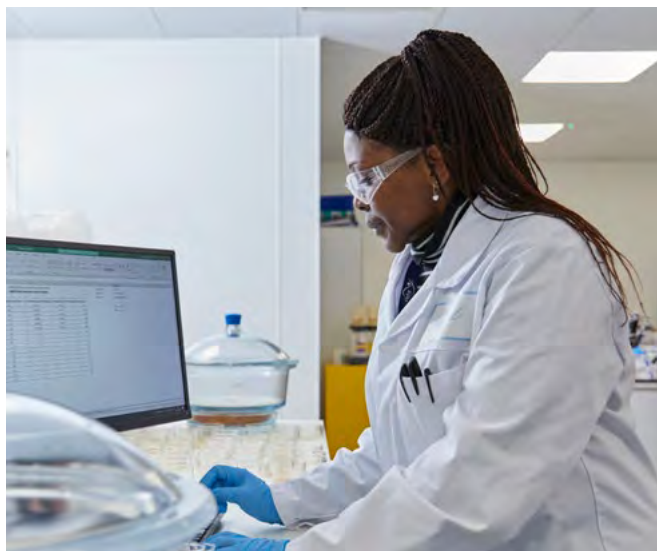
Report and Accounts. We have continued to review, refine and improve our approach to formal talent reviews to ensure we recognise talent, focus on the right development areas, and mitigate succession planning risks.

We have strengthened our Leadership Team through recruitment, internal promotions and through bringing in specialisms such as a Sustainability Director. During 2023, the Genuit Leadership Programme was developed for our Genuit Leadership Team, which is focused on strengthening core leadership capabilities to equip our leaders to inspire their teams and deliver on our Sustainable Solutions for Growth strategy. Our first cohort embarked on the programme at the end of 2023 in anticipation of formal launch in 2024, and further cohorts throughout 2024–2026.





People and Culture continued



**Working towards a more inclusive environment**

Our Diversity and Inclusion (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 which is engaging and where everyone is comfortable to bring their whole self to work.”

We launched our D&I ambition and strategy during National Inclusion Week in 2022, focused on four pillars: Leadership, Education, Policy & Process, and Communication. We have continued to bring this to life for our people throughout 2023.

**Our D&I strategy in action during 2023:**

<b>March</b>	We turned Genuit ‘purple’ to celebrate International Women’s Day and agreed actions required to improve inclusion, including a review of our Maternity & Paternity Policies
<b>June</b>	Introduced all-employee training on LGBTQ+
<b>July</b>	By July, all members of our Genuit Leadership Team had completed the ‘Inclusive Leaders’ workshop
<b>August</b>	‘Inclusive Leaders’ workshop rolled out to next level of management
<b>September</b>	Rolled out our D&I Policy and D&I awareness training
<b>November</b>	Celebrated Movember; leaders held ‘Moments’ to discuss men’s health and many took part to raise funds for Movember causes
<b>December</b>	Became a Strategic Partner in the Construction Inclusion Coalition (CIC), which aims to drive inclusion across the sector  Approval of enhanced Maternity & Paternity Policies

- 👂 **We listened:**  
As part of International Women’s Day, we encouraged listening sessions across the Group, to understand the barriers still facing women in our business.
- ⚙️ **We acted:**  
As a result of employee feedback during these sessions, our Group Maternity & Paternity Policies were reviewed and enhanced to better support working parents.



**Helen Isherwood,  
Managing Director – Adey**

“In 2023 I was promoted internally from Innovation Director to Managing Director at Adey. It has been a steep learning curve but the transition has been made easier by the support around me, including the backing from the Genuit Group Executive Management Team.

The investment into Adey and other Group businesses in adopting the Genuit Business System and Lean methodologies has created opportunities for colleagues to learn new tools. In just a year we are seeing significant benefits.

As we create further synergies across the Group through the Sustainable Solutions for Growth strategy, all operating in the same way and working towards shared objectives, it is bringing leaders across the Group together.

The establishment of the Genuit Leadership Team has been invaluable, enabling us to connect and network, and has built trust amongst leaders during these periods of change and transformation. It is also pleasing to see the investment being made into the Genuit Leadership Programme to develop this further.

We are creating an environment where people feel they can learn, and there is the opportunity for people to develop and grow, not just within Adey, but right across the Group. We have a wealth of talent across Genuit, and by working more closely together across businesses we are creating new opportunities to share knowledge, experience, and ideas.”

People and Culture continued

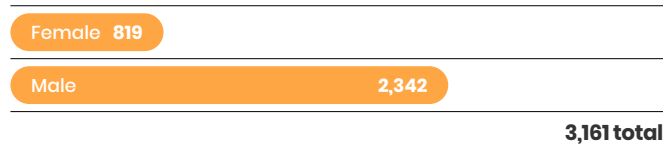


 <b>We work together</b>	 <b>We take ownership</b>	 <b>We find a better way</b>
by understanding and respecting our unique differences	always acting with health, safety and wellbeing in mind	through using our voice and actively listening
through collaborating and supporting to achieve more	by striving for excellence in what we do	by positively challenging the way we do things
by recognising the efforts and contributions of others	through our commitment to doing the right thing	by seeking the right solution to meet our purpose

**Our Diversity and Inclusion Policy**

In 2023, the Board approved a dedicated D&I Policy. Our D&I Policy provides information on our commitment to an inclusive, equal and fair working environment. The policy was formally rolled out across the Group in September 2023 along with dedicated training to all employees. As outlined in the Nomination Committee Report on page 98, three out of seven Board members (including the Senior Independent Director), and 11 out of 22 senior leadership positions, are held by women.

Gender split across workforce:



(As at 31 December 2023)

**Creating an environment that promotes positivity, wellbeing and engagement**

We celebrate the individual identities of our businesses and brands across the Group. While recognising the value that each brings, we also aim to develop a shared culture.

During 2023, we set out on our culture programme to define our purpose and Trademark Behaviours, with the aim of developing a culture which enables the Group to deliver its strategy. We established a dedicated culture team which began by defining our new purpose: 'Together, we create sustainable living.'

**“What are we doing when we are at our best?”**

We then set out to create our Trademark Behaviours (TMBs), and started this process by identifying the behaviours we demonstrate when we are successful. These are the ways of working that enable us to live our purpose and achieve our strategic objectives. In 2024, we will roll out the culture programme to all employees, centred around our TMBs, that have been curated by our people. Read more about the work of our culture team during the year on page 84 of the Corporate Governance Report.

“As at December 2023, 73% of employees had completed our D&I Policy training.”



## People and Culture continued

**Employee communication and engagement**

We continue to focus on improving communication across the Group and introducing new channels to broaden our reach. This includes monthly calls with our Genuit Leadership Team, all-employee briefing sessions for key dates such as results publication, and regular communication packs to support with localised communications.

We launched Workplace by Meta as a new Group-wide internal communications channel in January 2023. Workplace is used both to cascade news and foster better collaboration with cross-functional groups and a Knowledge Library for document sharing.

As part of our Corporate Governance Code responsibilities, we run a programme of Board Engagement sessions. In 2023, Louise Brooke-Smith, the designated Non-Executive Director responsible for employee engagement, held a further 10 sessions. By the end of 2024 we will have completed a full cycle of sessions reaching all businesses.

Throughout 2024, we will continue to educate employees on the purpose of this programme and feedback on actions taken at Board-level as a result of their feedback.

We will also roll out a Group-wide engagement survey, using Peakon via our Workday platform, which will give another measure of engagement and enable us to introduce tangible action plans with employee voices at the core. Read more about the employee engagement programme on page 86 of the Corporate Governance Report.

**Delivering an improved and consistent employee experience**

In 2023, we implemented a new HR system, Workday, to create efficiencies and drive governance and compliance. Workday is now our single source of truth for people data across the Group and gives access to real-time reporting to inform decision-making. The system has also enabled us to implement one process for recruitment and talent management to enhance the candidate experience.

Part of our Workday system launch included a request for current employees and applicants to provide diversity data. This covers areas such as gender identification and social mobility. By gathering this data, we can gain a deeper understanding of our people, and focus investment and resources on things that matter most to our employees and will make a difference in removing barriers to achieving our D&I ambition.

Throughout 2024, we will roll out additional Workday modules, including a new Learning Management System (LMS), Talent, Performance Management and Payroll functionality, consolidating multiple payroll systems into one and improving controls and compliance.

**Communications Case Study  
Joe's Vlogs**

Joe Vorih, CEO, has regularly shared video updates directly with employees via Workplace. These short videos cover a variety of topics, including diversity & inclusion, strategy and sustainability and incorporate site visits and interviews with people across the business.

The reaction to Joe's Vlogs has been encouraging, and 60% of Workplace users have engaged with at least one of Joe's videos. The sentiment of engagement is overwhelmingly positive.

In 2024, we will build on this, alongside broader communications initiatives and through leveraging Workplace data, to deliver meaningful updates for employees and create conversation in areas that they are most interested in.

# Health, Safety, Environment and Wellbeing

Genuit Group remains committed to improving the quality and safety of the working environment for all our colleagues, wherever they work and in whatever role.

The Group considers the health, safety, environment and wellbeing of its employees an integral part of its business activities, and one of the most important aspects of our business performance. Compliance with legal requirements is the minimum acceptable standard, and we are committed to progressive improvement towards best practice in health, safety, wellbeing and environmental management.

## 'Genuit Blue' audit system

The Group's businesses operate to various externally accredited ISO standards (ISO 9001, 14001, 45001, 50001). These external audits along with our own internal first-party auditing give us valuable feedback, enabling us to strive for continuous improvement. In the final quarter of 2023, development began on a Group-wide internal HSE auditing system (the Genuit Blue audit), which was launched in early 2024. This will provide more feedback on what is working well and what further improvement opportunities we have, in addition to being a mechanism for identifying and sharing good practice across the Group. The Genuit Blue audit will focus on 20 key areas such as Leadership and Accountability, Regulatory Compliance, Hazard Identification, Risk Management, Training, Machine Guarding, Management of Contractors. These audits will be conducted annually and on a 'second-party' basis, i.e. sites will be audited by trained HSE colleagues from another Business Unit/site. This second-party auditing will also promote better sharing and learning across the Group.

## Life Saving Rules

The roll out and training of the 'Life Saving Rules' within our Sustainable Building Solutions Business Unit was concluded in 2023. These five rules are focused around five higher-risk activities: driving vehicles, working at height, working in confined spaces, working with machinery and the control of hazardous energy (lock-out-tag-out (LOTO)). They are aimed at reminding those involved with these activities of the right, safe behaviours.

## Improved reporting process – 'Sharing & Learning'

The reporting of incidents and accidents saw a fresh focus in 2023 with improvements to our reporting processes. This gives better visibility of incidents occurring across the Group, as well as improved sharing of lessons learned. These new processes require sites to publish a short 'Sharing & Learning' document for each incident, which provides details of the incident, root causes and actions taken to prevent reoccurrence. Before these documents are published there is a peer review, which has resulted in improved root cause analysis and as a result, more effective corrective and preventative actions. These documents are shared across the Group to enable site leaders to hold 'toolbox talks' with employees about whether their site has the same hazards and what can be done to prevent a similar incident.



Health, Safety, Environment and Wellbeing continued

Focus on:  
**Occupational Health & Wellbeing**

Occupational Health (OH) remains a key focus area for the Group. The OH team provide mandatory annual health checks, health surveillance and screening for colleagues across the Group who are in safety critical roles. The OH team also ensure new employees are fit and healthy to undertake the roles they are assigned to, identifying any modifications required, and also work closely with management and HR to provide support and advice for attendance issues, workplace modifications and rehabilitation. A review of the OH structure was conducted in the latter part of 2023 which has led to the Group pursuing a more regional model, which aims to ensure all employees, regardless of location, have easy access to occupational health support, physiotherapy and counselling when needed. This will also improve the OH team efficiency, and will evolve in early 2024.



**Key Performance Indicators**

Frequency per 100,000 hours worked

	2020	2021	2022	2023
Minor accidents	3.30	4.45	4.34	<b>4.02</b>
Lost time accidents	0.97	0.61	0.68	<b>0.69</b>
HSE reportable accidents*	0.48	0.43	0.25	<b>0.42</b>
Fatalities	0	0	0	<b>0</b>

\* HSE reportable accidents based on specified injuries and the current 7-day absence from work requirement in the UK, and although there is no direct equivalent in Mainland Europe or the Middle East, the same definition is applied.

**Making Zero Harm possible**

Genuit's HSE mission is to make it possible for every person in the business to carry out their role with Zero Harm.

In Q4 2023, the Group developed a 3-year HSE Strategy built around five core elements of Compliance, Hazard ID and Risk Management, Competence and Training, Health and Wellbeing, and Culture & Behaviour to support in achieving this mission. Our HSE Strategy also has our Trademark Behaviours at its core:

- We work together – looking out for our own safety and the safety of our colleagues.
- We take ownership – always acting with health and safety in mind.
- We find a better way – positively challenging when we see things not being done safely.

As part of rolling out the new strategy, the Group will make changes to our main HSE Key Performance Indicators (KPIs). We will move to 'Recordable Frequency Rate' as the key logging KPI, to give a broader view of where more serious accidents occur, moving away from just focusing on accidents that result in lost time. Additional leading and lagging KPIs will feature in our measurement of HSE Performance in 2024 and beyond.





# Engaging with our stakeholders

## Together, we create **sustainable living**

Effective engagement with our stakeholders is crucial for building strong, effective and mutually beneficial relationships for the long term. Our purpose, 'Together, we create sustainable living,' recognises the value that diverse perspectives bring, and the importance of collaboration.

By fostering a culture of collaboration, direct engagement, mutual respect and transparency, we effectively work together with our stakeholders to achieve this purpose. This engagement enhances our ability to meet our strategic objectives whilst building a more inclusive, sustainable and resilient business.



### Customers

Engaging with our customers is key to Genuit's success. Our businesses have excellent customer relationships, with levels of technical expertise that are respected across our sector. Our customers are the spectrum of people who interact with our solutions, whether or not they are involved in direct transactions with us. This includes specifiers, consultants, merchants, contractors, end users and building owners. We address the needs of all of these groups and ensure that our sales structures, marketing programmes and R&D teams are actively assessing and addressing the needs of each. Each of our Business Unit MDs lead by example, regularly engaging with customers.



### Employees

People and culture is a core theme of our Sustainable Solutions for Growth strategy. We recognise that we can only achieve our strategic aims with the right culture and an engaged and motivated team. Our businesses operate interactive briefing cascades, and we have invested in engagement tools such as Workplace by Meta, Workday, our HR platform has the Peakon engagement module, which will allow us to track employee engagement on a regular basis, and we have a designated Employee Engagement Non-Executive Director. We are committed to The 5% Club and we see this as a key enabler of engagement.



### Shareholders

We view transparency and regular engagement with investors as a key responsibility of a listed business. We engage via formal mechanisms such as our results presentations, capital markets events, our website, social media and Annual Report and Accounts. We also conduct briefings and Q&A sessions via roadshow events, participation in various investor events and conferences. We believe that people invest in what they understand and we invite investors to our sites so they are able to see our operations first hand. Whilst our CEO and CFO lead our investor relations, we also welcome investor interaction with other members of our senior teams, as the strength of our leaders is a key driver of our success.



### Suppliers

We understand the role that successful supplier partnerships play in our performance. We have invested further in our Group procurement function to ensure that we have strategic relationships with our largest suppliers and that they understand our strategy and how they can add value to it. We recognise our responsibilities around issues such as prompt payment, and believe that a partnership approach is the best way to long-term success. Many of our suppliers bring key technical capability, and so we ensure engagement across our R&D and technical colleagues in addition to our procurement functions.



### Communities and the environment

Many of our businesses are significant employers in their local communities, and our connections with the communities in which we operate are hugely important to us. Our community engagement activities cover a spectrum of activities, from being active in local Chambers of Commerce, through to connections with many local schools, including our 'Wash and Squash' circular economy initiative. Our employees are encouraged to engage with their communities and participate in local fundraising activities, alongside sponsoring vocational training programmes in local colleges.



Engaging with our stakeholders continued

# Engaging with our employees



## Key topics

- Communication of strategic vision for the Group and continuous improvement of communications.
- Health and wellbeing of employees and ensuring diversity & inclusion (D&I) and equitable opportunities.
- Group-wide recruitment practices and an enhanced approach to talent review to recognise and reward employees.
- Creation of cross-Group Genuit Leadership Team (GLT) to enable further and more comprehensive interaction between colleagues and ensure messaging is cascaded in a consistent way.
- Development of Genuit Leadership Programme to further develop leaders across the GLT.
- Attracting of new talent and retention of employees.
- Harmonisation of pay framework across hourly paid roles and launch of Workday HRIS system.

## How we engage

- Regular targeted communication within businesses and across the Group via various means including town halls, posters, Teams sessions, emails, Workplace posts and workshops, including employee engagement sessions.
- Monthly health and wellbeing-related promotions.
- Sharing of lessons learned with other business leaders, including root cause analysis and preventative action.

- Gathering direct input into the design of the Genuit Leadership Programme via surveys and interviews.
- D&I working group meetings to support deployment of D&I strategy.
- Employee Peakon survey.
- Establishment of GLT annual conference and monthly update and engagement calls.

## Challenges

- Recruitment and retention of skilled workers and talent.
- Access to digital services for all employees and the challenges of communicating and sharing learning and messaging with non-PC user colleagues.

## Outcome

- Increased visibility and access to consolidated data via Workday.
- Retention of talent.
- Improvements to D&I policies following employee engagement sessions, such as the enhanced Maternity and Paternity Pay Policies launched in January 2024.
- Maintained Investor in People Silver Membership status.
- Increased awareness of Group and pride in being part of an organisation which upholds high standards of ethics.

## Value

- Development of talented leaders focused on driving the Group forward through the deployment of the Sustainable Solutions for Growth strategy.
- Engaged, high-performing and committed workforce.
- A consistent and collaborative culture, supported by the Trademark Behaviours.
- Resilient and supported workforce.



## Site visits

During the year, we hosted site visits at two of our CMS sites (Adey and Nuairé) for analysts, led by our CFO and key members of the local team. We showcased the implementation

of the Genuit Business System, including demonstrating examples of visual daily management and continuous improvement approaches.



## Remuneration Policy 2024

Our Remuneration Policy is designed to deliver balanced outcomes for our key stakeholders. We consulted with our top shareholders on proposed changes to the Remuneration Policy, providing details of the proposed amendments and offering meetings with the Committee Chair. Feedback received from shareholders was positive and constructive, and the updated policy will be put to shareholders at our 2024 AGM.



## Engaging with our stakeholders continued

## Engaging with our customers



### Key topics

- Availability of products due to peak demand.
- Pricing and terms in project and contract work to reflect inflationary and external pressures.
- Awareness and understanding of new legislation, such as Biodiversity Net Gain (BNG) or BNG reporting targets for housing products projects from 2024 onwards.
- Ability to supply and provide a source of credit.
- Innovative solutions to meet changing demands.
- Growing focus on sustainability.

### How we engage

- Face-to-face meetings to negotiate support mechanisms and discuss pricing pressures.
- Industry boards, for example Constructing Excellence and the Construction Products Association.
- Representation on a range of subgroups such as UK Green Building Council, Institute of Engineering Technology and CIBSE, and The Future Homes Hub.
- Establishing strong and long-standing relationships and encouraging open discussions.
- Supporting and mitigating planning constraints where possible to address biodiversity and strategic conservation initiatives.

### Challenges

- Managing all customer requirements and balancing supply and demand.
- Delivering products overseas, in particular the Middle East.
- Understanding how the various standards, codes and planning requirements are applied and the opportunities available.
- Contractors and third parties experiencing financial difficulties as a result of external pressures.

### Outcome

- Minimising bad debt loss from third parties.
- Prevention of large-scale migration of customers.
- Streamlined shipping and transportation resulting in a reduction in costs and increase in quality.
- Investments in machinery and technology.
- Identification of Genuit Group products which assist with the challenges of obtaining BREEM credits such as reductions in water, carbon and transportation.
- Engagement in proof of concept projects and being awarded a number of initial trials.

### Value

- Improve technical knowledge of teams and create better specifications for customers.
- Marginal market share gain.
- Positive cash flow within businesses, minimised losses and ongoing supply.
- Improved customer satisfaction and loyalty.
- Faster deliveries and increased volume with a lower transfer price in new markets.

## Engaging with our shareholders



### Key topics

- Longer-term financial returns with demonstrable sustainability at the core.
- Ability to deliver above-market organic growth alongside an effective M&A strategy.
- Understanding of the Group's strategy and the progress being made against it.
- Confidence in senior leadership team and their ability to effectively execute and deploy the strategy.
- Resilient performance in the face of external market pressures.
- Limited exposure to commoditisation and downward price pressure.
- Effective risk management.
- Robust governance structure to provide confidence in the leadership of the Board.

### How we engage

- Investor meetings offered annually by our Chair to our top shareholders.
- Direct engagement with our Remuneration Committee Chair on remuneration-related matters, including the updated Remuneration Policy.
- Increased participation in broker and bank-sponsored events, including lunches, fire-side chats, investor speed-dating events and other relevant conferences.

- Proactive direct shareholder engagement via one-to-one meetings and tours of our manufacturing sites with analysts and investors.
- Roadshows and salesforce briefings after each results announcement.
- Up-to-date information through publications on our website and establishment of internal workstreams to continuously improve external-facing communication channels.
- Strategy progress updates and Capital Market Events.

### Challenges

- Changes in leadership following departure of CFO and COO during 2023 and requirement to maintain consistent messaging and confidence in the Executive Team.
- Demonstrating the effective deployment of our strategy within the context of external market pressures.

### Outcome

- Continued demand for the Company's shares (heightened shareholder returns).
- Support for strategy and its deployment.
- Positive feedback on information shared and methods of communication which enable continuous improvement to levels of engagement.
- Attracting new investors, including those based overseas.
- Confidence of shareholders in the Company's governance structure and approach to remuneration.

### Value

- Resilient business supported by its shareholders.
- Strategy Progress Update built on the positive momentum created via an earnings upgrade and share price outperformance of sector to date.
- Progressive dividend policy.



## Engaging with our stakeholders continued



## Strategy Progress Update

On 22 November 2023, Joe Vorih, Chief Executive Officer (CEO), and Tim Pullen, Chief Financial Officer (CFO), hosted a Strategy Progress Update in London for investors and analysts, which was also broadcast live for those unable to attend in person. Other key members of the leadership team were also in attendance.

The update focused on the progress against our Sustainable Solutions for Growth strategy, as first communicated at our Capital Markets Day in November 2022, and was an opportunity for management to engage directly with shareholders and share details of our progress on the deployment of our strategy, sustainability ambitions, and the effectiveness of the streamlined structure of three Business Units.

The event was well attended and included a presentation by the CEO and CFO, followed by a Q&A session, allowing in-person and virtual attendees to raise questions and receive direct feedback. We also offered attendees the opportunity to interact informally with other members of the senior management team.



Scan to register and view our SPU held in November 2023



## Recycled material supplier optimisation

During the year we reached out to existing and potential new suppliers to highlight the importance of high-quality and consistent supply of recycled material. We engaged with suppliers to share internal material specification sheets and discuss the different testing and trialling capabilities of each to ensure they can test for the relevant properties and provide evidence their material would comply with our specifications over a sustained period.

We visited the suppliers' sites to view their waste treatment processes and testing labs to evaluate their processes for producing high-quality recycled materials from waste streams. The suppliers also visited our manufacturing sites to obtain a greater understanding of our processes. This built trust, improved communication channels throughout supply and delivery, and the increased sharing of knowledge meant suppliers were able to provide further advice to optimise our manufacturing processes.

## Engaging with our suppliers



- Issuing of Supplier Code of Conduct and Sustainability Code of Conduct to ensure clear and consistent messaging.
- Conduct supplier audits where relevant.

### Challenges

- External market pressures and fluctuating prices.
- Suppliers attempting to drive lower prices and shorter payment terms.
- Evolving nature of PVC recycled material supply chain.

### Outcome

- Increase a sustainable portfolio of products with longer-term surety of supply.
- Savings benefits above target expectations.
- Constant supply, minimal delivery issues and appropriate material availability.
- Reduction in risk and increased willingness from suppliers to provide requested stock.
- Consistent quality of recycled material ensuring efficiencies and progress with sustainability projects.
- Increased awareness of the Company's core vision on sustainability and the short and long-term needs from suppliers.

### Value

- Savings benefits and framework to realise a reduction in supply chain risk.
- Improved process for supplier due diligence.
- Production continuity and customer orders fulfilled.
- Improved assurances of ethical working practices and compliance.
- Contribution to the maintenance of return on sales performance despite the current external market pressures.

### Key topics

- Decline in volume and softening of commodity and energy prices, resulting in suppliers being overstocked and reducing margin to gain volume.
- Ukraine/Russia conflict causing route to trade issues and affecting fuel, oil, timber and energy costs and supply.
- Payment terms and the ability to supply.
- Increasing focus on supply continuity and cost of recycled material.
- Sustainability issues and assurance of ethical working practices.

### How we engage

- Targeted engagement with suppliers across Group and local businesses. Group procurement teams focus on agreements with key strategic suppliers, particularly on recycled materials, and local procurement teams focus on pricing.
- Face-to-face and virtual meetings, digital communications for general items and policy updates, formal tenders for sourcing and procurement.
- Specific engagement with recycled polymer suppliers including site visits in the UK, Belgium and the Netherlands.
- Invite suppliers for tours around the businesses to invigorate new product development.

## Engaging with our stakeholders continued



### Green Construction Board Biodiversity and Environmental Net Gain Group

The Green Construction Board identified biodiversity and environmental net gain as a key area of focus which needed greater emphasis within the construction industry, developing a biodiversity roadmap to provide a direction of travel for the industry on how to address the biodiversity crisis and move towards an environmental net gain. Genuit's engagement as a leader in surface water management, together with the expertise and data from our blue-green roofs, supports and encourages the industry to adopt a 'stacking' approach, combining water and ecosystems services to obtain BNG requirements. This provides the Group with a better understanding of the BNG planning requirements for new housing developments, and this early engagement allows Genuit as a leading manufacturer to be involved in the early stages of design and planning and to offer technical insight and innovative sustainable solutions as part of the wider challenge of adaptation to climate change.



### The Housing Forum Futures Network

The Housing Forum is a cross-sector membership network of organisations, from the public and private sectors, driving quality and supply in UK housing. The Housing Forum has a Futures Network, which consists of a cohort of next generation professionals involved with the built environment. Each cohort of mentees has an individual mentor from The Housing Forum board to assist them during the project. One of our colleagues is Chair of the Futures Network and another colleague acts as a mentor. This insight allows for better understanding of the value of collaboration, how the different organisations function in the construction industry and provides support to individuals in the early stage of their development. This provides the Group with an opportunity to educate the industry on sustainable products, and helps the Group better understand the challenges key stakeholders have in delivering various forms of sustainable housing. It also provides a platform for Genuit to develop and support sponsored rising talent.

## Engaging with our communities



### Challenges

- Ensuring we dedicate time and resource meaningfully.
- Anticipated changes in industry regulations or advancements in technology, requiring the development of new training programmes.
- Reduction in opportunities due to market conditions.

### Outcome

- Long-standing relationships with education sectors and charities across local communities.
- Improving the ability, opportunity and dignity of those disadvantaged within our local communities on the basis of their identity.
- A pipeline of work-ready students with engineering and digital specialisms.
- Cleaner and friendlier areas for the local communities.
- Full-time employment opportunities for interns.
- Increasing awareness of climate resilience and adaptation across the built environment.

### Value

- Development of financial and practical skills to increase opportunities for those from low socio-economic backgrounds.
- Commitment to the delivery of effective education to disadvantaged student populations.
- Reducing the impact of our activities on the environment.
- Local business, Genuit brand awareness and development of reputation.
- Nurturing the next generation of engineering talent.
- Becoming an employer of choice in local communities.

### Key topics

- Supporting local education to develop career aspirations, as well as local charities.
- Social inclusion and sharing of knowledge and expertise across communities.
- Employment opportunities.
- Sustainability and the impact of climate on the built environment, notably minimising environmental impact.
- Mental health and wellbeing.

### How we engage

- Direct engagement at local trusts.
- Creating opportunities for students to develop their business knowledge and entrepreneurial skills including leadership and business modelling.
- Environmental tidy days across local sites.
- Encouraging applications for vacancies and promoting manufacturing companies as a great career opportunity across many occupations.
- Collaborating with local colleges to include neuro-diverse students as interns within the business.
- Charity and sponsorship for local schools, community groups, and sports teams.
- Educational initiatives and support in heating, engineering and reduction of carbon emissions.
- Attending social inclusion events to reinforce and support community understanding of the importance of inclusion.



# Section 172 statement



The Board recognises that effective engagement with stakeholders is critical to achieving long-term sustainable success, and the needs of our different stakeholders are regularly considered by the Board. This section 172 statement gives further insight into some of the decisions taken by the Board where key stakeholders have influenced those decisions.

Key s172 consideration	Page	Key s172 consideration	Page	Key s172 consideration	Page			
1 The likely consequences of any decision in the long term		3 The need to foster the Group's business relationships with suppliers, customers and others		5 The desirability of the Group to maintain a reputation for high standards of business conduct				
	- Purpose and business model		18		- Business model	18	- Health, safety, environment and wellbeing	47
	- Strategy		19		- Strategy	19	- Whistleblowing	112
	- Principal risks		66		- Non-financial and sustainability statement	58	- Internal controls	110
				- Risk management	102			
				- Non-financial and sustainability statement	58			
2 The interests of the Group's employees		4 The impact of the Group's operations on the community and the environment		6 The need to act fairly as between members of the Company				
	- People and culture		43		- Purpose	2	- Stakeholder engagement	49
	- Health, safety, environment and wellbeing		47		- Greenhouse gas emissions	26	- Dividend	115
	- Stakeholder engagement		49		- Sustainability	22	- Strategy	19
				- TCFD	31			

## Our key stakeholders

Our key stakeholders are integral to the Group's long-term strategy. The Executive Management Team 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 interests of the long-term success of the Company.

### Customers

Creating quality products with engineered solutions to enable a sustainable built environment.




### Shareholders

Creating a competitive advantage to generate long-term value for our shareholders.






### Communities and the environment

Understanding the impact of our operations on our local communities and environments.




### Employees

Creating an environment which is diverse, inclusive, and offers a great place to work.

### Suppliers

Creating and maintaining long-standing, ethical and reliable relationships.

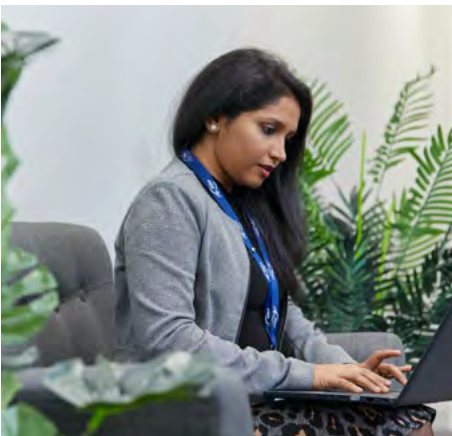





## Section 172 statement continued

## How the Board complied with its s172 duty

Adequate consideration of key stakeholder groups in Board decisions has always been part of Board discussions and the decision-making process at Genuit. The Board promotes the success of the Company for the benefit of its shareholders as a whole, whilst having regard to other stakeholders. It uses varying methods of engagement depending on the stakeholder to ensure it is fully informed of their needs. These include but are not limited to: press releases, announcements, surveys, one-to-one contact, newsletters, forums, emails, videos and town hall leadership sessions.



## Key decisions in 2023

Our governance processes enable the Board to consider the interests of all stakeholders, having regard to all the relevant factors to select the course of action that best leads to high standards of business conduct and success of Genuit Group in the long term.

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. In performing their duties during 2023, 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.



## Section 172 statement continued

## Appointment of Chief Financial Officer

### Context

A key responsibility of the Board and the Nomination Committee relates to Board succession and composition, to ensure there is an appropriate balance of skills, experience, diversity and independence on the Board. Following Paul James' decision to step down as CFO, the Chair, CEO and Chief People Officer (CPO) led the recruitment process to identify a successor, along with the appointed executive search firm. Following this process, Tim Pullen was appointed as CFO with effect from 1 November 2023.

→ Read more in our [Nomination Committee Report on page 92](#)

### Shareholders

The CFO successor needed to be an experienced and commercial CFO with a strong finance and regulatory background, demonstrating commitment to ensuring the continued high performance and return for shareholders.

### Employees

The extensive finance community within the Group meant that appointing the right candidate would be crucial to ensuring continued engagement and motivation within this team and the senior leadership team.

### Outcomes and impact

The Board approved Tim's appointment, given his broad range of public market experience through a variety of fast-paced and dynamic businesses, as well as his impact in the role on an interim basis.

#### s172 considerations

1 2 3 5



## Operational footprint review

### Context

Against a backdrop of continued macroeconomic uncertainty, the Group continued to place focus on business simplification measures which increase the efficiency of operations and partially mitigate the impact of lower volumes. These measures included undertaking site consolidations to increase economies of scale, without any associated reduction in production capacity.

→ Read more in our [Strategic Report on pages 8 and 59 to 60](#)

### Employees

A key priority during the decision-making process was to ensure that employees were consulted about the proposals and offered the opportunity to provide feedback.

### Shareholders

Improving operational efficiencies and continuing to focus on business simplification ensures that long-term value for shareholders continues to be preserved during more challenging economic climates.

### Customers

It was key to the decision-making process that the proposed measures would not impact our ability to continue to serve our customers to a high standard.

### Communities

The Board considered the impact of multi-site operations on the environment, as well the impact of the proposed changes on the local communities.

### Outcomes and impact

More streamlined operations and reduction in costs, reduced energy usage and GHG emissions and improved synergies between businesses, enhancing production and sales offering.

#### s172 considerations

1 2 3 4 5





## Section 172 statement continued

## External audit tender

**Context**

In line with the requirements in relation to external auditor rotation, the Board carried out a tender process during 2023. This process was managed by the Audit Committee Chair, alongside the then CFO and a team of cross-Group employees.

→ Read more in our [Audit Committee Report](#) on pages 110 and 111

**Shareholders**

Ensuring the audit tender process was transparent, independent, and aligned with shareholder interests to enhance trust and provide assurance on the viability and financial risk management of the Company.

**Suppliers**

Understanding the impact of audit on supplier relationships and selection for future audit activities with suppliers and their supply chains.

**Customers**

Being aware of the importance of customers and their impact on the Group financial statements, ensuring the process enhanced the relevance and reliability of our reported financial information.

**Outcomes and impact**

This brought a fresh outlook and new technology to the external audit process resulting in the re-appointment of Ernst & Young LLP as external auditor and continued assurance for all stakeholders regarding the financial reporting process.

## s172 considerations

1 5 6



## Appointment of Non-Executive Director

**Context**

A key responsibility of the Board and the Nomination Committee relates to Board succession and composition, to ensure there is an appropriate balance of skills, experience, diversity and independence on the Board. In light of Mark Hammond's impending retirement from the Board, the Chair, CEO and CPO led the process to appoint a new Non-Executive Director (NED), alongside the appointed executive search firm. Following this process, Bronagh Kennedy was appointed as NED with effect from 3 July 2023.

→ Read more in our [Nomination Committee Report](#) on page 92

**Shareholders**

The Board considered the skills, knowledge and experience required at Board level to support delivery of the Company's strategy and returns for shareholders. The Board considered Bronagh's knowledge and experience across sectors and within corporate governance, HR, legal and sustainability roles and determined that these would complement the current skills, diversity and composition of the Board.

**Outcomes and impact**

The Board approved Bronagh's appointment given her knowledge and broad experience, in particular in relation to sustainability which is an area identified as requiring enhancement within the 2022 reported Board skills matrix.

## s172 considerations

1 2 3 5





# Non-financial and sustainability information statement

The following table, in addition to our TCFD Report on pages 31 to 40, 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.

Non-financial information reporting requirement	Development and actions	Our impact and any related principal risks	Page
<b>Environmental matters</b> – Advancing the circular economy – Tackling climate change – Task Force on Climate-Related Financial Disclosures (TCFD)	Providing solutions to the environmental challenges facing infrastructure, buildings and communities is at the heart of the Group's strategy and growth agenda. In addition to the ambitious targets to achieve by 2025, the Group has science-based targets (SBTs) with initial targets to achieve by 2027, as well as formulating its detailed transition plan to reduce CO <sub>2</sub> e emissions as part of its Pledge to Net Zero, and an increase in its use of recycled plastics.	– Our business model	<b>18</b>
		– Non-financial KPIs	<b>16</b>
		– TCFD	<b>31</b>
		– Sustainability and net-zero transition plan	<b>22</b>
		– Principal risk 3 – climate change	<b>68</b>
<b>Employees</b> – Talent development – Developing apprentice and graduate careers – Diversity and Inclusion ambition – Health and safety – Culture and behaviours	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 with the strategic direction of the Group, and understand the contribution they can make 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 initiatives such as the Graduate Scheme, our Apprentice programme, our Genuit Leadership Programme launched in 2023 and our membership of The 5% Club.	– People and culture	<b>43</b>
		– Health, safety, environment and wellbeing	<b>47</b>
		– Stakeholder engagement	<b>48</b>
		– Principal risk 9 – recruitment and retention of key personnel	<b>71</b>
		– Principal risk 11 – health, safety and environmental	<b>72</b>
<b>Social matters</b> – 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 to offer support and education to their local communities.	– Stakeholder engagement	<b>49</b>
		– People and culture	<b>43</b>
<b>Human rights</b>	Early in 2024, the Group issued a standalone Human Rights Policy and updated its Anti-Slavery Policy. Our Modern Slavery Act transparency statement is available on the Company's website, within which we state our zero-tolerance approach to any modern slavery or human trafficking rights violations. During the year, the Group implemented a new supplier onboarding process, which includes a Supplier Code of Conduct and Sustainability Code of Conduct to ensure our suppliers conform to ethical working practices and are aligned with our environmental targets. The Group also issued a Diversity Policy in 2023 which is reviewed and approved by the Board on an annual basis.	– Nomination Committee Report	<b>92</b>
		– Stakeholder engagement	<b>49</b>
		– Principal risk 1 – raw materials, supply and pricing	<b>67</b>
<b>Anti-corruption and anti-bribery</b>	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 bi-annually that they have complied with the Group's Anti-Bribery and Corruption Policy. Additional training was also conducted during the year across the Group for all employees.	– Audit Committee Report	<b>106</b>
		– Principal risk 6 – breach of legislation	<b>69</b>

## Chief Financial Officer's Report

# Focused on profitable growth

**Tim Pullen**  
Chief Financial Officer

The Group had a strong performance in 2023 in its new operating structure with ongoing market and political uncertainty, but delivering results through transformation and self-help.

### Revenue and operating margin

Group revenue for the year ended 31 December 2023 was £586.5m (2022: £622.2m), declining 5.7% despite an overall volume reduction of 12.4% year-on-year, in the context of market headwinds. UK revenue declined 7.4% but international revenue increased by 9.8%, representing 11.5% of revenue in the year (2022: 9.9%).

Underlying operating profit was £94.1m (2022: £98.2m), a decrease of 4.2% with a volume reduction offset by new product launches, balanced price and cost management and business simplification projects. As a result, the Group underlying operating margin increased by 20 basis points to 16.0% (2022: 15.8%), demonstrating progress towards medium-term margin targets despite the prevailing market softness.

The Group successfully completed several business simplification projects in 2022 and 2023, including a number of site closures and a centralised approach to procurement.

The Group also started the multi-year deployment of the Genuit Business System (GBS) which focuses on continuous improvement. These activities have successfully underpinned £15m of annualised cost savings without any reduction in capacity to ensure strong operating gearing as volumes normalise.

Profit before tax was £48.4m (2022: £45.4m), an increase of 6.6%. The Group continued to invest in product development and innovation throughout the year. In 2023, operating profit benefitted from £1.5m of HMRC approved Research and Development expenditure credit, relating to the year ended 31 December 2023.

“2023 was a year of business simplification, providing a strong platform for growth.”

### Revenue and operating margin

	2023 £m	2022 £m	Change %
Revenue	<b>586.5</b>	622.2	<b>(5.7)</b>
Underlying operating profit	<b>94.1</b>	98.2	<b>(4.2)</b>
Underlying operating margin	<b>16.0%</b>	15.8%	<b>20bps</b>

### Revenue by geographic destination

	2023 £m	2022 £m	Change %
UK	<b>519.1</b>	560.8	<b>(7.4)</b>
Rest of Europe	<b>33.4</b>	32.4	<b>3.1</b>
Rest of World	<b>34.0</b>	29.0	<b>17.2</b>
Group	<b>586.5</b>	622.2	<b>(5.7)</b>



Scan to hear more  
from Tim Pullen  
and his reflections  
on 2023

## Chief Financial Officer's Report continued

## Business Review

## Revenue

	2023 £m	2022 £m	Change %	LFL Change %
Sustainable Building Solutions	242.8	282.5	(14.1)	(14.1)
Water Management Solutions	170.4	172.4	(1.2)	(1.8)
Climate Management Solutions	165.9	158.6	4.6	4.6
	579.1	613.5	(5.6)	(5.8)
Other*	7.4	8.7	(14.9)	(14.9)
<b>Total Group</b>	<b>586.5</b>	<b>622.2</b>	<b>(5.7)</b>	<b>(6.0)</b>

\* Relates to assets held-for-sale which are not reported as part of the Group's Strategic Business Units.

## Underlying operating profit

	2023 £m	ROS %*	2022 £m	ROS %*	Change bps
Sustainable Building Solutions	53.1	21.9	59.3	21.0	90
Water Management Solutions	17.7	10.4	14.1	8.2	220
Climate Management Solutions	22.7	13.7	25.2	15.9	(220)
	93.5	16.1	98.6	16.1	—
Other**	0.6	8.1	(0.4)	(4.6)	1270
<b>Total Group</b>	<b>94.1</b>	<b>16.0</b>	<b>98.2</b>	<b>15.8</b>	<b>20</b>

\* Return on sales (ROS) is equivalent to underlying operating margin (underlying operating profit / revenue).

\*\* Relates to assets held-for-sale which are not reported as part of the Group's Strategic Business Units.

Revenue in the Strategic Business Units, for year ended 31 December 2023 was 5.6% lower than the prior year at £579.1m (2022: £613.5m). On a like-for-like basis, excluding the impact of acquisitions, revenue was 5.8% lower than prior year.

Ongoing self-help measures, deployment of the Genuit Business System and continued business simplification have strengthened our financial performance to offset continued levels of high inflation in materials, energy and labour costs. The team have worked hard on continuing to improve efficiencies, creating value and positioning us for growth.

We have built on the momentum from prior year in driving commercial excellence which has enabled us to successfully launch new products whilst balancing price and cost

management. We have strived to improve our portfolio profit mix by taking ongoing actions on lower margin business. Against a backdrop of more challenging conditions, notably in the residential newbuild and RMI markets, we have continued optimising the cost base whilst maintaining capacity, investing in new equipment and boosting operational efficiency to ensure we are well positioned for improved market conditions.

## Sustainable Building Solutions (SBS)

The strength and resilience of the SBS Business Unit was evident in a challenging market environment in 2023. Trading in SBS was resilient with revenue of £242.8m (2022: £282.5m), 14.1% lower than prior year. The volume decline was in-line with the UK residential new build and RMI sectors.

Despite volume challenges, underlying operating profit margin improved by 90 basis points, driven primarily by effective cost management through several improvement projects. As part of the wider Group business simplification plans, SBS executed an operating footprint consolidation with the completion on the sale of the Glasgow distribution centre and exiting of the Kirk Sandall site, both of which were integrated into the larger and strategic Doncaster facilities. The improvement projects were designed to simplify and improve the cost base without impacting service or reducing capacity.

The deployment of a lean transformation started with the continual, multi-year implementation of GBS at Polypipe Building Products (Doncaster) leading to improved customer service levels and providing a foundation for continuous business improvement. Management successfully completed a significant equipment refresh programme, which enabled a substantial reduction in past due orders, yielding both efficiency and inventory benefits. The Business Unit remains poised to take advantage of the eventual recovery in construction markets and in the meantime is focused on generating organic growth through significant product developments, including the PolyPlumb Enhanced range and value-add sustainability focused solutions such as Polypipe Advantage and Stax.

## Water Management Solutions (WMS)

WMS revenue of £170.4m (2022: £172.4m) declined by 1.2% versus 2022 (1.8% on a like-for-like basis). The Business Unit performed well with revenue generated from new products and

“We'll be focusing on our growth strategy, underpinned by a continuing drive to deliver operational excellence, while keeping that focus on sustainability.”



## Chief Financial Officer's Report continued

geographical expansion. In the second half of 2023, WMS revenue grew by 2.1% driven by structural climate change relating to growth drivers, namely the increased frequency and severity of flood events resulting in a greater number of projects requiring stormwater attenuation solutions.

The Business Unit reported an underlying operating margin of 10.4% during the period, representing a 220-basis points improvement versus prior year. This improvement was driven by a combination of business and brand rationalisations, cost controls and focused investment in our people, processes and manufacturing capabilities.

The WMS medium-term growth strategy is underpinned by focused commercial activity, leveraging the increased levels of product development in 2023 and the Business Unit expects to benefit from changes in water management and biodiversity legislation.

### Climate Management Solutions (CMS)

Revenue of £165.9m (2022: £158.6m) in CMS increased by 4.6% versus 2022. This increase was driven by strength in the residential ventilation market, with structural drivers associated with ventilating to reduce mould and damp problems, particularly in the social housing sector. This growth was partially offset by reduced demand for new boiler and heating system installations which has adversely affected the Adey business. The Adey business remains well positioned to benefit from the eventual recovery in the boiler market.

The CMS Business Unit reported an underlying operating margin of 13.7% in 2023, 220 basis points lower than 2022. This resulted predominantly from lower volumes at Adey and one-off IT security investment to achieve Group standard. The continual, multi-year implementation of GBS has begun in the Business Unit and business simplification projects including the consolidation of the Surestop business into Adey were completed in the year.

The Business Unit now has a solid foundation for profitable growth and is well-positioned to benefit from legislative and environmental tailwinds to deliver growth into the future.

### Acquisitions

#### Keytec

On 31 March 2022, the Group acquired 100% of the voting rights and shares of Keytec Geomembranes Holding Company Limited (Keytec), for an initial cash consideration of £2.5m on a cash-free and debt-free basis plus a deferred consideration of £0.6m, which was paid in early 2023. The total cash consideration of £2.9m included a payment for net cash and working capital commitments on completion of £0.4m. Keytec is a supplier and installer of stormwater attenuation products, geomembranes and gas protection products.

No material intangible assets were identified. The goodwill arising on the acquisition primarily represented the technical expertise of the Keytec staff, synergies of companies offering both supply and install services and market share. The goodwill was initially allocated entirely to the Commercial and Infrastructure Systems, which is now the Water Management Solutions segment.

### Plura

An amount of £1.8m has been recognised as a non-underlying expense in the Group Income Statement in the year ended 31 December 2023 in respect of the Plura contingent consideration arrangement. This takes the total amount recognised as a liability on the Group Balance Sheet at 31 December 2023 to £8.2m. A payment of £1.0m was made in relation to this arrangement in December 2023. Accordingly, the aggregate final total amount payable under the contingent consideration is expected to be approximately £9.2m. Contingent consideration was determined based upon the agreed purchase price of the remaining 49% of shares on 8 December 2023. There is no material difference between the cash consideration and the fair value.

### Non-underlying items

Non-underlying items before tax decreased to £32.1m (2022: £45.2m). These were driven by non-cash amortisation of £14.8m (2022: £15.2m) and total impairment charges of £2.5m (2022: £14.8m), respectively. The Group incurred one-off costs of restructuring of £15.3m (2022: £9.3m) related to the business simplification projects that have underpinned the £15m of annualised savings.

Non-underlying items comprised:

	2023 £m	2022 £m
<b>Non-underlying items</b>		
Amortisation of intangible assets	14.8	15.2
Impairment of goodwill	–	12.0
Impairment of intangible assets	2.5	2.8
Restructuring costs	15.3	9.3
Employment matters	2.0	–
Contingent consideration on acquisitions	1.8	3.1
Workday configuration (SaaS)	1.2	–
Acquisition costs	0.4	0.2
Profit on disposal of property, plant and equipment	(4.7)	–
Product liability claim	(1.2)	1.0
Isolated cyber incident	–	1.2
Unamortised deal costs	–	0.4
<b>Non-underlying items before taxation</b>	<b>32.1</b>	45.2
Tax effect on non-underlying items	(8.0)	(5.2)
<b>Non-underlying items after taxation</b>	<b>24.1</b>	40.0

## Chief Financial Officer's Report continued

**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 £13.6m (2022: £7.6m) due to significantly higher Standard Overnight Index Average (SONIA) interest rates partially offset by lower level of RCF borrowings. Interest cover was 8.2x for the year (2022: 16.0x).

Interest was payable on the RCF at SONIA (2022: SONIA) plus an interest rate margin ranging from 0.90% to 2.75%. The interest rate margin at 31 December 2023 was 1.65% (2022: 1.60%). The Group has commenced an interest rate hedging strategy in 2024 to provide increased certainty and manage interest rate risk.

**Taxation****Underlying taxation**

The underlying tax charge in 2023 was £17.9m, (2022: £14.1m) representing an effective tax rate of 22.2% (2022: 15.6%). This was below the composite UK standard tax rate of 23.5% (2022: 19.0%).

**Taxation on non-underlying items**

The non-underlying taxation credit of £8.0m (2022: £5.2m) represents an effective rate of 24.8% (2022: 11.5%).

**Earnings per share**

	2023 £m	2022 £m
Pence per share:		
Basic	<b>15.5</b>	14.7
Underlying basic	<b>25.2</b>	30.8
Diluted	<b>15.4</b>	14.6
Underlying diluted	<b>25.1</b>	30.5

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 decreased by 18.2% in 2023 predominantly the result of increased interest and tax costs, driven by external factors.

**Dividend**

The final dividend of 8.3 pence (2022: 8.2 pence) per share is being recommended for payment on 5 June 2024 to shareholders on the register at the close of business on 3 May 2024. The ex-dividend date will be 2 May 2024. The proposed increase in the full-year dividend reflects the Group's strong balance sheet and confidence in its medium-term strategy.

The Group aims to pay a progressive dividend, based on dividend cover of 2.0x or greater over the business cycle. 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 final results.

**Balance sheet**

The Group's balance sheet is summarised below:

	2023 £m	2022 £m
Property, plant and equipment	<b>176.4</b>	169.9
Right-of-use assets	<b>22.9</b>	22.3
Goodwill	<b>454.1</b>	455.4
Other intangible assets	<b>142.7</b>	159.7
Net working capital	<b>28.3</b>	33.8
Taxation	<b>(44.7)</b>	(47.9)
Other current and non-current assets and liabilities	<b>6.2</b>	0.1
Net debt (loans and borrowings, and lease liabilities, net of cash and cash equivalents)	<b>(149.3)</b>	(166.2)
Net assets	<b>636.6</b>	627.1

The net value of property, plant and equipment has increased by £6.5m following the continued focus on investing in targeted capital expenditure offset by the sale of two additional sites.

**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 £5.4m (2022: £6.5m) reflecting the reduction in headcount in the Group across the year.

## Chief Financial Officer's Report continued

**Cash flow and net debt**

The Group's cash flow statement is summarised below:

	2023 £m	2022 £m
Operating cash flows before movement in net working capital	<b>105.6</b>	113.6
Add back non-underlying cash items	<b>14.2</b>	9.6
Underlying operating cash flows before movement in net working capital	<b>119.8</b>	123.2
Movement in net working capital	<b>4.1</b>	(19.7)
Net Capital expenditure excluding non-underlying proceeds of sale	<b>(33.8)</b>	(40.9)
Settlement of lease liabilities	<b>(7.6)</b>	(6.2)
Underlying cash generated from operations after net capital expenditure excluding non-underlying proceeds of sale	<b>82.5</b>	56.4
Income tax paid	<b>(12.1)</b>	(7.0)
Interest paid	<b>(13.4)</b>	(3.7)
Non-underlying proceeds of sale	<b>6.9</b>	
Other non-underlying cash items	<b>(14.2)</b>	(9.6)
Settlement of deferred and contingent consideration	<b>(1.6)</b>	(0.5)
Acquisition of businesses	–	(2.6)
Debt issue costs	–	(3.1)
Dividends paid	<b>(30.5)</b>	(30.5)
Proceeds from exercise of share options net of purchase of own share	<b>0.3</b>	0.4
Other	<b>(0.7)</b>	2.2
Movement in net debt – excluding IFRS 16	<b>17.2</b>	2.0
Movement in IFRS 16	<b>(0.3)</b>	(2.5)
Movement in net debt – including IFRS 16	<b>16.9</b>	(0.5)

Delivery of strong cash generation remains core to the Group's strategy. Underlying operating cash conversion of 87.7% (2022: 57.4%) calculated as underlying operating cashflow (after payments for capital expenditure excluding non-underlying proceeds of sale and lease liabilities) divided by underlying operating profit. The Group remains committed to achieving a conversion rate of 90.0% over the medium-term.

A positive working capital movement in the year was achieved through lower levels of inventory following increases in prior periods to improve customer service performance following the recovery in demand and supply chain disruption that followed the pandemic.

Net capital expenditure investment (excluding non-underlying proceeds from sale) decreased to £33.8m (2022: £40.9m) as the Group continued to focus on investing in targeted manufacturing facility development, capacity and key, strategic and innovative projects.

Net debt of £149.3m comprised:

	2023 £m	2022 £m
Bank loans	<b>(145.0)</b>	(195.9)
Cash and cash equivalents	<b>17.0</b>	50.0
Net debt (excluding unamortised debt issue costs)	<b>(128.0)</b>	(145.9)
Unamortised debt issue costs	<b>2.1</b>	2.8
IFRS 16	<b>(23.4)</b>	(23.1)
Net debt	<b>(149.3)</b>	(166.2)
Net debt (excluding unamortised deal issue costs): pro-forma EBITDA	<b>1.1</b>	1.2



## Chief Financial Officer's Report continued

**Financing**

The Group has a Sustainability-Linked Loan (SLL) committed through to August 2027 with one further uncommitted annual renewal through to August 2028 following a refinancing with the existing bank syndicate in 2022. The facility limit is £350.0m with an additional uncommitted 'accordion' facility of up to £50.0m. At 31 December 2023, £120.0m of the RCF was drawn down. Additionally, in 2022 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 2023, there was significant headroom and facility interest cover and net debt to EBITDA covenants were comfortably achieved:

**Covenant**

	Covenant requirement	Position at 31 December 2023
Interest cover	>4.0:1	8.2:1
Leverage	<3.0:1	1.1:1

**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 2023, liquidity headroom (cash and undrawn committed banking facilities) was £247.0m (2022: £229.1m). The Group's focus will continue to be on deleveraging, and its net debt to EBITDA ratio stood at 1.1x pro-forma EBITDA at 31 December 2023 (2022: 1.2x). 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 to 31 December 2025. 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.

**Tim Pullen**  
Chief Financial Officer  
12 March 2024

## Chief Financial Officer's Report continued



## Q&amp;A

**Tim Pullen**  
Chief Financial Officer

### Q What attracted you to join Genuit Group?

From the outside in, I could see a very clear strategy, inspiring leadership from our CEO Joe Vorih and a strong future opportunity. I also liked the context of the Genuit story. This is a business that is going through change and experiencing a cyclical downturn, but one that also has powerful structural drivers that will enable growth and, of course, Genuit has sustainability at its core. These are great ingredients for making an impact and achieving success.

### Q Has anything surprised you in your first few months?

It was clear to me that the Genuit group is comprised of a number of excellent and resilient businesses, just look at the brands and the market shares! But beyond that I was also pleasantly surprised by the level of proactivity that was already underway in reducing the structural cost base of the business. Without any reduction in our capacity this business simplification has increased the operational gearing at a time when volumes are low, and this will improve the profit potential of the business as volumes increase through the cycle.

### Q What are your priorities for 2024?

Our business simplification provides a strong foundation for our growth agenda. Whilst the market remains challenging and we enter 2024 with a degree of uncertainty, we have confidence in our medium-term goals. During this coming year, we'll be focusing on our growth strategy, underpinned by a continuing drive to deliver operational excellence, while keeping that focus on sustainability.



### Q What is Genuit's biggest opportunity for growth?

That's simple. Our business is built for the transition. Here I am referring to the changing market dynamics and the regulatory environment around sustainability, which includes the twin challenges of lowering the carbon footprint of the built environment while adapting to the impacts of climate change. In turn this affords a significant opportunity for Genuit's portfolio of sustainable building products.

### Q What is the greatest challenge the industry is facing?

Clearly climate change represents both a challenge and an opportunity for Genuit. In addition to this, I can see that labour shortages in the construction industry remain a key challenge, particularly if the growing demands for more housing in the UK are to be met. But again, Genuit's approach to innovation can really help meet this challenge. We can deliver simplified, kitted products and multi-product solutions, which enable lower labour costs for our construction customers and help make new housing more affordable.

# Principal Risks and Uncertainties

Top down  
Identifying, assessing and mitigating risk at Group level.

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

This includes:

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

**Internal audit**

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

**Operational level**

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

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

## 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 the 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.

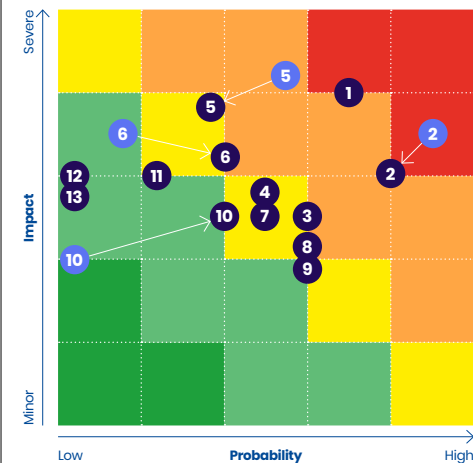
External risks include macroeconomic conditions, climate change, Government action, policies and regulations, raw material supply and pricing, and information systems disruption. Internal risks include reliance on key customers, and recruitment and retention of key personnel. The Board seeks to mitigate 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 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.

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 risk appetite, tolerance and strategy 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.



- |  |  |
|--|--|
| 1 Raw materials supply and pricing               | 8 Intellectual property                      |
| 2 Macroeconomic and political conditions         | 9 Recruitment and retention of key personnel |
| 3 Climate change                                 | 10 Execution of M&A strategy                 |
| 4 Reliance on key customers                      | 11 Health, Safety and Environmental          |
| 5 Business disruption                            | 12 Product failures                          |
| 6 Breach of legislation                          | 13 Liquidity and funding                     |
| 7 Failure of information systems or cyber breach |  |



Principal Risks and Uncertainties continued

Risk	Potential impact	Mitigations	KPI
<b>1. Raw materials supply and pricing</b> <span style="color: orange;">●</span> <span style="color: blue;">↓</span> <span style="color: blue;">-</span>			
<p>The Group is exposed to security of supply risks in respect of prime and recycled raw materials, components and haulage, including associated cost volatility, due to (amongst other matters) the consequence of economic uncertainty, the Russian-Ukraine conflict, supply interruptions in China, 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.</p> <p>The increased friction and potential for a trade war or other geopolitical disputes, including between the US and China, could destabilise supply chain activity.</p> <p>Over the longer-term, supply chain issues could be caused by physical or transition risks of climate change.</p>	<p>Suppliers may not be able to meet our demand for prime or recycled raw materials and/or the price we pay for the raw material is adversely impacted.</p> <p>Supply chain disruption could lead to inefficient production and/or distribution which could adversely affect the Group's financial results.</p> <p>Supply chain constraints could reduce sales and organic growth, increased costs could reduce margins, and limited availability or regulatory changes could result in our failure to achieve recycled material consumption targets.</p> <p>Our product development efforts may be redirected to find alternative materials and/or components.</p>	<ul style="list-style-type: none"> <li>- During the year the Group has appointed a permanent Group Procurement Director, upweighted its procurement and supplier relationship management capabilities, and continued to implement the improvements identified during the 2022 strategic review of its procurement activities.</li> <li>- A new Supplier Code and onboarding process has been implemented.</li> <li>- Utilise different purchasing strategies as appropriate, from dual sourcing to guaranteed availability.</li> <li>- Focus on supplier relationships, flexible and/or fixed supply contracts as appropriate, and introduced an energy risk management strategy.</li> <li>- Maintain adequate, but not excessive, inventories which act as a limited buffer in the event of supply chain disruption.</li> <li>- Own and manage a significant proportion of our required haulage capacity.</li> <li>- Significant contracts are reviewed by Group Legal to avoid unfavourable and/or inflexible terms.</li> <li>- We assess this risk from a climate perspective using qualitative and quantitative scenario analysis, which informs decision-making when identifying appropriate mitigations and impacts as outlined on pages 37 and 38.</li> </ul>	<ul style="list-style-type: none"> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">SG</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UOM</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UEPS</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">CC</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">ROCE</span></li> <li><span style="background-color: #8B4513; color: white; border-radius: 50%; padding: 2px 5px;">R</span></li> <li><span style="background-color: #8B4513; color: white; border-radius: 50%; padding: 2px 5px;">GHG</span></li> </ul>
<b>2. Macroeconomic and political conditions</b> <span style="color: orange;">●</span> <span style="color: blue;">-</span> <span style="color: blue;">↓</span>			
<p>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, Government elections, rates of inflation, interest rates, any political and economic uncertainty and impacts of global conflicts or trade tensions.</p>	<p>Macroeconomic and political conditions could have an adverse impact on the Group's markets and ultimately demand for its products.</p> <p>In addition, Government policy has the potential to be either positive or adverse to markets and demand.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>- Diversity of our businesses and end markets; and the proactive development of our brands, products, and services.</li> <li>- Target those end markets where profitable growth prospects are greatest.</li> <li>- Monitor trends and lead indicators, invest in market research and an active member of the Construction Products Association.</li> <li>- Actively manage our demand forecasts and costs through regular operational review meetings.</li> <li>- Undertake scenario planning to support business resilience.</li> <li>- Focus on innovation, new product development and ESG driven opportunities to leverage our competitive advantage.</li> <li>- We assess this risk from a climate perspective using quantitative scenario analysis, which informs decision-making when identifying appropriate mitigations and impacts as outlined on pages 36 and 37.</li> </ul>	<ul style="list-style-type: none"> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">SG</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UOM</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UEPS</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">CC</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">ROCE</span></li> <li><span style="background-color: #8B4513; color: white; border-radius: 50%; padding: 2px 5px;">GHG</span></li> </ul>

Risk appetite			Risk treatment category			Change in potential impact and/or probability		
<span style="color: green;">●</span> Low	<span style="color: orange;">●</span> Medium	<span style="color: red;">●</span> High	<span style="color: blue;">↓</span> Reduce	<span style="color: blue;">-</span> Maintain	<span style="color: blue;">↑</span> Increase	<span style="color: blue;">↓</span> Decreased	<span style="color: blue;">-</span> No Change	<span style="color: blue;">↑</span> Increased

Financial KPIs	Non-Financial KPIs
<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">SG</span> Sales growth	<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">CC</span> Cash conversion
<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UOM</span> Underlying operating margin	<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">ROCE</span> Return on capital employed
<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UEPS</span> Underlying diluted EPS	<span style="background-color: #8B4513; color: white; border-radius: 50%; padding: 2px 5px;">R</span> Recycling
	<span style="background-color: #8B4513; color: white; border-radius: 50%; padding: 2px 5px;">AF</span> Accident frequency
	<span style="background-color: #8B4513; color: white; border-radius: 50%; padding: 2px 5px;">DOW</span> Developing our workforce
	<span style="background-color: #8B4513; color: white; border-radius: 50%; padding: 2px 5px;">GHG</span> Greenhouse gas emissions

Principal Risks and Uncertainties continued

Risk	Potential impact	Mitigations	KPI
<b>3. Climate change</b> <span style="color: orange;">●</span> <span style="color: blue;">●</span> <span style="color: grey;">●</span>			
<p>The increase in frequency, intensity and impact of weather events such as flooding, drought and coastal erosion.</p> <p>The longer-term implications of climate change give rise to the transition risk to address the challenges expediently.</p>	<p>Adverse weather events could damage, disrupt or lead to temporary closure of the Group's facilities and operations.</p> <p>Prolonged periods of severe weather could result in a slowdown in site construction activity thus reducing demand for the Group's products.</p> <p>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.</p> <p>All the above potential impacts could adversely affect the Group's financial results and investment proposition.</p>	<ul style="list-style-type: none"> <li>- Climate change risk analysis has been developed and associated actions are being undertaken where relevant.</li> <li>- A clearly defined sustainability framework has been developed. A series of measures, action plans, metrics and targets (described in our TCFD disclosure on page 40) were adopted to accelerate the Group's progress.</li> <li>- Embedding its sustainability agenda across the workforce is a key focus for the Group in achieving its objectives. Our Sustainable Solutions for Growth strategy is focused on both mitigation and adaption opportunities, and as part of the former, reducing our carbon impact is a key aspect.</li> <li>- 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 could be installed.</li> <li>- As part of our scope 3 supplier engagement target, and as affirmed by our TCFD quantitative analysis, we are now progressing supplier engagement to ensure they are on a carbon reduction pathway and also managing their own exposure to climate-related risk.</li> <li>- Details of our response to specific climate change risks and opportunities is described in our TCFD disclosure on pages 31 to 40.</li> </ul>	<ul style="list-style-type: none"> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">SG</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UOM</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UEPS</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">ROCE</span></li> <li><span style="background-color: #C08040; color: white; border-radius: 50%; padding: 2px 5px;">GHG</span></li> </ul>
<b>4. Reliance on key customers</b> <span style="color: orange;">●</span> <span style="color: blue;">●</span> <span style="color: grey;">●</span>			
<p>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.</p>	<p>Any deterioration in our relationship with a key customer could lead to a loss of business thereby adversely affecting the Group's financial results.</p>	<ul style="list-style-type: none"> <li>- The Group continually seeks to innovate and develop its brands, products and services to better meet the needs of its customers.</li> <li>- The Group's strategic objective is to broaden its customer base wherever possible.</li> <li>- 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.</li> <li>- 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.</li> </ul>	<ul style="list-style-type: none"> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">SG</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UOM</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UEPS</span></li> <li><span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">ROCE</span></li> <li><span style="background-color: #C08040; color: white; border-radius: 50%; padding: 2px 5px;">GHG</span></li> </ul>

Risk appetite			Risk treatment category			Change in potential impact and/or probability		
<span style="color: green;">●</span> Low	<span style="color: orange;">●</span> Medium	<span style="color: red;">●</span> High	<span style="color: blue;">↓</span> Reduce	<span style="color: blue;">↔</span> Maintain	<span style="color: blue;">↑</span> Increase	<span style="color: blue;">↓</span> Decreased	<span style="color: blue;">↔</span> No Change	<span style="color: blue;">↑</span> Increased

Financial KPIs	Non-Financial KPIs
<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">SG</span> Sales growth	<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">R</span> Recycling
<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UOM</span> Underlying operating margin	<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">AF</span> Accident frequency
<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">UEPS</span> Underlying diluted EPS	<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">DOW</span> Developing our workforce
<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">CC</span> Cash conversion	<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">GHG</span> Greenhouse gas emissions
<span style="background-color: #003366; color: white; border-radius: 50%; padding: 2px 5px;">ROCE</span> Return on capital employed	

Principal Risks and Uncertainties continued

Risk	Potential impact	Mitigations	KPI
<p><b>5. Business disruption</b> ● ↓ ↓</p> <p>The Group's facilities and 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.</p> <p>Over the longer-term, business disruption issues could be caused by physical or transition risks of climate change.</p>	<p>Such incidents could result in the temporary cessation in activity, or disruption, at one of the Group's facilities impeding the ability to deliver its products to its customers, thereby adversely affecting the Group's financial results.</p>	<ul style="list-style-type: none"> <li>- The Group has established business continuity, crisis response, and disaster recovery plans.</li> <li>- The Group performs regular maintenance to minimise the risk of equipment failure.</li> <li>- Finished goods holdings across the operations act as a limited buffer in the event of an operational failure.</li> <li>- The Group continually invests in the maintenance and upgrade of IT infrastructure and information systems which, amongst other matters, facilitates remote working.</li> <li>- The Group maintains sufficient liquidity to meet our liabilities when due under both normal and stressed conditions.</li> <li>- The Group maintains appropriate insurance to cover business interruption and material damage to property from such incidents.</li> <li>- Independent insurer inspections take place periodically across all sites to identify and assess potential hazards and business interruption risks.</li> <li>- We assess this risk from a climate perspective using qualitative scenario analysis, which informs decision-making when identifying appropriate mitigations and impacts as outlined on page 36.</li> </ul>	<ul style="list-style-type: none"> <li>SG</li> <li>UOM</li> <li>UEPS</li> <li>CC</li> <li>ROCE</li> <li>GHG</li> </ul>
<p><b>6. Breach of legislation</b> ● - ↑</p> <p>Failure to comply with elements of a significantly increased and continually evolving governance, legislative and regulatory business environment including, but not limited to, Data Protection Regulation, Competition Law, the Bribery Act, Sanctions Compliance and the Building Safety Act.</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>- The Group's in-house legal department and other specialist functions, supported by specialist external advisers and membership of appropriate industry bodies, are responsible for monitoring changes to laws and regulations that affect the Group and related ongoing monitoring and training.</li> <li>- Specific policies are in place where relevant to maintain and demonstrate compliance with regulations, such as Data Protection, Competition Law, Anti-Bribery and Corruption, Sanctions Compliance and the Building Safety Act. Guidance documents and Codes exist within the Group detailing expected standards of behaviour and compliance.</li> <li>- Training and guidance documents are provided to all relevant new employees on Competition Law, including those changing roles. In addition, mandatory training is also in place in relation to compliance with Data Protection Regulation and the Bribery Act.</li> <li>- Regular declarations of compliance are undertaken in respect of Data Protection Regulation, Competition Law, the Bribery Act, Sanctions Compliance and adherence to ethics and compliance expectations.</li> <li>- All business in higher-risk countries requires approval by Group Legal. A third party system is used to screen companies and/or individuals located in, or linked to, sanctioned countries.</li> <li>- The independent third party Safecall whistleblowing helpline is available to employees.</li> <li>- The Group has in place a data security solution which gives it the ability to automatically discover, classify and label personal data; and where necessary remediate potential data exposure and misconfigurations instantly.</li> </ul>	<ul style="list-style-type: none"> <li>UOM</li> <li>UEPS</li> <li>ROCE</li> </ul>

Risk appetite			Risk treatment category			Change in potential impact and/or probability		
● Low	● Medium	● High	↓ Reduce	➡ Maintain	↑ Increase	↓ Decreased	➡ No Change	↑ Increased

Financial KPIs	Non-Financial KPIs
<ul style="list-style-type: none"> <li>SG Sales growth</li> <li>UOM Underlying operating margin</li> <li>UEPS Underlying diluted EPS</li> </ul>	<ul style="list-style-type: none"> <li>CC Cash conversion</li> <li>ROCE Return on capital employed</li> <li>R Recycling</li> <li>AF Accident frequency</li> <li>DCW Developing our workforce</li> <li>GHG Greenhouse gas emissions</li> </ul>



Principal Risks and Uncertainties continued

Risk	Potential impact	Mitigations	KPI
<b>7. Failure of information systems or cyber breach</b> ●●↓—			
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.	<ul style="list-style-type: none"> <li>– 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.</li> <li>– 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 outsourced managed virus detection and response service.</li> <li>– Best-in-class anti-virus and malware protection is in place across all the end points and servers within the Group's businesses.</li> <li>– The Group employs an outsourced best-in-class managed detection and response service, which includes strict SLAs and covered by a cyber warranty.</li> <li>– Identity management is in place covering our core internal and external services, including Multi-Factor Authentication (MFA) and advanced behaviourally heuristic protection.</li> <li>– Data protection is implemented on our cloud-based storage and local file servers, giving oversight and audit of folder and file access, and potential threats to data loss.</li> <li>– 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.</li> </ul>	SG UOM UEPS CC ROCE
<b>8. Intellectual property</b> ●●—			
The Group depends on its extensive and unique intellectual property (IP), and differentiated products, to defend its market positions and sustain higher margins.	IP infringements, including copycat or counterfeit products, subsequent loss of business and/or loss of brand value could adversely affect the Group's financial results, reputation, compliance with IP regulators and the Group's ability to implement and deliver its Sustainable Solutions for Growth strategy.	<ul style="list-style-type: none"> <li>– Regular interaction with the Group's product development and R&amp;D teams to ensure the Group's IP strategy is being implemented at all stages of the product life cycle.</li> <li>– Regular reviews are performed of the Group's IP portfolio, including mapping and gap analysis across patents, designs, trademarks and copyright.</li> <li>– Potential infringement of the Group's IP is regularly monitored, assisted by third party IP experts, and robustly challenged or defended as appropriate.</li> </ul>	SG UOM UEPS ROCE R

Risk appetite			Risk treatment category			Change in potential impact and/or probability		
● Low	● Medium	● High	↓ Reduce	— Maintain	↑ Increase	↓ Decreased	— No Change	↑ Increased

Financial KPIs		Non-Financial KPIs	
● SG Sales growth	● CC Cash conversion	● R Recycling	● AF Accident frequency
● UOM Underlying operating margin	● ROCE Return on capital employed	● DOW Developing our workforce	● GHE Greenhouse gas emissions
● UEPS Underlying diluted EPS			

Principal Risks and Uncertainties continued

Risk	Potential impact	Mitigations	KPI
<b>9. Recruitment and retention of key personnel</b> ● ● ●			
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 Sustainable Solutions for Growth strategy.	<ul style="list-style-type: none"> <li>– Track staff turnover and key people indicators monthly.</li> <li>– Learning and development programmes embedded across the Group, including Diversity &amp; Inclusion.</li> <li>– The Group has a mental health policy and associated training in place, as well as Employee Assistance and Wellbeing programmes.</li> <li>– Following the implementation of the Workplace by Meta platform in 2022, the Group's employee communication and engagement has improved.</li> <li>– During the year, the Group successfully completed the implementation of initial modules of the Group-wide HR information system which enables recruitment, performance management and talent management; and improves employee engagement survey capability.</li> <li>– A culture programme has been launched as part of our Sustainable Solutions for Growth strategy.</li> </ul>	SG UOM UEPS ROCE DOW

<b>10. Execution of M&amp;A strategy</b> ● ● ●			
The management of acquisitions activity and their integration play a part in delivering the Group's Sustainable Solutions for Growth strategy. Acquisitions may fill a strategic gap in the Group's portfolio; enable sales or operational synergies and/or provide access to new or diversified markets. There is a risk that any executed acquisitions may not perform as expected in the acquisition case and that benefits, and value does not accrue in line with expectations.	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 Sustainable Solutions for Growth strategy, including the ability to meet medium-term financial targets.	<ul style="list-style-type: none"> <li>– Formal Board-level approvals are required in accordance with the Group's delegation of authority matrix for any acquisition activity.</li> <li>– Full due diligence is performed before any acquisition is made.</li> <li>– The Group seeks contractual assurances from the sellers to mitigate against any identified issues or risks.</li> <li>– Where appropriate, the Group will pay contingent consideration linked to the ongoing performance of the acquisition.</li> <li>– The progress of any integration is closely monitored at Board and senior management team level.</li> <li>– The Genuit Business System will be deployed into any new acquisitions.</li> </ul>	SG UOM UEPS CC ROCE AF

Risk appetite			Risk treatment category			Change in potential impact and/or probability		
● Low	● Medium	● High	↓ Reduce	● Maintain	↑ Increase	↓ Decreased	● No Change	↑ Increased

Financial KPIs		Non-Financial KPIs	
● SG Sales growth	● CC Cash conversion	● R Recycling	● AF Accident frequency
● UOM Underlying operating margin	● ROCE Return on capital employed	● DOW Developing our workforce	● GHE Greenhouse gas emissions
● UEPS Underlying diluted EPS			

## Principal Risks and Uncertainties continued

Risk	Potential impact	Mitigations	KPI
<b>11. Health, Safety and Environmental</b> ● ↓ -			
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 prevent and/or 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 harm to individuals, the environment or property and 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.	<ul style="list-style-type: none"> <li>The Group has a formal Health, Safety and Environmental policy, and procedures are in place to monitor compliance with the policy.</li> <li>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.</li> <li>The Group performs internal HSE audits and is subject to external HSE audits.</li> <li>Investigations are performed to identify root causes and key learnings with a view to continuously improving. Learnings are shared across the Group, as necessary. Key messages are constantly reinforced throughout the Group.</li> </ul>	<ul style="list-style-type: none"> <li>SG</li> <li>UOM</li> <li>UEPS</li> <li>ROCE</li> <li>AF</li> </ul>
<b>12. Product failures</b> ● - ●			
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 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.	<ul style="list-style-type: none"> <li>The Group operates comprehensive quality assurance systems and procedures at each site.</li> <li>Wherever required, the Group obtains certifications over its products to the relevant national and European standards including Kitemarks, BBA, WRC and WRAS accreditations.</li> <li>The Group maintains product liability insurance to cover third party property damage or personal injury claims arising from potential product failures.</li> </ul>	<ul style="list-style-type: none"> <li>SG</li> <li>UOM</li> <li>UEPS</li> <li>ROCE</li> </ul>
<b>13. Liquidity and funding</b> ● - ●			
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 be an inhibitor to the Group's Sustainable Solutions for Growth strategy, leading to the Group not being able to fund its operations or strategic investments or in needing to raise emergency finance that degrades shareholder value.	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Net borrowing costs are now hedged following the adoption in Q1 2024 of a hedging strategy to increase certainty.</li> </ul>	<ul style="list-style-type: none"> <li>SG</li> <li>UOM</li> <li>UEPS</li> <li>ROCE</li> </ul>

<b>Risk appetite</b>	● Low	● Medium	● High
<b>Risk treatment category</b>	↓ Reduce	→ Maintain	↑ Increase
<b>Change in potential impact and/or probability</b>	↓ Decreased	→ No Change	↑ Increased

Financial KPIs	Non-Financial KPIs
● SG Sales growth	● R Recycling
● UOM Underlying operating margin	● AF Accident frequency
● UEPS Underlying diluted EPS	● DOW Developing our workforce
	● GHE Greenhouse gas emissions



## Emerging risks

### Artificial Intelligence

Artificial Intelligence (AI) is a technology being rapidly adopted by businesses, consumers and governments across the world. The Group is:

- Creating a Group AI framework and usage policy, which includes which providers, models and use cases we will use AI for;
- Incorporating AI into the Group's Data Loss Prevention (DLP) processes, technically securing processing and use of AI;
- Continuing to explore the use of AI in key areas where we see potential commercial and/or service advantage (such as process automation in (1) back-office functions; and (2) design, quotation, and project support);
- Exploring recruitment and training of automation capabilities within the Group data and business intelligence team; and
- Controlling the Group's access to Generative AI services.

### Social change

Changes in values, attitudes and behaviours are driving changes in society and consequently the workplace. These evolving social changes include an increasing focus on work-life balance, the growing role of social media and shifting attitudes to consumer behaviours. Values are significantly influenced by age, education and geography. The Group is enhancing the employee value proposition through:

- Targeted rewards packages (to counter high inflation/cost of living) and introduction of total reward concept;
- Increased skills-building and training opportunities;
- Reduced business travel, together with investment in meeting technologies;
- Introduction of flexible, hybrid and/or remote working;
- Provision of employer-funded wellbeing services;
- Improved employee benefits;
- Career development and mentoring programmes; and
- Introduction of secondment programmes and the relaunch of an improved Genuit graduate training programme.

**Joe Vorih**  
Chief Executive Officer  
12 March 2024

# Governance

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# Governance at a glance

## Our Board

The Board has seven Directors comprising the Chair, two Executive Directors and four independent Non-Executive Directors.

Biographies of the Directors are available on pages 78 to 79 and on our website, [www.genuitgroup.com](http://www.genuitgroup.com).

### The Board

The Board provides the leadership of the Group and is elected to represent shareholders to oversee and enable the Company's prosperity and long-term success. Part of its responsibilities include setting strategy, culture, control and management.

### Independent Non-Executive Chair

Kevin Boyd

### Executive Directors

Joe Vorih (CEO)  
Tim Pullen (CFO)

### Independent Non-Executive Directors (NEDs)

Shatish Dasani  
Lisa Scenna  
Louise Brooke-Smith  
Bronagh Kennedy

### Company Secretary

Emma Versluys

### The Executive Management Team

The Executive Management Team is responsible for implementing Company policies, strategies and decisions made by the Board, managing daily operations and steering the Company towards achieving its goals.

**CEO** E  
Joe Vorih

**CFO** E  
Tim Pullen

**Chief Strategy and Sustainability Officer** E  
Martin Gisbourne

**Chief People Officer** E  
Clare Taylor

**Group Legal Counsel and Company Secretary** E  
Emma Versluys

**Business Unit Managing Director, SBS**  
Steve Currier

**Business Unit Managing Director, WMS**  
Steve Durdant-Hollamby

**Key:** E Executive Committee

## Board governance framework

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

### Genuit Group plc Board

**Nomination Committee**  
Pages 92 to 98

**Risk Committee**  
Pages 99 to 105

**Audit Committee**  
Pages 106 to 112

**Remuneration Committee**  
Pages 118 to 147

## Board appointments

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

### March 2023

- Lisa Scenna was appointed Senior Independent Director
- Shatish Dasani was appointed as Non-Executive Director and Audit Committee Chair

### July 2023

- Bronagh Kennedy was appointed as Non-Executive Director

### November 2023

- Tim Pullen was appointed Chief Financial Officer

### Board team building session

An externally facilitated Board team building session took place in October 2023 following the changes in leadership and as a recommendation from the 2022 external Board evaluation. Further detail on this process is detailed on [page 89](#).

### External audit tender

Selecting the right external auditor is crucial for effective corporate governance, as a competent external auditor provides assurance of financial accuracy, promotes investor confidence in the Company, oversees high levels of risk management and provides independent perspective. The Board conducted an external audit tender during the year, facilitated by the Audit Committee Chair. Further detail on this process is included in our Audit Committee Report on [page 110](#).

### Shareholder engagement

The Board prioritised increasing the level of direct shareholder engagement during the year through its Strategy Progress Update and obtaining feedback on its proposed Remuneration Policy. Further detail on the engagement with shareholders on our Remuneration Policy can be found in our Stakeholder Engagement section on [page 51](#).

## Highlights

(as at 31 December 2023)

### Board meeting attendance

100%

### 2023 employee engagement sessions

6

### Board independence

71%

### Ethnicity

1 of 7 members

### Average age

56.5

## Culture

The Group culture refresh programme was launched during the year. A team of senior leaders from across the Group volunteered to participate to develop and implement strategies to establish, improve and embed the Group's culture and Trademark Behaviours. Various steps were involved in the process during the year, as well as a commitment to deeply embed and sustain the new culture and Trademark Behaviours across the organisation during 2024. You can read more about this on [page 45](#) in the Strategic Report and [pages 84 and 85](#) of the Governance Report.



# Chair's Letter



**Kevin Boyd**  
Independent Non-Executive Chair

“Good governance is not simply an area of compliance, but is integral to an efficient, effective and prospering Company.”

On behalf of the Board, I am pleased to present the Governance Report for the year ended 31 December 2023, my first full year as Chair of the Board.

Good governance is not simply an area of compliance, but is integral to an efficient, effective and prospering Company. Structured and transparent governance systems hold executives to account for their decisions on behalf of the Company, enable effective leadership and lead to sustainable business practices promoting long-term sustainable success for shareholders. The Board has adequate oversight of governance structures within the Group and continually monitors and reviews these to provide reassurance to shareholders.

This Governance Report, as well as the reports of the Audit, Nomination, Risk and Remuneration Committees give further insight into the Board's activities during the year, which will allow all stakeholders to determine the Company's compliance with the UK Corporate Governance Code (the Code). This Report, as well as the Directors' Remuneration Report, set out in greater detail how the principles and provisions of the Code have been applied during the year and how the Board and its Committees have fulfilled their responsibilities to ensure high levels of governance are in place across the Group. Engaging with our stakeholders remains a priority, and further detail on how we have done this during 2023 can be found on pages 49 to 53.

## Board changes

This year has seen further changes to the Board. In accordance with the Code, Mark Hammond, Non-Executive Director since 2014, stepped down from the Board on 31 October 2023 and in anticipation of Mark's retirement, Lisa Scenna was appointed as Senior Independent Director in March 2023. As outlined in the 2022 Governance Report on page 70, the Company was non-compliant with Provision 24 of the Corporate Governance Code with effect from 1 November 2022 to 7 March 2023 as a result of the Chair also serving as Audit Committee Chair. A clear explanation of the reasons for this was provided in the 2022 Annual Report and Accounts, and I am pleased to confirm that following Shatish Dasani's appointment to the Board as a Non-Executive Director, and Audit Committee Chair with effect from 7 March 2023, the Company maintained compliance with all provisions of the Code. Matt Pullen stepped down from the Board in April 2023 and the Board decided not to appoint a successor. After more than five years serving as Chief Financial Officer (CFO), Paul James stepped down from the Board

in September 2023 and Tim Pullen joined the Company as Interim CFO on 4 September to enable an effective handover of responsibilities, and was appointed permanent CFO and joined the Board on 1 November 2023. These changes are in line with our succession planning and recruitment policies to ensure a diverse Board with a combination of skills and experience, and show the Board's resilience to adapting to change and the effectiveness of its succession planning strategies. I believe that we have a strong and multi-skilled Board in place with an appropriate balance of experience.

## Board composition, skills and diversity

The composition, skills and diversity of the Board continue to be monitored. Given the leadership changes during the year, the Board participated in an externally facilitated team building session in October 2023 to further develop the relationships between Board members and its effectiveness as a Board. The Board continues to support diversity in the widest sense and acknowledges the advantages that come from having diverse viewpoints across the Group's businesses and in the decision-making processes at Board and senior management level. We believe that our Board is well balanced and diverse, with the right mix of skills, experience, independence and knowledge to allow it to discharge its duties and responsibilities effectively and to lead the Group during the next phase of its strategic development.

I am pleased to report that as at 31 December 2023, the Company has 42.8% female representation on its Board, 40% female representation on its Executive Committee, and 50% female representation at senior level, being the Executive Committee and its direct reports. We are proud of the changes we continue to make to create a more diverse and inclusive environment and are committed to maintaining this diverse approach at all levels of recruitment. Following Shatish's appointment as a Non-Executive Director, and Lisa's appointment as Senior Independent Director, as at the reporting date of 31 December 2023, we are compliant with the Listing Rule requirements on diversity.

Our Nomination Committee is continuing to further develop its succession plans for the Board and senior management with support from the Executive Committee and the Chief People Officer. You can read more about the work of our Nomination Committee on pages 92 to 98.

## Chair's Letter continued

**Section 172 Statement**

In accordance with the 2018 UK Corporate Governance Code and the Companies Act 2006, the Board, in its decision-making process, considers what is most likely to promote the success of the Company for its shareholders in the long term, as well as considering the interests of the Group's employees and other stakeholders and understanding the importance of taking into account their views. The Board also considers, and takes seriously, the Group's impact on the local communities within which it operates, as well as reviewing actions being taken to mitigate any negative impacts our operations have on the environment. Considering this, the Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole. The Board's activities and considerations in meeting this requirement are covered in detail in our s172 Statement.

—> [Read more on pages 54 to 57.](#)

**Culture and purpose**

Our new purpose of 'Together, we create sustainable living' showcases and brings collaborative and problem-solving mindsets to the challenges faced by our customers in improving the built environment.

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

The Board continues to prioritise setting the culture from the top, aligning our purpose, behaviours and strategy to the culture of the Group. The Board recognises its responsibility for shaping, monitoring and overseeing culture, and is proud of the developments made to further integrate and implement recognisable and consistent Trademark Behaviours, further detail of which is included in the Strategic Report on page 45 and outlined further in this Report on pages 84 and 85. The Board recognises that effective management of this is necessary to enable the delivery of long-term success for all stakeholders.

The deployment of our refreshed strategy during 2023, as well as the changes to our organisational structure, continue to support our culture and our desire to embed the right behaviours across the Group. We remain of the view that decision-making by those people who are closest to their respective customers and who are experts in their fields is key to continuing to respond to our customers' needs. As a result, the Board understands the importance of promoting a culture whereby employees understand the common Group purpose and strategy, but also feel empowered to act. We therefore need to ensure that our governance structures create sufficient challenge and debate so we can be confident we continue to make the right decisions for the long-term success of the Group.

**Stakeholder engagement**

During December 2023, I reached out to our top ten shareholders to offer them the opportunity to meet with me to discuss any issues or concerns they might have. I met with five during January and February 2024 and overall the feedback on the Group's strategy, performance and management team was positive.

**Looking at 2024 and beyond**

During 2024, we will continue to address the challenges caused by climate change and urbanisation by developing and producing sustainable solutions, focusing on our sustainability framework and its growth drivers, trends and opportunities in accordance with our defined purpose. We will continue to foster a culture across our businesses that results in the right decisions and actions to promote the success of the Group for the long term, and for the benefit of our members as a whole; whilst holding ourselves accountable against our sustainability targets and raising the bar for sustainability to promote the generation of smarter and more sustainable policies and practices across our industry. Working together, we will make the built environment more sustainable for generations to come, whilst maintaining a robust governance structure which continues to address and understand the needs of all our stakeholders.

As always, we welcome questions or comments from shareholders either via our website or in person at the Annual General Meeting (AGM) scheduled to be held at Genuit Group's offices in Leeds at 4 Victoria Place, Holbeck, LS11 5AE on 28 May 2024.

**Kevin Boyd**  
Independent Non-Executive Chair  
12 March 2024

# Directors and Officers

## Board of Directors



**Kevin Boyd**  
Independent Non-Executive Chair

**Committees:** N R

**Appointed: 22 September 2020**

**Experience:** Kevin has extensive listed plc experience in the engineering and manufacturing sectors, bringing a strong combination of financial, strategic and multi-organisational expertise to the Board. He was previously the Chief Financial Officer of global engineering group Spirax-Sarco Engineering plc and prior to that Chief Financial Officer of Oxford Instruments plc and Radstone Technology plc and until October 2023 was Senior Independent Director and Chair of the Audit Committee of Emis Group plc. Kevin has a BEng from Queen's University Belfast, is a Chartered Engineer, and a Fellow Chartered Accountant of the ICAEW and the Institution of Engineering and Technology. Kevin was appointed Chair of the Board on 1 November 2022.

### External Appointments:

Non-Executive Director and Chair of the Audit Committee of Bodycote plc, and Non-Executive Director of Galliford Try Holdings plc.

### Committees:

- Audit Committee
- Remuneration Committee
- Chair of Committee



**Joe Vorih**  
Chief Executive Officer

**Committees:** RI

**Appointed: 28 February 2022**

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

### External Appointments:

Non-Executive Director of Senior plc, Director of Rocky Neck Partners, LLC.

- Nomination Committee
- Risk Committee



**Tim Pullen**  
Chief Financial Officer

**Committees:** RI

**Appointed: 1 November 2023**

**Experience:** Tim joined Genuit as Interim Chief Financial Officer on 4 September 2023, and was appointed Chief Financial Officer on 1 November 2023. Tim previously served as CFO of IQE plc, an AIM listed manufacturer of advanced semiconductor materials from 2019 to 2023, as CFO of Arm Limited from 2017 to 2019 and held senior finance positions in O2/Telefonica UK, Serco plc and Logica plc prior to that. He is a Chartered Accountant (ICAEW) and is Chair of the Risk Committee.

### External Appointments:

None.



**Lisa Scenna**  
Senior Independent Director

**Committees:** R N A

**Appointed: 24 September 2019**

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

### External Appointments:

Non-Executive Director of Cromwell Property Group, an Australian listed company, and Non-Executive Director of Harworth Group plc, Gore Street Energy Storage Fund plc and Non-Executive Director and Chair of the Audit, Risk & Compliance Committee for Dexus Capital Funds Management Limited.



**Shatish Dasani**  
Non-Executive Director

**Committees:** A N R

**Appointed: 1 March 2023**

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

### External Appointments:

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



**Louise Brooke-Smith**  
Non-Executive Director

**Committees:** N A R

**Appointed: 24 September 2019**

**Experience:** Louise Brooke-Smith has extensive expertise in the property, construction and infrastructure industries, being an experienced property and planning adviser, past Global President of the Royal Institution of Chartered Surveyors and member of the Royal Town Planning Institute. She was formerly a partner at Arcadis LLP. Louise holds a Bachelor of Science from Sheffield Hallam University and honorary doctorates from Wolverhampton, Sheffield Hallam and Birmingham City Universities. She is a Freeman of the City of London and was awarded an OBE in 2019 for services to the built environment and diversity. Louise is our nominated workforce engagement NED.

### External Appointments:

Strategic Planning and Development Adviser and Director for Consilio Strategic Consultancy Limited, a Board Trustee of The Land Trust, a Trustee of Birmingham Museum & Art Gallery, and a Board Member of L&Q Group.



## Directors and Officers continued



**Bronagh Kennedy**  
Non-Executive Director

**Committees:** N A R

**Appointed: 3 July 2023**

**Experience:** Bronagh was the Group General Counsel and Company Secretary of Severn Trent plc from 2011 to 2022, and as part of her role she was also responsible for compliance and regulatory assurance and the group's corporate sustainability programme. During her career she has worked across several sectors including finance, leisure and hospitality, and she has a very broad range of corporate experience, including as HR Director of Mitchells & Butlers plc. Bronagh was also previously a Non-Executive Director of Walseley (Ferguson plc carve-out prior to its disposal).

**External Appointments:**  
Non-Executive Director and Chair of the Remuneration Committee of Treatt plc.



**Emma Versluys**  
Group Legal Counsel  
and Company Secretary

**Committees:** RI

**Appointed: 28 June 2017**

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



**Clare Taylor**  
Chief People Officer

**Committees:** RI

**Experience:** Clare is our Chief People Officer and a member of the Executive Management Team and the Risk Committee. She has over 30 years' experience in global HR leadership roles across various manufacturing and distribution industries. Before joining the Group, Clare was Chief People Officer at SIG plc, and other key career highlights include Group HR Director at Scapa Group plc, Commercial HR Director at Ideal Standard International and Senior Global HR roles with Smith & Nephew plc and SSL International plc. Clare is a Fellow of the Chartered Institute of Personnel and Development, has a BSc in Psychology and a Master's degree in Occupational Psychology.

**Committees:**

- A Audit Committee
- R Remuneration Committee
- Chair of Committee



**Martin Gisbourne**  
Chief Strategy and  
Sustainability Officer

**Committees:** RI

**Experience:** Martin is our Chief Strategy and Sustainability Officer and is a member of the Executive Management Team and the Risk Committee. Martin joined the Group in September 2019 as Group Strategy and Marketing Director. With a functional background in a variety of commercial and marketing roles with brands such as Bosch and Geberit, Martin has over 20 years' experience of leading businesses in the construction products sector, most recently as part of the Belgian Aliaxis group where he was responsible for businesses in the UK, Middle East, South Africa and Nordic markets. He has a BSc in Financial Management from Loughborough University.

- N Nomination Committee
- RI Risk Committee



**Steve Currier**  
Business Unit Managing  
Director, SBS

**Committees:** RI

**Experience:** Steve is Managing Director of the Sustainable Building Solutions Business Unit and is a member of the Executive Management Team and the Risk Committee. Steve joined the Group in November 2022 in this role. Prior to this he spent 15 years with Eaton Corporation plc where he held a variety of commercial and general management roles, most recently Vice President and General Manager for the Life Safety Division, leading businesses in France, Germany, UK and the US. The early part of his career was spent in the automotive industry working for GKN plc and Arvin Meritor covering roles in a variety of disciplines including operations, quality and engineering. Steve has a BEng in Mechanical Engineering from Portsmouth University.



**Steve Durdant-Hollamby**  
Business Unit Managing  
Director, WMS

**Committees:** RI

**Experience:** Steve is Managing Director of the Water Management Solutions Business Unit and is a member of the Executive Management Team and the Risk Committee. Steve joined the Group in January 2019 as MD of Polypipe Civils. Having previously been divisional MD at Alumasc for their Water Management division, Steve has over 30 years' experience in the civils and drainage sector in the UK and international markets through various senior leadership roles. Steve was appointed as MD of Water Management Solutions in April 2023. He is a full member of the Institute of Export & International Trade for his services to export.

# Corporate Governance Statement



**Kevin Boyd**  
Independent Non-Executive Chair

This statement outlines the processes the Company has followed throughout the year to comply with the 2018 UK Corporate Governance Code (the Code) and demonstrates compliance with each provision. Maintaining the highest standards of governance is integral to achieving our long-term strategic goals and sustaining legal and ethical integrity across the Group, and the Board is committed to ensuring that these standards are continually met.

This Corporate Governance Report (Report), which is also available on the Company's website, explains key features of the Company's governance structure and aims to provide a greater understanding of how the principles of the Code, published in July 2018 by the Financial Reporting Council (FRC), have been applied and the areas of focus during the year. The Code can be found on the FRC's website at [www.frc.org.uk](http://www.frc.org.uk). The Board is kept informed of changing regulations and recommendations and welcomes the FRC's recently announced updates to the UK Corporate Governance Code issued in January 2024, which continue to uphold the flexibility of 'comply or explain' reporting and seek to deliver improvements that promote trust, transparency and accountability. The new Corporate Governance Code will apply from 1 January 2025 and 1 January 2026 (Provision 29), and the Board will continue to review its current governance structures and implement any required changes in advance of the required reporting dates to ensure it maintains full compliance with its principles and provisions.

The Board believes that good corporate governance is key to providing confidence to stakeholders in the reliability and future performance of the Company and in the execution of its strategy. Good governance is essential for the long-term sustainable success of the Company as it reaches across all areas of the business to ensure sustainable business practices, accountability, fairness and transparency. The Board believes that the Code sets the minimum standards that should be expected of organisations, and endeavours to go beyond this to embed the Code Principles into daily operations and continually improve and develop its governance processes.

As outlined in the 2022 Annual Report and Accounts on page 70, during the year, the Company was compliant with the Principles and Provisions set out in the Code, with the exception of Provision 24 from 1 November 2022 until 7 March 2023. Kevin Boyd (previously Audit Committee Chair) was appointed as Chair of the Board on 1 November 2022 in anticipation of Ron Marsh's retirement from the Board given his seven-year tenure, but it was deemed appropriate and necessary to prioritise a smooth handover between the incumbent and incoming Board Chairs. It was therefore agreed that Kevin would also remain in his post as Audit Committee Chair in the interim whilst a suitable candidate was identified, a process which was expedited by the Nomination Committee during Q3 2022.

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

## Compliance statement

The 2018 UK Corporate Governance Code (the Code) applied to the financial year ended 31 December 2023.

The Company confirms that, following the appointment of Shatish Dasani as Audit Committee Chair on 7 March 2023, it complied with all provisions of the Code.

The Report also includes items required by the FCA's Disclosure Guidance and Transparency Rules. The Board has ultimate responsibility for the approval of the Annual Report and Accounts. It has considered the content of the Annual Report and Accounts and confirms that, taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy. Further detail on the process followed to make this assessment can be found on page 109. The following table sets out where stakeholders are able to obtain further details within the Annual Report to evaluate how the Company has applied the principles of the Code.

## Corporate Governance Statement continued

## Compliance with the 2018 UK Corporate Governance Code (the Code)

Section 1: Board leadership and company purpose	Pages	Section 3: Composition, succession and evaluation	Pages	Section 5: Remuneration	Pages
A Effective and entrepreneurial board to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society	75 to 91	J Board appointments and succession plans for board and senior management and promotion of diversity	87 to 98	P Remuneration policies and practices to support strategy and promote long-term sustainable success with executive remuneration aligned to company purpose and values	118 to 147
B Purpose, values and strategy with alignment to culture		K Skills, experience and knowledge of board and length of service of board as a whole		Q Procedure for executive remuneration, director and senior management remuneration	
C Resources for the company to meet its objectives and measure performance. Controls framework for management and assessment of risks		L Annual evaluation of board and directors and demonstration of whether each director continues to contribute effectively		R Authorisation of remuneration outcomes	
D Effective engagement with shareholders and stakeholders		Board evaluation	90	Remuneration Policy	123 to 133
E Consistency of workforce policies and practices to support long-term sustainable success		Diversity	96 to 98	Annual Report on Remuneration	134 to 147
Culture	84 to 85	Succession planning	95		
Risk framework	66	Section 4: Audit, risk and internal controls	Pages		
Stakeholder engagement	49 to 53	M Independence and effectiveness of internal and external audit functions and integrity of financial and narrative statements	99 to 112		
Section 2: Division of responsibilities	Pages	N Fair, balanced and understandable assessment of the company's position and prospects			
F Leadership of board by chair	82 to 83	O Risk management and internal control framework and principal risks company is willing to take to achieve its long-term objectives			
G Board composition and responsibilities		External audit tender	110 to 111		
H Role of non-executive directors		Effectiveness of external auditor	111		
I Company secretary, policies, processes, information, time and resources		Fair, balanced, understandable	109		
Directors' biographies	78 to 79	Risk management	101 to 105		
Roles and responsibilities	83	Internal control framework	110		





# Leading by example



## The Board

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

The 2018 FRC Guidance on Board Effectiveness provides that the Board should ensure there is a formal Schedule of Matters reserved for the Board, to assist with planning and provide clarity over where responsibility for decision-making lies. This was reviewed and updated during 2023. The Board may appoint Committees as it deems appropriate, to exercise certain of its powers. Specific areas of delegation are set out in the Terms of Reference for the Committees as outlined further in this Report, as recommended by the Code. While the Board may make use of Committees to assist with its consideration of appointments, succession, audit, risk and remuneration, in accordance with the Code and FRC Guidance, it retains responsibility for,

and endorses, final decisions in all of these areas for the Group. The Schedule of Matters sets out those powers reserved for the Board, in accordance with the Code. These are available to all leaders as part of the Delegation of Authorities Matrix (read more about this on page 110), which forms part of the internal controls implemented across the Group. As part of its responsibilities for monitoring deployment of strategy and ensuring strategic goals are realised, it monitors resources and risks to the successful execution of strategy through the support of its Committees, as outlined below.

The Board delegates the responsibility for implementing the Group's business model and for the day-to-day operational management of the Group to the Chief Executive Officer (CEO) supported by the Executive Committee and Management Team, comprising the Chief Financial Officer (CFO), the Chief Strategy and Sustainability Officer, the Chief People Officer, the Group Legal Counsel and Company Secretary and the Business Unit Managing Directors. The Executive Committee and Management Team is supported by the Genuit Leadership Team. The Board has direct access to the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with and that the Board has full and timely access to relevant information.

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

## Board and Committees

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

Each Committee has reported on its contribution to the Board's decision-making during the year, details of which can be found later in this Report. Biographies of the Chairs of each of the Board Committees, as well as all other Directors, are set out on pages 78 and 79.

## Board meetings and division of responsibilities

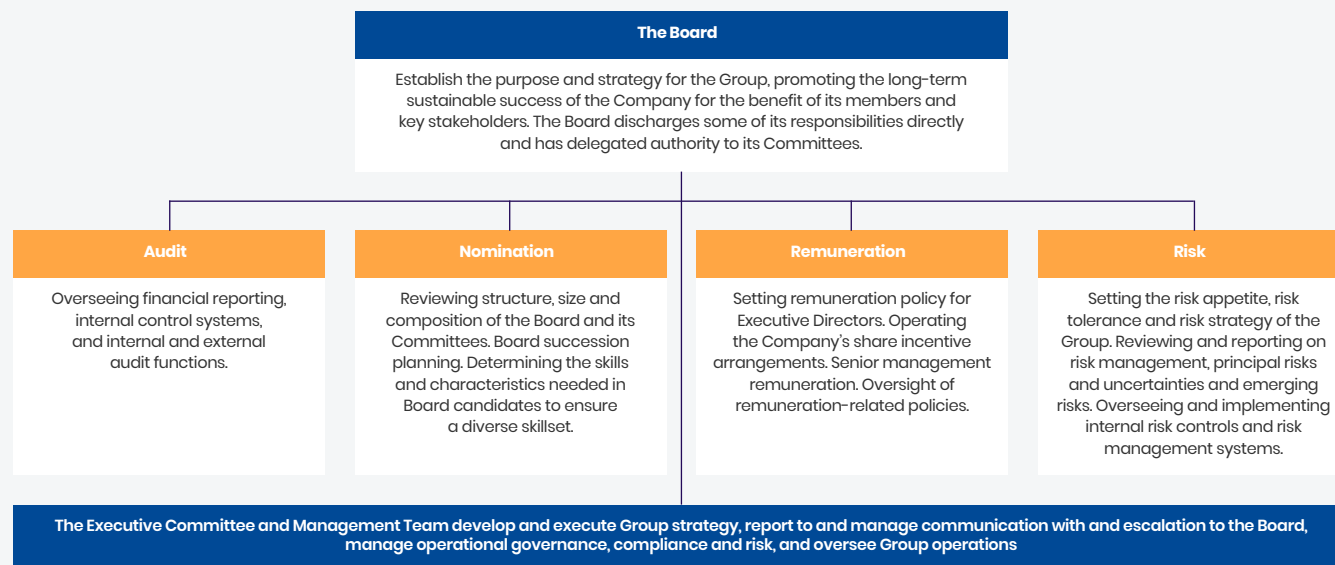
There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the Group. The responsibilities of the Chair, CEO, CFO, Senior Independent Director (SID), Board and Committees are clearly defined and agreed by the Board (see pages 87 and 88 for more detail about the separation of the role of Chair and CEO, and the role of the SID). The division of responsibilities between the leadership of the Board and executive leadership of the Group are showcased in the diagram below.

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

Every effort is made to ensure that all Directors, where possible, attend scheduled Board meetings. However, in the event that a Director is unable to attend a meeting, they are provided with the meeting papers and information relating to the meeting and are able to discuss the matters arising with the Chair and other Directors. Agendas are drafted in line with the Schedule of Matters reserved for the Board in addition to key items that need to be addressed during the year, to ensure it remains compliant with its obligations. Designated senior leaders from across the Group as well as external advisers attend some of the meetings on request, for discussion of specific items in greater depth and to provide training and updates.

## Board meetings and division of responsibilities

### Our governance framework



### Meeting attendance

Name	Position	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Committee
Kevin Boyd <sup>1</sup>	Chair	7/7	1/1	4/4	7/7	-
Joe Vorih <sup>2</sup>	Chief Executive Officer	7/7	-	2/2	-	2/3
Tim Pullen <sup>3</sup>	Chief Financial Officer	1/1	-	-	-	1/1
Lisa Scenna	Senior Independent Director	7/7	4/4	4/4	7/7	-
Shatish Dasani <sup>4</sup>	Non-Executive Director	6/6	4/4	4/4	6/6	-
Louise Brooke-Smith	Non-Executive Director	7/7	4/4	4/4	7/7	-
Bronagh Kennedy <sup>5</sup>	Non-Executive Director	3/3	3/3	1/1	3/3	-
<b>Outgoing Directors:</b>						
Matt Pullen <sup>6</sup>	Chief Operating Officer	2/2	-	-	-	1/1
Paul James <sup>7</sup>	Chief Financial Officer	5/5	-	-	-	2/2
Mark Hammond <sup>8</sup>	Non-Executive Director	6/6	3/3	3/3	6/6	-

1. Kevin Boyd stepped down as Audit Committee Chair on 7 March 2023

2. Joe Vorih was a member of the Nomination Committee until 6 March 2023

3. Tim Pullen was appointed to the Board on 1 November 2023

4. Shatish Dasani was appointed on 1 March 2023

5. Bronagh Kennedy was appointed on 3 July 2023

6. Matt Pullen stepped down from the Board on 28 April 2023

7. Paul James stepped down from the Board on 30 September 2023

8. Mark Hammond stepped down from the Board on 31 October 2023

### Division of responsibilities

<b>Chair</b>	<b>Chief Executive Officer (CEO)</b>
<p><b>Kevin Boyd</b></p> <ul style="list-style-type: none"> <li>- Provides overall leadership and governance</li> <li>- Sets the Board agenda</li> <li>- Promotes a culture of openness, challenge and constructive debate</li> <li>- Ensures Directors understand the views of major shareholders and stakeholders</li> </ul>	<p><b>Joe Vorih</b></p> <ul style="list-style-type: none"> <li>- Executive management of the Group's business</li> <li>- Develops and implements Group strategy and commercial objectives</li> <li>- Leads senior management team in effecting decisions of the Board</li> <li>- Communicates with the Board, shareholders, employees and other stakeholders</li> </ul>
<b>Chief Financial Officer (CFO)</b>	<b>Senior Independent Director (SID)</b>
<p><b>Tim Pullen</b></p> <ul style="list-style-type: none"> <li>- Implements, manages and controls the Group's financial-related activities</li> <li>- Develops appropriate financial strategies and manages investor relations</li> <li>- Ensures appropriate risk management systems are in place</li> <li>- Works with the CEO to deliver strategy deployment and manage day-to-day operations</li> </ul>	<p><b>Lisa Scenna</b></p> <ul style="list-style-type: none"> <li>- Acts as a sounding board for the Chair, appraises their performance, leads the other NEDs, and is a direct contact for shareholders if necessary</li> </ul>
<b>Non-Executive Directors (NEDs)</b>	<b>Employee Engagement NED</b>
<p><b>Shatish Dasani, Bronagh Kennedy</b></p> <ul style="list-style-type: none"> <li>- Scrutinise and constructively challenge the performance of Executive Directors and contribute to setting strategy, succession plans and remuneration strategy</li> </ul>	<p><b>Louise Brooke-Smith</b></p> <ul style="list-style-type: none"> <li>- Engages directly with employees, ensuring their views are considered by the Board</li> </ul>
<b>Company Secretary</b>	<b>Company Secretary</b>
	<p><b>Emma Versluys</b></p> <ul style="list-style-type: none"> <li>- Supports the Board and Committees, provides advice to the Board on all governance and legal-related matters, as well as advising Directors on their duties. Assists with all Board and shareholder meetings and related paperwork and facilitates induction and training programmes for Directors</li> </ul>

## Leading by example continued

It is standard practice as part of the governance arrangements for the Board to visit the Group's numerous businesses on a rolling basis each year. This allows individual Board members to have greater knowledge and visibility of the Group's operations, and enables the Board to engage directly with employees to complement the structured employee engagement forums that take place with the dedicated Non-Executive Director (further detail on our formal employee engagement programme can be found later in this Report on page 86).



Board dinners are held ahead of the scheduled meetings where possible, to provide a more relaxed forum for the Board members to have additional discussions amongst themselves, as well as with the senior management team from that location. This enables the Board to partake in informal discussions outside of the Board meeting itself, and this additional engagement and visibility enables the Board to have a greater understanding of the culture across the Group. The Board visited five different sites during 2023, these being Manthorpe Building Products site in Ripley, Polypipe Ulster site in Northern Ireland, Polypipe Civils site in Loughborough, Polypipe Building Products site in Doncaster and the Group office in Leeds.

Every year the Board holds an annual Strategy Day, where it spends a full day with senior management to discuss current performance of the Group and the strategic plan. The Strategy Day during 2023 was held in October and was structured as an interactive strategy session prior to the Board meeting as a presentation and Q&A forum, enabling engagement and opportunity for sufficient challenge from the Board on different elements of the strategy, and suitable focus to be given to specific details. It was further discussed in the Board meeting held the following day as a standalone agenda item. This enabled the Board to take time to reflect prior to approving the strategy in the Board meeting, complementing the direct feedback and questions within the strategy session itself. An informal dinner was also held thereafter to discuss and reflect on the discussions during the day in a more informal environment. During the year, the Chair held regular meetings with the Non-Executive Directors without the Executive Directors present. The Chair's performance was assessed as part of the internal Board evaluation. Further detail on the results of the internal Board evaluation can be found in this Report on page 90.

## Together, we create sustainable living






### Investing in our people and culture

The Board recognises that an inclusive and positive environment improves job satisfaction, increases employee retention, boosts productivity and enhances performance. Our greatest asset for enabling the Group's achievement of its strategic goals is its people, and this is a core element of our strategy as outlined within the Strategic Report on pages 43 to 46. Developing a culture which is consistent with and supports our purpose is key to enabling the Group to deliver its strategy, and monitoring and maintaining that culture as a consistent tool for driving performance is a priority for the Board. As outlined in our 2022 Annual Report and Accounts, during 2022, foundations were laid to develop an established and consistent culture during 2023, with the intention of supporting our Sustainable Solutions for Growth strategy.

A dedicated culture team was established early in the year which comprised senior leaders who had volunteered from across the Group to come together to define a new purpose and establish the Group's Trademark Behaviours (TMBs). Creating a strong and consistent Group culture which promoted positivity, wellbeing and engagement and establishing a cultural framework which encompassed the overall purpose of the Group and linked directly to its strategy was a priority for this dedicated working group. The outcome of these sessions was a set of TMBs which effectively complement and support our purpose and strategy, and we have plans to further embed these across all people processes, including recruitment, performance management and leadership development during 2024.



## What we did in 2023

-  **We work together**
-  **We take ownership**
-  **We find a better way**



**May**  
A follow-up session to refine the outputs from the April meeting and propose a first draft of the TMBs.

**July – August**  
Engagement sessions held across all businesses reaching a total of 15% of employees from across the Group at all levels to understand the meaning of the identified TMBs to employees and whether they could be applied within their businesses and varying roles.



**October**  
First launch of TMBs with the Genuit Leadership Team (GLT) at the annual conference, with an interactive engagement and training session to onboard the GLT in advance of formal roll out across the Group.



**December**  
Virtual sessions held for all GLT members across December to reinforce commitments and plans for 2024.

2023

2024

**January**  
Communication of the refreshed strategy at the Genuit Leadership event, and the foundations of the commitment culture project were set.



**April**  
The culture team was established, and a launch meeting held bringing together volunteers from across the Group businesses to agree our updated purpose.



**June**  
Collaboration sessions with the culture team to finalise the proposed draft TMBs prior to sharing with the wider Group for feedback.



**September**  
Culture team follow-up meeting to share feedback from the engagement sessions during July and August and TMBs refined to reflect this feedback. TMBs agreed and submitted to the Executive Management Team for review and approval in advance of approval by the Board.



**November**  
Culture team follow-up session and sharing of feedback following GLT conference and identifying next steps.

The Board will continue to be updated on the roll out of the updated TMBs across the Group. Regular monitoring is essential to ensure effective deployment of the Group's defined purpose and TMBs. Currently the Board receives an update at each meeting in respect of its people, which includes both qualitative and quantitative methods, as follows:

- Employee turnover and current headcount
- Diversity & Inclusion (D&I) data
- Grievances, governance and legal matters
- Policy training updates
- Recent internal communications and engagement activity and surveys
- Talent and development, including talent acquisition and retention

- Absence statistics
- Progress of maintaining The 5% Club
- Reasons for leaving
- Leadership development
- Reward, remuneration and incentives
- Strategic projects

The Board also obtains feedback directly via its dedicated Non-Executive Director (as outlined later in this Report), through site visits and through the completion of employee surveys. An employee engagement survey is due to be launched in early 2024 which incorporates key indicators as well as general employee satisfaction questions.

Establishing openness and transparency across the Group as well as fostering and maintaining a culture which is responsive to stakeholder expectations and the external environment will continue to be a priority for the Board. As we grow, collaborate, create solutions and innovate, we recognise that continuing to drive this common purpose and aligned TMBs will help realise the achievement of our strategic goals.

# Employee engagement in action



The views of employees within each category were summarised collectively, as well as being shared on a site-by-site basis with the Board, so that gaps which existed across the Group could be separated from those which required further intervention at site level. The feedback from employees during 2023 focused on improving communication across all levels, being more transparent around changes and future decisions of the business and being more proactive to better communicate Group direction and strategy. The Board plans to focus on strategy throughout 2024, and a framework, timeline and proposed methods for communicating with employees on these topical issues has been shared by the Executive Management Team with the GLT for dissemination within their businesses. Whilst it remains clear that employees feel they have a sense of belonging and of being part of a wider Group, all employees agreed that understanding the wider organisation and continuing to improve interaction with their peers across the businesses would continue to provide opportunities to share knowledge, identify synergies and

continue to build a Genuit Group identity over and above their individual business. The proposed communication strategy will assist with developing this.

The Board recognises that direct employee engagement platforms are not effective unless outcomes are adequately fed back to management and action is taken to address these issues. It remains of the view that employees are our greatest asset, and obtaining this feedback will only help to develop and build open communication channels which in turn will positively develop the defined Group culture, strategy and enable long-term sustainable success.

Areas for improvement were identified within each category in 2021, and these were outlined in our 2022 Annual Report and Accounts, with the corresponding actions taken to mitigate and improve these during 2023 and identified future plans for 2024 summarised in the table below.

## Employee engagement

Direct employee engagement is one of the key methods to ensuring a unified culture exists across the Group. The appointment of a dedicated employee engagement Non-Executive Director means there is a consistent mechanism in place for employee views to be shared, discussed and considered by the Board in its strategic decision-making. It has been a priority to build on the feedback obtained during 2022, and a further six sites were included during 2023 in the employee feedback sessions held across different sites as part of the Genuit Group Employee Engagement Programme, with Louise Brooke-Smith, as the dedicated Non-Executive Director for employee engagement, hosting each session. This is a total of 10 sessions across the past 24 months. Each session was structured in the same way as the 2022 sessions to cover five key topics, being: strategy and vision, communication, diversity and inclusion, health and safety and governance. Each provided an overview of the objective of the programme and invited employees to share their views confidentially.

### We engaged with our employees on

- Strategy and Vision
- Communication
- Diversity and Inclusion
- Health and Safety
- Governance

### We listened and actioned

Following our strategy refresh in early 2023, throughout the year we held regular GLT conference calls to ensure timely and relevant communications directly to our leaders. We also increased the communication of our strategy via Workplace posts, vlogs and using other communication methods' platforms. Our Workday HRIS system was effectively rolled out across the Group, and we held diversity and inclusion events throughout the year. We continue to drive improvements within our health and safety practices, and have articulated this within our TMBs to highlight the importance of health and safety.

### We will continue in 2024

We will continue to engage regularly with employees across all sites, and a formal employee engagement plan approved by the Board is in place for 2024.

We will update employees on the progress of our strategy deployment, ensuring we use various methods, and will endeavour to continuously improve and enhance communication methods. We will finalise the second phase of our Workday roll out which will assist with learning and governance tools. TMBs will be formally embedded across the Group for all employees during 2024 and support provided to management where necessary to ensure effective deployment.

# Driving Genuit forward

## Board composition, qualification and experience

A successful Board is one which has a combination of skills, experience and knowledge, allowing all Directors to actively contribute to discussions and provide challenge where appropriate. At the year end, the Board comprised the independent Non-Executive Chair, two Executive Directors and four Non-Executive Directors. The Non-Executive Directors were appointed for the diversity of their backgrounds as well as their personal attributes and experience.

During the year, the annual review was conducted of the current skills of the Board and an updated matrix of those skills was presented to the Nomination Committee for review and approval as part of its succession planning considerations during the year. It was noted that following the appointments made during the year of Executive and Non-Executive Directors, skill gaps that had been previously identified were no longer pressing and the Board remained satisfied with the recruitment strategy of the Nomination Committee. All expected skills of Board members will continue to be reviewed on a regular basis and will be considered by the Board and Nomination Committee in all recruitment and succession planning decisions. The skills matrix also places focus on the diversity of the Board and is a useful tool to identify where further training or education is required for individual Directors as well as the Board, collectively. The Nomination Committee and the Board have considered the independence of each of the Non-Executive Directors.

As part of the appointment process, Directors are assessed on their skills, experience and independence, which is reviewed on an annual basis in line with the skills matrix, their roles on the Board and Provision 10 of the Code. The Board considered the Chair and all the Non-Executive Directors to be independent throughout the period (or where applicable, from appointment). In accordance with Code Provision 18, all of the Directors are subject to annual re-election. Bronagh Kennedy was appointed on 3 July 2023 and Tim Pullen was appointed on 1 November 2023 and both Directors will offer themselves for election at the 2024 AGM and for re-election annually thereafter.

## Separation of the roles of Chair and Chief Executive Officer

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

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

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

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

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

## Board skills and experience

The Board uses a skills matrix to identify the balance of skills, knowledge and experience of the Board, for its composition review and succession planning. The matrix highlights where the skills and experience of Directors are particularly strong, and where there are opportunities to further enhance the Board's collective knowledge. A high-level summary of the Board skills matrix as at 31 December 2023 is included below.

Board skills matrix	Number of members
Recent and relevant financial experience	4
Competence relevant to the sector in which the Company operates	7
Listed Executive Director/Non-Executive Director experience	7
International experience	7
Legal and governance	7
Financial governance	7
Environmental, Social & Governance (ESG)	7
Managing investor relations	7
Developing technological capability	6
People and culture	7
M&A	7



## Driving Genuit forward continued

### Role of the Senior Independent Director

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

### Appointment and tenure

The Non-Executive Directors serve on the basis of letters of appointment, which are available for inspection at the Company's registered office. The letters of appointment set out the expected time commitment of the Non-Executive Directors who, on appointment, undertake that they have sufficient time to carry out their duties. There is no fixed expiry date. The Executive Directors' service contracts are also available for inspection at the Company's registered office. The notice period for Executive Directors is 12 months.

### External appointments

In accordance with Principle H, the Board takes seriously the requirement that all Non-Executive Directors should have sufficient time to meet their Board responsibilities. Whilst it recognises the benefits that greater Boardroom exposure provides for Directors, it closely monitors the nature and number of external directorships held to ensure continued compliance with Principle H. All Executive and Non-Executive Directors' external appointments are reviewed at each Board meeting as standard, including detail of all those appointments over the previous five years. The Board reviews the nature of each appointment and the expected time commitment for each Director as part of this process, and concluded that, as at the end of 2023 and the date of this Report, none of these appointments compromise the effectiveness of any individual Director to provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. Further details of our Non-Executive Directors' external appointments can be found in their biographies on pages 78 and 79.



## Q&A

**Lisa Scenna,**  
Senior Independent Director (SID)

### Q Reflecting on your first year as SID, what achievements or milestones have been accomplished?

Since my appointment as SID in March 2023 I have seen good progress across the Group on its journey towards creating a more diverse and inclusive workplace. I hosted an engagement session with employees for International Women's Day which provided invaluable insight into both areas of strength and opportunities for improvements across the Group, which I was able to share with the Board and ensure action was taken as required. I was also responsible for carrying out the evaluation of the Chair's performance during the year, and carried out a robust process in this regard.

### Q Were there any challenges you had to overcome in your first year as SID?

I took on the role of SID during a period of ongoing Board changes which included the appointment of a new Chair, a recent change in CEO, a change in operational structure, the removal of the COO role and the appointment of an interim and permanent successor to the outgoing CFO. Providing support and stability to the Chair and the Board through these changes was a key challenge in this role in 2023.

### Q In what ways do you see your role contributing to the Board's overall effectiveness, particularly in relation to balancing the interests of stakeholders?

During the year, the Remuneration Committee carried out a review of the current Remuneration Policy, following which feedback from our top investors was sought on the proposed changes. Given my dual role, the investor consultation process and in particular the face-to-face meetings gave investors an opportunity to ask questions on both remuneration and non-remuneration related matters. I also ensure that, where required, I act as a sounding board for the Chair, encourage open and effective debate between Board members and engage with senior management where appropriate. I will continue to capitalise on opportunities to engage directly with employees and other stakeholders where relevant to ensure that the interests of material stakeholders are considered during the Board's decision-making process.

### Q With your position on several other Boards, how do you leverage cross-industry insights to bring unique perspectives to the Genuit Board?

Working across different industries adds to diversity of thought, and I try to use the experiences and learnings from the other Boards on which I sit to enhance my contribution as a Genuit Group Board member, in particular where there are common issues across those Boards. I believe that experiences at different stages of business maturity are beneficial in understanding different perspectives, and help me to ensure that I can draw on the most suitable experiences from my career to provide context during the debate and challenge at Board meetings as appropriate.

## Driving Genuit forward continued

**Board team building session**

As a result of the external Board evaluation completed in 2022, the Board considered options to increase their interaction outside of Board meetings and to further develop the relationships between Board members, given the numerous changes over the preceding 18 months. It was therefore agreed to hold an externally facilitated team building session for Board members and the Company Secretary with the Company's chosen leadership development programme providers. This was held in October at the Group's site in Doncaster and involved individual personality profiling, profiling as a group and the strengths and weaknesses of the Board as a collective. Opportunities for improvement were identified, discussed and an action plan to implement these improvements agreed.

**Directors' induction and training/  
professional development**

The Chair, with the support of the Company Secretary, is responsible for the induction of new Directors and the ongoing development of all Directors. Shatish Dasani, Bronagh Kennedy and Tim Pullen joined the Board during the year and each completed their induction as outlined in the Nomination Committee Report on page 97. The Company provided a comprehensive and tailored induction process, which included meeting with Executive and Non-Executive Directors and the Chair and having introductory meetings with senior management and external advisers where appropriate. Where necessary, new Directors are provided with training to address their role and duties as a Director of a quoted public company. The Chair and Company Secretary continue to review the induction process and endeavour to make improvements wherever possible to ensure any newly onboarded Directors are successfully integrated into the Group and their role as quickly as possible.

As the internal and external business environment changes, it is important to ensure that Directors' skills and knowledge are refreshed and updated regularly to allow them to adapt to these changes and make informed and effective decisions. The Board was given presentations during the year by the Company's financial advisers, brokers and lawyers, as well as several presentations by senior management, and participated in leadership programmes and sessions in addition to the annual Strategy Day referred to earlier in this Report. The Company Secretary maintains responsibility for updating the Board on new legislation and regulation as well as changes to the current legislative and regulatory regimes to which the Company is subject. This is included in a report to the Board at every Board meeting.

**Directors' conflicts of interest**

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

All potential conflicts approved by the Board are recorded in a conflicts of interest register which is maintained by the Company Secretary and reviewed by the Board on a regular basis.

Directors have a continuing duty to update the Board with any changes to their conflicts of interest.

**Board and Director recruitment process**

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

## Driving Genuit forward continued

**Board evaluation and effectiveness**

In accordance with Code Provision 21, following the external evaluation conducted in 2022, the Board conducted an internal evaluation during the financial year. This process involved completion of anonymous online questionnaires for the Board and each Committee. Responses were then collated into an overall feedback report for the Board. Specific questions were included to identify progress that had been made since the previous evaluation. The progress made during the year since the 2022 external Board evaluation is documented below:

Key outcomes	Actions agreed
Detailed review of structure, remit and composition of Board Committees, in particular the merits of a separate sustainability committee.	Joe Vorih appointed as the Director responsible for sustainability and therefore no separate sustainability committee required at this stage. Shatish Dasani to attend periodic Risk Committee meetings to provide oversight to the Board on risk management.
Review of the process for agenda setting: to be more dynamic and inclusive, and enable deep dives into key/topical issues, whilst allowing sufficient time for governance-related matters.	Discussions between Chair and Board members regarding additional proposed agenda items for 2024. Meeting timetable and agendas reviewed and updated to include periodic deep dives into key/topical issues.
Review of board paper content to further streamline and standardise content and invite presentations from senior management to further enhance employee engagement.	Meeting agendas and papers reviewed and updated to include regular presentations by members of senior management, and to streamline and standardise content.
Separate Board session to be held to review performance and behaviours in detail, as well as investing time in getting to know each other better and learning how to work more efficiently and effectively as a team.	Externally facilitated Board team building session held in October, and an action plan agreed.
Consider further opportunities for engagement with stakeholders.	Strategy Progress Update and an analyst dinner held in November 2023. Potential opportunities for other stakeholders to present to the Board during 2024 being considered.

The Board was asked as part of the 2023 internal evaluation to detail key strengths of the Committees and specific areas for improvement. This enabled detailed responses which when collated provided an honest and transparent insight into the views of the Board, allowing specific focus on areas for improvement during 2024.

Strengths	Areas for improvement
Inclusive in discussions and debates	Continued focus on scheduling of Board and Committee meetings to utilise time most efficiently
Diversity of skill and perspective	Further development of industry focus/skills
Open and challenging	Continued increase in focus on sustainability issues

Overall, the results of the evaluation were positive, with the Board and its Committees viewed as operating effectively and in line with their respective remits.

**Directors' indemnity and insurance**

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

Details of the Directors' indemnity arrangements can be found on page 114 of the Directors' Report.

**Internal controls and risk management**

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk and internal control systems in accordance with the Code. The Board delegates the specific management and monitoring of this to the Risk Committee (as outlined in the Risk Committee Report on pages 101 to 105), who report to the Board on all matters, including the effectiveness of these systems, and submit documents to the Board for approval, as appropriate. The Board is ultimately responsible for ensuring that:

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

The principal risks and uncertainties, together with the emerging risks for the Group that the Risk Committee and Board have focused on this year, including their potential impact and mitigating actions, are set out on pages 66 to 73.

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

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



## Driving Genuit forward continued

### Financial and business reporting process

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

The Group has a thorough assurance process in place in respect of the preparation, verification and approval of periodic financial reports, which is set out in the Audit Committee Report on pages 108 to 112.

This process includes:

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

In accordance with Principle N of the Code, the Board is required to ensure our financial and business reporting is fair, balanced and understandable. To ascertain whether this is the case, it firstly establishes whether or not the information presented within the Annual Report and Accounts is fair: reviewing whether the whole story is presented and done so accurately, and if the key messages in the narrative reflect the way in which it is presented in the financial reporting. It secondly assesses whether the information presented is balanced: ensuring there is a good level of consistency between the narrative reporting in the front and the financial reporting in the back, as well as satisfying itself that the statutory and adjusted measures are explained clearly, with appropriate prominence. The final element to the assessment is to determine whether the Annual Report and Accounts are understandable. The Board assesses whether the Annual Report and Accounts uses language which is accessible to a reasonably well-informed reader, or provides clear definitions for technical vocabulary and acronyms where this is not possible; it should not be disjointed or repetitive and should tell a complete and straightforward story. The Board also ensures that important messages are highlighted or cross-referenced appropriately throughout the document. Completion of this process provides comfort to the Board that the Annual Report and Accounts taken as a whole, is fair, balanced and understandable, and following its review, the Board was of the opinion that the 2023 Annual Report and Accounts is representative of the year and presents a fair, balanced and understandable overview.

### Annual General Meeting

The Company's Annual General Meeting (AGM) is scheduled to be held on 28 May 2024. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. A copy of the notice of AGM can be found on the Company's website.

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

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

### Re-election of Directors

At the AGM, all Directors will retire and submit themselves for election or re-election. Bronagh Kennedy and Tim Pullen will offer themselves for election at the 2024 AGM and for re-election annually thereafter. As a result of the Board evaluation exercise, as Chair, I am satisfied that each Director continues to show the necessary level of commitment to their role and has sufficient time available to fulfil his or her duties, to justify their re-election.

Approved by the Board and signed on its behalf.

**Kevin Boyd**  
Chair of the Board  
12 March 2024

# Nomination Committee Report – Introduction

## Chair



**Kevin Boyd**  
Chair of the Nomination Committee

## Members



**Louise Brooke-Smith**  
Non-Executive Director



**Lisa Scenna**  
Senior Independent Director



**Shatish Dasani**  
Non-Executive Director



**Bronagh Kennedy**  
Non-Executive Director

## Dear Shareholder

I am delighted to present the Report of the Nomination Committee (the Committee) for 2023, reporting on the work of the Committee during the year.

The Committee plays a crucial role in the governance structures of the Company in establishing and maintaining the process for appointing new Board members, ensuring a diverse and skilled leadership team. It operates independently of Executive management and effectively assesses the skills needed for leadership roles, engaging in thorough and transparent candidate selection processes. There have been numerous changes to the composition of the Board during 2023, and the Committee has effectively managed these changes and successfully recruited and onboarded new Board members.

Matt Pullen stepped down from the Board as Chief Operating Officer in April, remaining an employee until 30 June in an advisory capacity, and the Board agreed not to appoint a successor. This decision was supported by the strategic change to the structure of the leadership team in the newly expanded role of Chief Strategy and Sustainability Officer, assumed by Martin Gisbourne, demonstrating the Company's commitment and dedication to the future of its sustainability journey and the change to the reporting structure for the Business Unit Managing Directors into the Chief Executive Officer, Joe Vorih. Paul James stepped down from the Board in September after five years with the Company as Chief Financial Officer, and on behalf of the Board and Company, I would like to thank Paul for

“The Committee plays a crucial role in the governance structures of the Company in establishing and maintaining the process for appointing new Board members, ensuring a diverse and skilled leadership team.”

his dedication and significant contribution to Genuit Group over the last five years. Following a rigorous internal and external search and selection process, Tim Pullen was appointed as interim Chief Financial Officer in September 2023 and permanent Chief Financial Officer in November 2023, and we look forward to working with Tim in his new role. Further detail on the recruitment and selection process is included in this Report.

Shatish Dasani was appointed as a Non-Executive Director and Audit Committee Chair in March, as reported in the 2022 Annual Report and Accounts. Mark Hammond retired in October following the expiration of his nine-year tenure in April, having agreed to remain in post until October whilst the onboarding of the new Non-Executive Directors took place. During his nine years as a Non-Executive Director, Mark played a pivotal role in building the Group into the successful business it is today, and on behalf of the Board and Company, I would like to thank him for his invaluable contribution to the Group and wish him the very best for the future. Given Mark's impending retirement from the Board, the role of Senior Independent Director transferred to Lisa Scenna in March 2023, and further information about Lisa's impact in this role can be found in the Governance Report on page 88.

Bronagh Kennedy was appointed as a Non-Executive Director in July, and has a background in Legal, HR, compliance and regulatory assurance and corporate sustainability. The Committee agreed that Bronagh's diverse skillset and experience complemented the skills, diversity and composition of the Board following a rigorous selection process.

## Nomination Committee Report – Introduction continued

The Committee has demonstrated its effectiveness in successfully recruiting and onboarding new members of the Board, as well as operating a successful succession plan; identifying the diverse skills and experience required to support the Company's strategic direction in keeping with its culture and purpose, as well as operating an effective induction programme for new Directors. Further detail about the induction process is set out in this Report.

Equality, diversity and inclusion continues to be a priority for the Committee, and the Committee welcomes the new diversity targets and 'comply or explain' approach set by the FCA within Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1), having previously stated its commitment to the recommendations of the Parker Review. The Board's membership currently comprises 42.8% women, one Director from an ethnic minority background, and one senior Board position is held by a female. We can therefore confirm that the Company complies with the diversity-related recommendations in the Listing Rules, further detail of which is included within this Report.

In keeping with Corporate Governance Code requirements, the senior management succession plan was reviewed and updated at the Committee meeting in February 2024, following a robust review process involving senior leaders, the Chief People Officer and the Group Talent Director. The Chief People Officer continues to provide invaluable support to the Committee, having been involved in all Board recruitment processes and attended all meetings of the Committee.

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

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

**Kevin Boyd**  
Chair of the Nomination Committee  
12 March 2024



### 2023 Key Achievements

- Recruitment and appointment of Tim Pullen as Chief Financial Officer
- Recruitment and appointment of Shatish Dasani as Non-Executive Director and Audit Committee Chair
- Recruitment and appointment of Bronagh Kennedy as Non-Executive Director
- Review of enhanced succession planning programme for senior management
- Facilitated effective and informative induction processes for newly onboarded Executive and Non-Executive Directors

### Areas of focus for 2024

- Board succession planning for both Executive and Non-Executive Directors
- Monitoring the Board skills matrix to maintain adequate balance of skills and experience on the Board
- Continuing to embed the Diversity and Inclusion Policy throughout the Group

# Nomination Committee Report – 2023 in review

## Members and meetings

The Committee comprises Kevin Boyd (the Chair) and all the Non-Executive Directors, being, Shatish Dasani, Bronagh Kennedy, Lisa Scenna and Louise Brooke-Smith. In accordance with best practice, Joe Vorih (Chief Executive Officer) and Clare Taylor (Chief People Officer) attend the Committee meetings by invitation only.

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

All the Committee members are independent, in accordance with Code Provision 17. Further detail on the members of the Committee and their attendance at Committee meetings are set out on page 83. The Company Secretary acts as Secretary to the Committee.

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

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

## Governance

The Committee's main responsibilities are to:

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

The Committee's Terms of Reference explain the Committee's role and responsibilities and were reviewed in February 2024 to ensure they remain appropriate and reflect any updates in Corporate Governance guidance. The Terms of Reference can be found on the Company's website, and this Report explains how the Committee has complied with these in more detail, and the activities it has undertaken during the 2023 financial year.

In accordance with Code Principle L, the Board and its Committees are required to be evaluated on an annual basis. Following the external evaluation of the performance of the Board and its Committees during 2022, an internal evaluation was conducted during 2023. This evaluation focused on the remit of the Committee and how effectively members work together to achieve the Committee's objectives. At its meeting in February 2024, the Committee considered the results of the review. It was noted by Committee members that promotion of diversity continued to be a key part of the recruitment processes, succession planning remained a priority, and that the Committee was effective and well managed. The Committee therefore concluded that the evaluation had found the Committee to be operating effectively and efficiently and communicating as required with the Board in relation to matters within its remit, thereby assisting in the Board's decision-making. Further details on the internal Board evaluation can be found on page 90 of the Corporate Governance Report.

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

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

## Recruitment and appointment of the Chief Financial Officer

Our outgoing Chief Financial Officer (CFO), Paul James, confirmed he would step down from the Board to assume a new role in a privately owned company having served on the Board for five years. As a result, a robust recruitment process took place during the year to appoint an interim CFO, as well as a permanent successor.

The Committee appointed Odgers Berndtson to assist in identifying potential interim candidates, and specific recruitment criteria were provided to support the process. Three candidates were shortlisted following an interview process by the Chief Executive Officer and Chief People Officer, two of whom were also interviewed by Shatish Dasani. Following the completion of this process and an additional meeting between the Chair and Mr Pullen, it was agreed by the Committee that Tim Pullen be appointed as interim CFO, and a recommendation to this effect was made to and approved by the Board. It was agreed that given the nature of the role and the ongoing recruitment process for a permanent candidate, the interim CFO position would not be a Board appointment.

Egon Zehnder were appointed to assist in identifying potential permanent CFO candidates. Specific recruitment criteria were provided, which included diversity considerations as well as specific skills, experience and industry expertise requirements. A longlist of five candidates were identified by the Committee of which three, including Mr Pullen, were shortlisted by the appointed sub-Committee. All members of the Committee met the shortlisted candidates, and the Committee then met to discuss these final candidates. It considered a variety of factors, including each candidate's knowledge, skills, expertise and experience, and agreed that Tim Pullen had the necessary attributes and skills that were being sought for the role, and recommended his appointment to the Board as permanent CFO with effect from 1 November 2023.



## Nomination Committee Report – 2023 in review continued

Role of the Committee  
and its activities during the year

## Succession planning and tenure

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

**contingency planning**

for sudden, unplanned and unforeseen departures, whereby interim cover on a short-term basis is implemented;

**medium-term planning**

the orderly replacement of current Board members and senior executives (e.g. retirement); and

**long-term planning**

the relationship between the delivery of the Company strategy and objectives to the skills needed on the Board now and in the future.

This approach ensures that the composition of the Board and senior management team remains appropriately balanced between new and innovative thinking and longer-term stability. Management training and development plans are provided to senior and middle management where appropriate in order to continue to develop a diverse pipeline of internal talent for the future. Investing in our leaders is a core element of our strategy and succession planning, and the Group Talent Director is responsible for developing talent within the Group and updating the Board on progress. During 2023, we committed to launching the Genuit Leadership Programme; a 6-month programme which will be completed in cohorts through 2024-2026. This programme consists of assessments, coaching and in-person learning delivered by an experienced third party. The programme is designed to support senior leaders across the Group to further develop their leadership capabilities in core areas, in addition to enabling individual focus as required. More detail about other steps taken across the businesses to develop and grow talent can be found in the People and Culture section on page 43.

As reported in the 2022 Annual Report and Accounts, during 2022 a Group Leadership Team (GLT) talent review was conducted and the ongoing monitoring of this continued into 2023. This GLT talent review identified 33 employees (51%) falling into 'talent invest' categories of Growth, High Impact and Future Talent. These are employees where investment in development will support succession planning and manage retention risk. The review also provides an opportunity to review diversity of this strategically important group. The overall GLT population at 29% female is steadily increasing and continues to track higher than the total organisation, which is 26% female as at 31 December 2023. It is encouraging to note that 42% of the GLT that fall within an 'invest category' are female which will continue to support the increase in gender diversity within this group. Further details on the progress made during the year on diversity and inclusion is provided later in this Report and in the People and Culture section as outlined above.

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

**Tenure of Non-Executive Directors**

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

The Committee recognises the recommendations in Principle K and Provision 19 of the Code in respect of Board tenure of independent directors, and in accordance with this, a nine-year tenure is the maximum for any Non-Executive Director appointed to the Board (with exceptions permitted only with sufficient explanation and where agreed by the Committee as a whole). Mark Hammond completed his nine-year tenure during the year and retired from the Board in October 2023, having agreed to remain on the Board whilst the onboarding of the new Non-Executive Directors took place.

**Recruitment of Executive and Non-Executive Directors**

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

- identifying any skills or experience gaps in the composition of the Board and its current diversity;
- having regard to any such gaps, identifying and nominating candidates to fill Board vacancies as and when they arise and recommending them for the approval of the Board; and
- reviewing the time commitment required from Non-Executive Directors.

The Committee recognises the importance of the time commitment of each Director to shareholders, and this will therefore continue to be kept under review for all Directors during 2024.

## Nomination Committee Report – 2023 in review continued

During the year, the Committee appointed Odgers Berndtson and Egon Zehnder to assist in identifying potential candidates to succeed Paul James as CFO, and Korn Ferry to assist in identifying potential candidates to appoint Bronagh Kennedy as Non-Executive Director. Odgers Berndtson, Egon Zehnder and Korn Ferry confirmed their independence on appointment and that, other than in the case of Korn Ferry, they had no other connection with the Company or any individual Directors. Korn Ferry are the appointed advisers to the Remuneration Committee, but the work carried out in relation to the appointment of the Non-Executive Directors was carried out by a team separate to the remuneration advisory team.

Information on the Directors' service agreements, shareholdings and share options is set out in the Directors' Remuneration Report on pages 134 to 147.

### Recruitment and appointment of Non-Executive Director, Bronagh Kennedy

The Committee appointed Korn Ferry to assist in identifying a new Non-Executive Director, in light of Mark Hammond's retirement from the Board during 2023. Five candidates were shortlisted, all of whom were female, and these candidates were interviewed by the appointed sub-Committee. Following this process, the remaining members of the Committee, as well as the Executive Directors, met the two preferred candidates proposed by the sub-Committee. As a result of this process, it was agreed by the Committee that Ms Kennedy had the necessary skills and attributes being sought for the Non-Executive Director role, and the proposal from the Committee to appoint Ms Kennedy was approved by the Board.



### Board evaluation and composition

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

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

### Board skills and experience

The Committee uses a skills matrix when identifying the balance of skills, knowledge, experience and diversity of the Board for its evaluation and composition review and succession planning.

The matrix highlights where the capabilities of Directors are particularly strong, and where there are opportunities to further grow the Board's collective knowledge and level of diversity. The skills of the Board are considered to be appropriate to provide constructive challenge as well as guidance and support in order to continue to deliver the Company's strategy. The skills matrix of the Board as at 31 December 2023 is included in the Governance Report on page 87.

### Diversity and inclusion

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

Diversity remains a key consideration for the Committee. As outlined in the 2022 Annual Report and Accounts, the Diversity and Inclusion Policy was approved in March 2023 and further efforts to integrate and improve diversity have been implemented throughout 2023. This policy was launched to all employees during National Inclusion Week, along with all-employee training. Lisa Scenna, the Senior Independent Director, participated in the Company's International Woman's Day activities, hosting an engagement session with a group of 10 employees to obtain their feedback on areas of strength, areas of concern and proposed improvements. This session, along with various others conducted across the Group, resulted in the Group's Maternity and Paternity Policies being reviewed and updated, effective from January 2024. We are proud of this

## Nomination Committee Report – 2023 in review continued

development, and the direct engagement with employees continues to assist us in identifying and making improvements to our diversity-related policies and procedures. Further information about the diversity and inclusion initiatives during the year are included in the People and Culture section of the Strategic Report on page 44. Diversity requirements form part of the succession planning framework as outlined earlier in this Report, as well as forming part of non-negotiable criteria for any recruitment partners we may engage with. The diagram overleaf showcases our Board's composition in line with the Listing Rule requirements, including gender, ethnicity and women in senior Board positions, as at 31 December 2023. It also shows gender diversity at senior management level, being the Executive Committee and its direct reports. The Committee supports the FTSE Women Leaders Review target which seeks to improve Board and senior leadership diversity across FTSE 350 companies, as well as the FRC Board Diversity and Effectiveness in FTSE 350 Companies. We are proud to confirm that Genuit Group features as one of the FTSE Women Leaders Review top 10 performers in 2023 for Women in Leadership, as well as ranking at the top of our sector. The Committee and the Board also fully support the Parker Review's 'One by 2024' recommendations and is pleased to confirm compliance with this recommendation as at 31 December 2023.

By order of the Board.

**Kevin Boyd**  
Chair of the Nomination Committee  
12 March 2024

### Induction process

Following appointment, the Company provides Directors with a comprehensive and tailored induction programme, which is personalised to the specific role of each Director drafted by the Company Secretary and approved by the Chair.

A successful Director's induction is crucial, as it familiarises them with the Company's policies, strategic goals, and culture, ensuring effective leadership and alignment with the Group's purpose. Inductions are based on the following basic principles:

- Welcome and overview
- Introduction to key members of the team, fostering early connections, open communication channels and providing an insight into the Group's culture
- Brief outline on policies and procedures
- Outline of strategic goals and Company purpose
- Providing necessary training and resources, details of external advisors and stakeholders and ensuring Directors understand the legal and ethical responsibilities associated with their role
- Company facilities and systems



Both Shatish and Bronagh's first few weeks at Genuit Group prioritised the scheduling of one-to-one briefings with individual members of the Executive Management Team and visiting site facilities to gain an insight into the operational activities and key strategic priorities within each Business Unit, led by each Business Unit Managing Director. These briefings, which provided an early opportunity to meet senior leadership members, were supported by operational site visits to provide on-the-ground understanding of the different businesses across the Group. In addition, each met with all Non-Executives individually, Group Function heads, and key external advisors, including the Company's brokers, internal and external auditors, and PR advisors.

The induction schedule ensures key topics are covered, specific to the sustainable long-term success of the Company. These include:

- Strategic overview
- Finance and Procurement organisation and priorities
- HR and HR transformation programme and priorities
- Overview of Sustainable Solutions for Growth strategy, sustainability, and M&A
- Board governance, directors' duties, legal and company secretarial responsibilities and priorities
- IS organisation and IS transformation programmes and key priorities
- HSE (including occupational health) organisation, HSE strategy and priorities
- Overview of R&D, technical, innovation, digital and sustainable materials strategy

## Nomination Committee Report – 2023 in review continued

## FCA Diversity Disclosure Table

## Data under LR 9.8.6(10)

In line with LR 9.8.6(10), as at the reference date of 31 December 2023, the composition of the Board and Senior Leadership is as follows:

<b>Gender</b>	<b>Number of Board members</b>	<b>Percentage of the Board</b>	<b>Number of senior positions on the Board (CEO, CFO, SID, and Chair)</b>	<b>Number in Senior Leadership positions<sup>1</sup></b>	<b>Percentage of Senior Leadership</b>
Women	3	42.8%	1	11	50%
Men	4	57.3%	3	11	50%

<b>Ethnic Background</b>	<b>Number of Board members</b>	<b>Percentage of the Board</b>	<b>Number of senior positions on the Board (CEO, CFO, SID, and Chair)</b>	<b>Number in Senior Leadership positions<sup>2</sup></b>	<b>Percentage of Senior Leadership</b>
White British or other White	6	85.7%	4	22	100%
Mixed/multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	1	14.3%	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other Ethnic Group including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1. Per the definition above on page 97.

2. Per the definition above on page 97.

Gender is captured as sex for all employees at the onboarding stage and held on the Company's secure people data system, Workday. Genuit has 100% completion of sex data for the members of the Board and Senior Leadership and that is what is used when reporting the above gender diversity data. Recognising that for some, gender identity can differ from that assigned at birth, all employees are offered the opportunity to volunteer their gender identity directly within the HRIS system, Workday. Ethnicity data is also provided voluntarily and can be offered in the same way as gender identity. Genuit has voluntary completion of ethnicity data for the members of the Board and executive management and that is what is used when reporting the above ethnicity data. All information is strictly confidential in accordance with Genuit Group's Privacy Notice in line with the UK General Data Protection Regulations (UK GDPR and GDPR 2018 and DPA 2018).



# Risk Committee Report – Introduction

## Chair



**Tim Pullen**  
Chair of the Risk Committee

## Members



**Joe Vorih**  
Chief Executive Officer



**Martin Gisbourne**  
Chief Strategy and  
Sustainability Officer



**Clare Taylor**  
Chief People Officer



**Emma Versluys**  
Group Legal Counsel and  
Company Secretary



**Steve Durdant-Hollamby**  
Business Unit Managing  
Director (BU MD), WMS  
(member with effect  
from 1 August 2023)



**Steve Currier**  
Business Unit Managing  
Director (BU MD), SBS  
(member with effect  
from 1 August 2023)

## Dear Shareholder

I am pleased to present my first Report of the Risk Committee (the Committee) for the year ended 31 December 2023, having been appointed as Committee Chair in November 2023. The Report describes in more detail how the Committee has fulfilled its role in supporting the Board in overseeing and advising on future and current risk exposures, and monitoring the effectiveness of the Group risk management framework.

During 2023, the Committee remained committed to overseeing and regularly reviewing the Group's principal and emerging risks in the context of the macroeconomic environment which continued to affect the Group and wider economy. Geopolitical tensions continued to impact Europe and the Middle East, and we remain vigilant as to the indirect impact this could have on our wider stakeholders.

Whilst the supply chain challenges seen in 2022 eased during the year, the cost-of-living challenges continued, and the increase in inflation as well as the higher interest rates were matters discussed by the Committee in the context of its risk management. The risks associated with the impact of these increased costs on Group operations continued to be mitigated through the focus on Group purchasing and the simplification of the business, including the site rationalisation initiatives.

“The Committee’s work in 2023 has strengthened the Group’s risk management structure, maintaining its status as a dedicated forum to give consideration to risk management and ensuring continuous improvement.”



## Risk Committee Report – Introduction continued

In the context of recruitment and retention of key personnel, the Committee kept this under review and remained satisfied that it was being managed effectively, given the continued focus on talent succession, employee wellbeing, employee remuneration and diverse recruitment practices. More information on our People strategy can be found in the People and Culture section of the Strategic Report on pages 43 to 46.

Climate remained a key item on the agenda, and the Committee conducted further quantitative scenario analysis on key risks and opportunities as part of its obligations under the Financial Conduct Authority (FCA) Listing Rules and recommended Task Force on Climate-Related Financial Disclosures (TCFD). Given our strategic focus on climate-related growth drivers, we paid close attention to the UK Government's review of its regulatory programme. Within the context of the assessments under TCFD, overall, our assessment was that these changes would have a minimal impact on our short-term future revenues or growth. Further details on this are provided later in this Report and in the TCFD Report on pages 31 to 40.

The Committee continued to receive presentations from the Business Units (BUs) as well as the Group functions, on a rotational basis. Each presented the current and emerging risks specific to their BU or Group function and detailed the effectiveness of the processes that support the mitigation of these risks. This oversight will be further enhanced in 2024 with new requirements to report outside of the rotational cycle on any significant movement in risk registers, as outlined later in this Report.

As part of its annual cycle, at its meeting in early 2024, the Committee reviewed, discussed and agreed the final changes to the Group's principal risks and uncertainties and emerging risks prior to submitting to the Board for approval, to ensure that the reporting of these risks remained current, proportionate and appropriate. As part of the internal Board evaluation carried out during the year, the performance and effectiveness of the Committee was reviewed, and detail on this is set out later in this Report.

The Committee's work in 2023 has strengthened the Group's risk management structure, maintaining its status as a dedicated forum to give consideration to risk management and ensuring continuous improvement. I remain confident that we are well positioned to meet the challenges and uncertainties that the macroeconomic challenges and identified operational risks pose. Details of our principal risks and uncertainties as well as our emerging risks, which were reviewed at each Committee meeting, can be found on pages 66 to 73.

I am looking forward to my first full year as Chief Financial Officer and Chair of the Risk Committee and will be available at the AGM to answer any questions about the work of the Committee.

**Tim Pullen**  
Chair of the Risk Committee  
12 March 2024



### 2023 Key Achievements

- Reviewed the Group risk appetite statement and recommendation to the Board to approve
- Ongoing monitoring of principal risks and uncertainties, emerging risks, and current mitigation
- Reviewed Business Unit and Group function risk registers
- Reviewed risk internal controls and management systems
- Quantitative scenario analysis conducted on identified significant climate-related risks and opportunities
- Enhanced reporting processes to increase transparency and awareness of the impact of risks
- Updated Committee Terms of Reference, which included increased meeting frequency and a requirement for the Audit Committee Chair to attend at least once a year
- Reviewed and updated the rolling agenda to ensure it remains in line with Corporate Governance Code requirements and recommendations
- Reviewed Committee performance

### Areas of focus for 2024

- Continuing to evolve and strengthen our safety culture, focusing on behavioural safety
- Monitoring progress of communication with our supply chain to increase assurance over compliance, security of supply, quality and sustainability
- Review the process of reporting significant movements by Business Units and Group functions in current or emerging risks
- Continuing to invest in our people by enhancing our approach to performance and talent management and leadership development to mitigate principal risk

# Risk Committee Report – 2023 in review

## Members and meetings

Following the departure of the Chief Operating Officer, Matt Pullen, and the Chief Financial Officer and Committee Chair, Paul James, the membership of the Committee was reviewed by the Nomination Committee and Board during the year to ensure it remained fit for purpose and continued to have the skills and experience required to perform the roles and responsibilities within its remit. In particular, the Board wished to ensure that the operational risk updates continued to be presented and discussed appropriately following the decision not to replace the outgoing Chief Operating Officer, and it was proposed to the Board and agreed that the Business Unit Managing Directors (BU MDs) be appointed as members of the Committee to ensure that there was continued and consistent visibility of operational and other risks at Committee and Board level. It was also agreed that, given the wholly executive membership of the Committee, it would be beneficial for the Audit Committee Chair to attend at least one Committee meeting a year to ensure the Committee was managing risk appropriately and effectively, complementing the work of the Audit Committee, and to provide an independent report to the Board on the activities of the Committee. The current Committee membership therefore comprises Tim Pullen, Joe Vorih, Martin Gisbourne, Clare Taylor, Emma Versluys, Steve Durdant-Hollamby and Steve Currier. The Group Financial Controller and the Group Internal Audit Director are invited to attend all meetings, and Group function heads are invited to attend and provide an update to the Committee on a rotational basis. The Assistant Company Secretary acts as Secretary to the Committee. Accordingly, there are seven members. Shatish Dasani, Audit Chair, will be invited to attend at least one meeting during 2024 in accordance with the updated Committee Terms of Reference.

### Board

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

### Risk Committee

- Works alongside the Board to set the risk tolerance levels for the Group in preparing and maintaining the risk appetite statement
- Monitors and reviews the Group's risk register
- Identifies and evaluates Principal Risks and Uncertainties and emerging risks, and presents these to the Board for approval and inclusion in the Annual Report and Accounts, as well as ensuring they are appropriately monitored, reviewed and managed
- Monitors climate-related risks and opportunities and conducts further stress testing and scenario analysis as appropriate

In addition to the Risk Committee, the Board's other Committees manage risks relevant to their areas of responsibility

### Audit Committee

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

### Remuneration Committee

- Ensures that remuneration and reward arrangements promote long-term sustainable performance and retention of key talent
- Monitors the incentive framework to ensure it does not encourage Executive Directors to operate outside the Board's risk tolerance

### Nomination Committee

- Ensures the Board (and its Committees) have the appropriate balance of skills, knowledge, and experience
- Ensures that adequate succession plans are in place for the Board, Executive Directors and the wider talent pipeline

### Senior Management

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

## Risk Committee Report – 2023 in review continued

The UK Corporate Governance Code (the Code) Provision 25 requires risk management systems be either reviewed by the Audit Committee, a risk committee composed of independent Non-Executive Directors, or the Board. Although the Committee is comprised solely of Executive Directors and senior management, it reports regularly on all its activities to the Board, and the Board is required to approve any changes to the Group's risk appetite, principal and emerging risks, the Group's risk management structure and climate-related risks and opportunities. The composition of the Committee enables meetings to be constructive and effective at reviewing and discussing the granular detail of risk across Business Units and the Group as a whole. As noted above, from 2024 the Audit Committee Chair will attend at least one Committee meeting a year to ensure adequate independent oversight and to provide assurance that the Board continues to have appropriate oversight of the activities of the Committee and the Group's risk management processes.

Under the 2023 Terms of Reference, the Committee was required to meet not less than twice a year and it held three meetings during the year under review. As part of the annual review and update of the Committee Terms of Reference, the minimum number of meetings a year has been increased from two to four, and this will be implemented during 2024.

### Governance

In accordance with Code Principle L and Provision 21, the Board and its Committees are required to be evaluated on an annual basis. An external evaluation was conducted in 2022, and therefore an internal evaluation was conducted during the year in accordance with the Code requirements. The Committee evaluation held in December 2023 highlighted that the executive composition of the Committee remained appropriate, and that the membership comprised the necessary knowledge and skills, and as a result was well equipped to manage the Group's risk framework on behalf of the Board. Areas for improvement were noted on the length and frequency of meetings, and the format of meeting papers. Following the updates to the Terms of Reference, meetings have been increased to quarterly for 2024 which will address this area for improvement, and updated templates have been implemented to enhance the presentation of principal and emerging risks for use at each meeting. The effectiveness of these changes will be monitored in 2024 and reported on in the 2024 Annual Report and Accounts.

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

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

All proceedings of the Committee are reported formally to the Board by the Chair of the Committee, who reports on the main items discussed, as well as reporting on the nature and content of its discussion, making recommendations and proposing action to be taken or approvals requested. The Assistant Company Secretary acts as Secretary to the Committee, and minutes of all Committee meetings are shared with the Board as part of the Committee Chair's report to the Board.

The Committee's Terms of Reference explain the Committee's role and responsibilities and were reviewed in November 2023 to ensure they remained appropriate. The Board approved the proposed updates to the Terms of Reference at its meeting in December 2023 and a copy can be found on the Company's website.

## Role of the Committee and its activities during the year

### Ensures adequate and effective risk management systems and controls, and assesses the effectiveness of the internal control environment

In accordance with Principle O of the Code, one of the Committee's responsibilities is to ensure, on behalf of the Board, that adequate and effective risk management systems and controls are in place across the Group. Management of risk is treated as a critical and core aspect of Group activities, and whilst the Board has ultimate responsibility for the Group's robust risk identification and management procedures, risk management activities are delegated to the Risk Committee which is more able to oversee and manage everyday business, strategic and operational risk. Updates from the Group Internal Audit Director outlining principal and emerging risks and reporting timelines are presented at each Committee meeting. In the event weaknesses in the risk management systems are identified, plans for strengthening these are discussed and agreed by the Committee and implemented as appropriate. Monitoring and progress updates are then provided by the Group Internal Audit Director, as required.

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

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



## Risk Committee Report – 2023 in review continued

**Risk management process**

As outlined above, the Board, with the support of the Committee, is responsible for ensuring that an effective risk management system is in place. Through ongoing review during the year, it ensures that it is fit for purpose and that it operates effectively. It is therefore imperative that the Committee ensures the Board has a clear view of the level of risk across the Group in accordance with the risk management system outlined on page 66 of the Strategic Report.

Each business and Group function is responsible for monitoring and maintaining individual risk registers, whereby each risk is recorded and scored for both impact and probability, allowing the most significant risks to be identified and prioritised. The risk management process is prescribed and organised by the Group Internal Audit Director, who ensures that each business complies with Group prescribed mandatory standards. Businesses are required to formally review their risk register and risk profile at least twice a year. This requirement extends to climate-related risk, and the process for reporting and reviewing climate-related risk is in line with the process above and managed by the Chief Strategy and Sustainability Officer. The rolling agenda for Committee meetings was reviewed and updated during the year to include a requirement for any movement in reported current or emerging risks to be escalated and notified to the Committee. This change will be implemented during 2024 and further updates on the effectiveness of this will be reported in the 2024 Annual Report and Accounts.

**“Principal risks and uncertainties and emerging risks are adequately reviewed and challenged by the Board.”**

To ensure compliance with the Code and to operate the highest governance standards, the Board remains responsible for reviewing and approving risk management and internal control and approves the Group risk appetite on an annual basis. The Board reviews and approves any material output of the Committee, which ensures principal risks and uncertainties and emerging risks are adequately reviewed and challenged by the Board and support the setting of overall Group strategic objectives. The Committee works alongside the Board to set the risk tolerance levels for the Group by drafting the risk appetite of the Group and monitoring its implementation to ensure it sets a culture in line with this. It monitors and reviews the Group’s risk register, identifies and evaluates principal and emerging risks, approves climate-related risks and opportunities and presents these to the Board for approval and inclusion in the Annual Report and Accounts. It ensures these are appropriately managed throughout the financial year by reviewing principal and emerging risks at each Committee meeting, climate-risk being reviewed a minimum of three times a year, and the Group risk register reviewed on an annual basis.

**Internal risk controls and management systems**

The Committee relies on the effectiveness of senior leaders across the Group to implement its controls and risk management systems. Despite their recent membership, BU MDs are still required to present their specific Business Unit risk register on a rotational basis. This is beneficial in ensuring all BU MDs are aware of other identified current and emerging risks across all BUs, which enables the Committee to synergise mitigations where appropriate and take a consolidated and high-level approach to managing emerging risks. Group function heads are also required to present to the Committee on a rotational basis, and with effect from 2024, all risk register owners will be required to provide updates at each Committee meeting on any material changes to their respective risk registers. Senior leaders are responsible for maintaining the Group’s risk registers and implementing the bottom-up approach review of risks. They are ultimately responsible to the Committee for managing and adequately implementing the Group’s risk management procedures and monitoring the operation and effectiveness of key internal risk controls. They also provide support, guidance and advice to employees in identifying risk, assessing the likely impact, and proposing and implementing mitigation plans, which is critical to the effective operation of the Group’s risk controls and management systems.

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

Risk Committee Report – 2023 in review continued

<b>Principal risks and uncertainties</b>	contains the risks which are classified as the Group's main risks that could have a material impact on the Group's performance and prospects, net of mitigating activities. The principal risks include a comprehensive overview of the key controls in place to mitigate the risk and the potential impact on our strategic objectives, KPIs and business model.
<b>Emerging risks</b>	contains the risks which are classified as those which could potentially significantly impact our industry and/or our Group which are evolving and have a higher degree of uncertainty.
<b>Group risk register</b>	documents the Group risks, which is maintained and updated in accordance with the Group risk management process and reporting cycle.
<b>Key risk indicators</b>	are identified and monitored to ensure the Group adequately monitors and takes any timely corrective actions.
<b>Business Unit and Group function risk registers</b>	contain the granular and specific risks associated with each specific Business Unit and Group function, which contribute to the Group risk register and any identified principal or emerging risks. Maintenance of these is the responsibility of each Business Unit and function head and each of them are reviewed by the Committee on a rotational basis.

**Risk rating**

As part of the risk assessment process, we estimate the probability of the risk occurring and the potential quantitative and qualitative impacts. Risks are rated in accordance with the Group risk appetite statement.

A simplified version of our risk rating criteria is provided below. Risks which are then graded on a net basis (after mitigation) and included in the Group's principal risks and uncertainties are contained in the Strategic Report on pages 66 to 72.

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

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

		Probability				
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
Impact	5 Catastrophic					
	4 Major					
	3 Moderate					
	2 Minor					
	1 Insignificant					

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

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

The Committee's role includes:

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

A robust assessment of the principal and emerging risks facing the Group is performed by the Group Internal Audit Director following the collation of the Group risk registers. This process identifies those risks that could threaten future performance and solvency or liquidity, as well as the Group's strategic objectives, over the coming twelve months. Emerging risks identified across the Group are consolidated in the same way and identify areas that could indicate an increase to the Group's risk exposure. These are discussed by the Committee and decisions are taken as to their prominence, likely impact, timescale to impact and whether they should be incorporated into the consolidated Group risk registers. Any significant increase in risk or proposed emerging risks or current principal risks is subject to challenge by the Committee and requires a robust justification and clear supporting data. Relevant details are included in the Chair's report to the Board, and on an annual basis, principal and emerging risks are submitted in full to the Board for final approval and inclusion in the Annual Report and Accounts.

## Risk Committee Report – 2023 in review continued

Principal risks are documented to include a comprehensive overview of the key controls in place to mitigate the relevant risk and the potential impact on strategic objectives, KPIs and business model. Changes to those principal risks which are disclosed annually can only be made with approval from the Committee and the Board. Principal risks are presented to the Committee at every meeting to ensure they are monitored on an ongoing basis, and the Committee places focus on the effectiveness of mitigations in reducing the risk. More detail on the Group's principal risks and uncertainties and emerging risks can be found on pages 66 to 73 of the Strategic Report.

### Climate

In line with the recommendations in the Task Force on Climate-Related Financial Disclosures (TCFD) and the FCAs Listing Rules, the Committee is responsible for monitoring, assessing and mitigating the impact of climate change on the Group and the possible effects on its strategy. It is responsible for ensuring the Board has adequate oversight of these risks and opportunities and ensures that the impact is adequately assessed and appropriate mitigations identified, ensuring the Company is resilient enough to manage these over the short, medium and long term.

Qualitative analysis was conducted by the Committee to assist with the completion of its 2022 TCFD disclosure, which provided further clarity and insight into the impact of those which had been identified as significant. At its meeting in June, the Committee approved 2 risks and 2 opportunities to undergo quantitative scenario analysis, to enable it to understand the potential financial impact of these on the Group as a whole and allocate adequate metrics to monitor their movement.

Climate is categorised as a principal risk, as outlined in the principal risks and uncertainties on page 68, and the qualitative and quantitative scenario analysis and subsequent monitoring of the climate risk register has positively contributed to the accuracy of the controls surrounding climate as a principal risk. Further detail about the findings of our quantitative assessments and the monitoring of the qualitative assessments can be found in our TCFD Report on pages 31 to 40.

### Regulatory

As reported in the 2022 Annual Report and Accounts, during the year the Committee reviewed the impact of regulatory risk and industry body changes and current mitigating actions. It also committed to develop, enhance and implement internal systems to demonstrate regulatory compliance to mitigate the impact of regulatory risk. The Committee was updated on the progress of this, which included an update on internal processes, confirmation of additional training requirements and the ongoing efforts to raise awareness across the Group of matters such as the Code for Construction Product Information and the Building Safety Act, and was satisfied with the progress of the current mitigations. Further detail about regulatory risk can be found in the Strategic Report on page 69.

“The qualitative and quantitative scenario analysis and subsequent monitoring of the climate risk register has positively contributed to the accuracy of the controls surrounding climate as a principal risk.”

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

The Committee is responsible for:

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

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

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

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

By order of the Board.

**Tim Pullen**  
Chair of the Risk Committee  
12 March 2024

# Audit Committee Report – Introduction

## Chair



**Shatish Dasani**  
Chair of the Audit Committee

## Members



**Louise Brooke-Smith**  
Non-Executive Director



**Lisa Scenna**  
Senior Independent  
Director



**Bronagh Kennedy**  
Non-Executive Director

## Dear Shareholder

On behalf of the Board, I am pleased to present the Report of the Audit Committee (the Committee) for 2023, having taken over the position of Committee Chair from Kevin Boyd, in March 2023. As noted in the 2022 Annual Report and Accounts, Kevin Boyd continued to Chair the Audit Committee whilst a process to appoint a successor continued during early 2023, and as a result the Company was therefore non-compliant with Provision 24 of the Code with effect from his appointment as Chair of the Board in November 2022, until my appointment as Committee Chair on 7 March 2023.

The Committee's main role is to monitor and review the integrity of the Company's financial information. Consequently, it is responsible for overseeing the financial reporting processes of the Group and ensuring they are accurate and transparent. Its key responsibilities include reviewing financial statements, overseeing the external audit processes and ensuring the auditor remains independent, monitoring internal controls, and fostering effective communication between executive management, the Group's external auditor and the Board. The Committee supports the Board in fulfilling its governance responsibilities, ensuring that the interests of our stakeholders are properly protected (particularly our shareholders and customers), specifically in relation to financial reporting. Members of the Committee are appointed by the Board from its Non-Executive Directors on the recommendation of the Nomination Committee, in accordance with the UK Corporate Governance Code (the Code) requirements and other FRC-related guidance.

“The reviews conducted during the year provided the Committee with confidence in the robustness of the financial reporting, audit processes and control environment.”

During 2023, the Audit Committee placed its focus on the integrity of the Group's financial reporting practices, internal controls, and the quality and performance of the internal and external auditors, providing challenge to the decisions and judgements made by management. In addition, a key priority for the Committee was the completion of the external auditor tender process. As part of the internal Board evaluations, the performance of the Risk and Audit Committees was evaluated (more detail can be found in the Governance Report on page 90, Risk Committee Report on page 102 and Audit Committee Report on page 108). The results of this evaluation showed that this separation of responsibilities continued to be effective, however it was acknowledged that further steps could be taken to ensure both Committees had effective synergies in their operations and the deployment of the Group's strategy, and therefore it was agreed that I will attend at least one Risk Committee meeting a year to ensure independent oversight and effective communication between the two Committees. We will continue to keep our activities under review and endeavour to continuously improve our governance structures, to ensure we comply with all applicable regulations and that we remain confident that the Company continues to operate in a controlled and managed way. The main responsibilities and activities of the Committee are detailed further in this Report.



## Audit Committee Report – Introduction continued

### Areas of focus in 2023

2023 proved to be a year of ongoing uncertainty on both a micro and macroeconomic front, and as a result, the Committee was required to consider the challenges this presented and their financial and operational implications. This Report outlines some of these considerations in more detail. Areas of focus included the market challenges and uncertainty, in particular in relation to housebuilding and RMI, higher interest rates and pent-up boiler and heating system demand. The Committee considered the resulting implications of these and other challenges for the interim and full year financial statements, as well as focusing on self-help measures, deployment of the Genuit Business System and continued business simplification to mitigate the impact of the market conditions. Throughout the year, the Group remained committed to identifying these challenges quickly, and proactively mitigating them to the greatest possible extent. The Audit Committee continued to focus on the implications of these from a financial and operational perspective, whilst the Risk Committee focused on managing and mitigating the risks themselves, enabling both Committees to deal with the challenges over the last twelve months efficiently and effectively. Further information in respect of the Risk Committee's work and its approach to monitoring principal and emerging risks is set out in the Risk Committee Report.

The Committee carried out a thorough external audit tender process during the year in light of the upcoming completion of the ten-year tenure of its current external auditor, Ernst & Young LLP, led by myself as the Committee Chair, and involving members of the senior management team with both finance and non-finance backgrounds. Further detail on this process is set out in this Report.

The Committee also closely monitored communications and Group reporting processes, ensuring that progress of the external and internal audits remained on track throughout the year, that internal controls remained effective, and that resulting actions were addressed in a timely manner. The quality of the output of these reviews relies on transparency of management and effective reporting and agenda planning to ensure adequate time is allocated during Committee meetings to discuss these items in sufficient detail. The reviews conducted during the year provided the Committee with confidence in the robustness of the financial reporting, audit processes and control environment. The internal audit plan continued to operate effectively, and continues to evolve to reflect the changing needs of the Group.

As part of its responsibilities under its Terms of Reference, the Committee is required, on behalf of the Board, to oversee the process for determining whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy. The judgements and factors the Committee considered when reviewing the 2023 Annual Report and Accounts are outlined on page 109, as well as its conclusions in this regard.

As a result of its work undertaken during the year and taking into account the feedback from the Board and Committee evaluation (further details are set out on page 108), the Committee considers that it has acted in accordance with its Terms of Reference and has ensured the independence, objectivity and effectiveness of the external and internal auditors. This Report outlines some of the main activities of the Committee during the financial year.

I would like to thank my Committee and Board colleagues for their work and support during the year to enable a seamless transition of Chairship from Kevin to myself, and look forward to working to make continuous improvements during 2024.

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

**Shatish Dasani**  
Chair of the Audit Committee  
12 March 2024

### 2023 Key Achievements

- Reviewed the year-end financial statements including key judgements, estimates and assumptions
- Transitioned a new Audit Committee Chair
- Oversaw the external audit tender process and successfully recommended an auditor for appointment
- Oversaw transition of internal audit arrangements to newly appointed Director of Internal Audit supported by external co-source provider

### Areas of focus for 2024

- Obtain assurances that key business controls remain effective following the internal Group restructuring as part of strategy deployment
- Continue enhancing effectiveness of risk and assurance function, including a review of structure

# Audit Committee Report – 2023 in review

## Members and meetings

The Committee comprises four Non-Executive Directors, being Shatish Dasani, Lisa Scenna, Bronagh Kennedy and Louise Brooke-Smith. During the year, Kevin Boyd stepped down as Chair of the Committee and Shatish Dasani was appointed as Chair from 7 March 2023. All Committee members are considered to be independent in accordance with the UK Corporate Governance Code.

In accordance with the requirements of Provision 24 of the Code and the FRC's guidance on Audit Committees, Shatish Dasani is designated as the Committee member with recent and relevant financial experience. He has extensive experience of the financial reporting requirements of FTSE companies, required compliance for public companies and of dealing with internal and external auditors having had a career in financial roles over 30 years as a FTSE Chief Financial Officer and as a current Audit and Risk Committee Non-Executive Directorships. All other members of the Committee are deemed to have the necessary ability and experience to understand financial issues given their mix of skills and backgrounds, and the Audit Committee as a whole has competence relevant to the sector in which the Group operates. The Committee is confident that its composition, balance and expertise provides shareholders with the confidence that the financial reporting and control processes of the Group are subjected to the appropriate level of independent, robust and challenging oversight.

The Committee discharges its responsibilities through a series of scheduled meetings during the year. Each meeting has a formal agenda which is linked to the events in the financial calendar of the Group. Attendees at each of the meetings include the Committee members as well as, by invitation, the Chair of the Company, the Chief Executive Officer, the Chief Financial Officer, the Group Internal Audit Director, the Group Financial Controller, the external auditor, Ernst & Young LLP, and Grant Thornton UK LLP who provide specific internal audit services to the Group. The Company Secretary is also Secretary to the Committee.

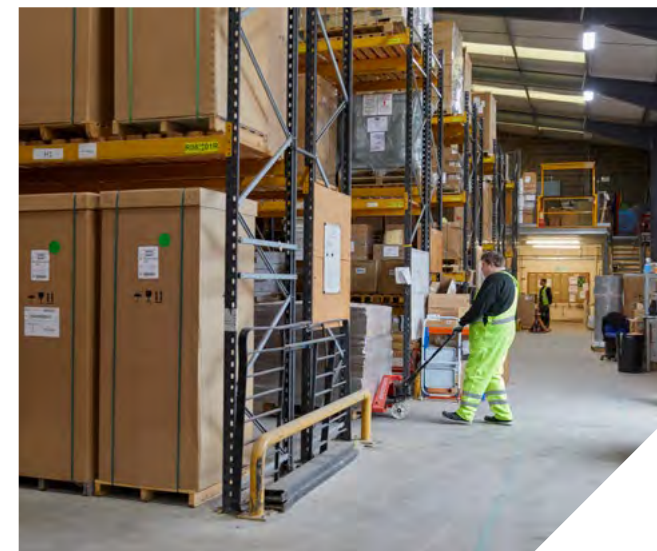
The Committee held four formal meetings during the year. In accordance with best practice, the Committee met regularly with the Ernst & Young LLP lead audit partner without executive management being present. The Committee also met with the Group Internal Audit Director and Grant Thornton UK LLP without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

## Governance

The responsibilities of the Committee are set out in its Terms of Reference. The Terms of Reference are reviewed on an annual basis to ensure they remain appropriate and reflect any changing governance requirements and recommendations, with any relevant updates made accordingly. The Committee Terms of Reference were reviewed and approved in October 2023 and are available on the Company's website. One of the Committee's responsibilities is to ensure it adequately reports to the Board on how it has discharged its responsibilities under these Terms of Reference.

In accordance with best practice, the effectiveness of the Committee was evaluated this year as part of the internal Board and Committee evaluation. This evaluation involved an anonymous questionnaire to encourage open feedback, ensuring the evaluation provided a valuable feedback mechanism for identifying concerns, improving effectiveness and highlighting areas for further improvement. There was also the opportunity at the end of the questionnaire to detail strengths and areas for improvement, to allow the Committee to have a broader understanding of its effectiveness outside of the structured questions. At its meeting in December 2023, the Committee considered the results of the internal evaluation and concluded that it had found the Committee to be continuing to operate efficiently and effectively. Responses to the questionnaire showed that the Committee was unanimous in its view of the effectiveness of all functions of the Committee. Part of the feedback included a recommendation for more convergence with the Risk Committee, and this has been implemented following the update to the Risk Committee Terms of Reference to include the requirement for the Audit Committee Chair to be invited to attend at least one of the scheduled meetings. The results of the evaluation provided the Board with a high level of assurance that key issues are being dealt with appropriately.

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



**“Its composition, balance and expertise provides shareholders with the confidence that the financial reporting and control processes of the Group are subjected to the appropriate level of independent, robust and challenging oversight.”**

## Audit Committee Report – 2023 in review continued

### Role of the Committee and its activities during the year

#### Independent oversight of reporting procedures and financial statements

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

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

When approving the Group's interim and final results announcements, Committee meetings are scheduled prior to the Board meetings to allow the Committee to fully consider the financial reporting judgements made by management, prior to submitting to the Board for approval. The Committee considers the principal accounting policies that are used when preparing results as well as reviewing the significant accounting issues and areas of judgements made as noted below and other key areas of focus. The Committee receives regular reports from the Chief Financial Officer and Group Financial Controller to support this work. The Committee's considerations are made through a review of the accounting papers and financial reports prepared and presented by management as referred to above, and reports prepared and presented by the Group's external auditor.

#### Fair, balanced and understandable

A key requirement of the financial statements is that they are fair, balanced and understandable (FBU). These principles aim to ensure that the financial statements accurately and fairly reflect the financial position and performance of the Group, and that they are presented in a clear and concise manner. To enable the Committee to reach a conclusion as to whether the Annual Report and Accounts meet with these principles, it is reviewed and assessed by the Committee in detail, together with a report from management on the application of these principles in the preparation of the Annual Report.

As part of this assessment, the Committee considers and reviews the disclosures and the processes and controls underlying its production. Its responsibility is to ensure that it correctly reflects the Company's performance in the reporting year in a clear and concise manner in line with the FBU principles, as well as ensuring there is consistent formatting and terminology throughout. The Committee undertakes this review with both management and the Group's external auditor and concentrates on ensuring compliance with the relevant financial and governance reporting requirements. Further details on the FBU process can be found in the Corporate Governance Report on page 91.

Following the Committee's assessment of the Annual Report and Accounts, it concluded and was able to recommend to the Board that the Annual Report and Accounts is fair, balanced and understandable.

#### Viability Statement

The Viability Statement is a longer-term view of the sustainability of the Company's proposed strategy and business model, considering wider economic and market developments as well as giving a clearer and broader view of solvency, liquidity and risk management. Its purpose is to provide assurance to shareholders that the Group is financially stable and capable of meeting its financial obligations over a longer period of time. The Committee considered and challenged the current Viability Statement during the year, as well as the current three-year period and relevant stress testing, and remained of the opinion that this continued to be appropriate. Part of its assessment of the Viability Statement involved considering the risk scenarios presented, the sensitivities for the impact of the combined risks, the reverse stress testing, and the available headroom after applying the sensitivities. The full statement can be found in the Directors' Report on page 113, which contains further detail on the process, assumptions and testing which underpin it.

#### Going concern

In determining whether the Group can continue to adopt the going concern basis, the Committee considers and reviews the Group's overall resources for the foreseeable future covering a period of at least 21 months. Following this review, the Committee agreed that the forecasts presented were reasonable, and therefore the Annual Report and Accounts have been prepared on a going concern basis. The going concern statement for the Group can be found in the Directors' Report on page 113.

#### Financial reporting

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

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

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

## Audit Committee Report – 2023 in review continued

### Selection and supervision of independent auditor

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

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

### Delegation of Authorities matrix

As part of its mechanisms for internal control, the Group has a Delegation of Authorities (DOA) matrix which acts as a resource to clarify and document the responsibilities and authorities of individuals across the Group. It helps avoid confusion, enhance communication and establish a clear structure for decision-making and task execution. It serves as an effective internal control by defining and assigning responsibilities, establishing accountability, preventing unauthorised actions and ensuring proper checks and balances. It reduces the risk of fraud, errors and misuse of resources. The Company undertook a detailed review during the year following the reorganisation of the Group into its three Business Units, to identify any adjustments necessary to maintain effective internal control. The review process included contributions by the Executive Management Team and was driven by the Group Financial Controller, and following various levels of input, was reviewed and approved by the Board and formally issued across the Group for implementation during the year.

### Internal control and internal audit

As reported in the 2022 Annual Report and Accounts, following a review of the three-year internal audit programme, during 2023 the Group continued to progress the internal audit transition plan from Grant Thornton UK LLP (who historically carried out the internal audit work), to the Group Internal Audit Director. An Internal Audit Charter was created to govern the function and provide guidance, purpose and clarity to the Group Internal Audit Director as to the scope and objectives of the function.

Internal audit as a function spans the whole Group including (as and when relevant) acquired businesses, and provides independent and objective assurance over the Group's systems of internal controls through a risk-based approach. The Committee reviews and approves the scope and resourcing of the internal audit plan annually, and during the year reviewed its 2023 Internal Audit plan which included key topics such as cyber security, sales rebates and third-party risk. Part of the function's role is to conduct independent site visits to review key accounting controls and measures, and to incorporate other compliance checks as appropriate. This began during 2023 and will be fully implemented during 2024. A fraud risk assessment was conducted as part of the ethics and compliance audit checks, and the three-year rolling plan was refreshed and reviewed by the Committee to ensure it adequately covered principal risks and key accounting controls.

The Committee acts as independent oversight, regularly considering the internal audit plan, internal audit reports and action tracker, and reviewing and challenging the internal audit results and reports as well as the adequacy of management's responses and proposed resolutions.

The Risk Committee has responsibility for risk management on behalf of the Board, and therefore details of how risk is assessed, managed and controlled as well as an outline of its purpose in the governance structure of the Group can be found in the Risk Committee Report on page 103. Details of the Group's principal risks and uncertainties and emerging risks can be found in the Strategic Report on pages 66 to 73.

### External audit appointment

As reported in our 2022 Annual Report and Accounts, in accordance with the Code, the Competition and Markets Authority (CMA) and the EU Audit Directive, the Company disclosed the decision to commence a tender process for the appointment of the external auditor during 2023. Following a rigorous and detailed process as outlined below, the external audit tender results in the proposal, subject to shareholder approval at the 2024 Annual General Meeting on 28 May 2024, to reappoint Ernst & Young (EY) LLP as the Company's external auditor.

In accordance with current professional standards, the external auditor is required to change the lead audit partner every five years in order to protect auditor independence and objectivity. Ernst & Young LLP were awarded the external audit in 2012 following a competitive tender process.

The lead audit partner was last rotated in 2022, and the senior audit manager was rotated in 2019 following completion of the 2018 full-year audit. The next scheduled year for lead audit partner rotation is 2027.

### External audit tender Governance

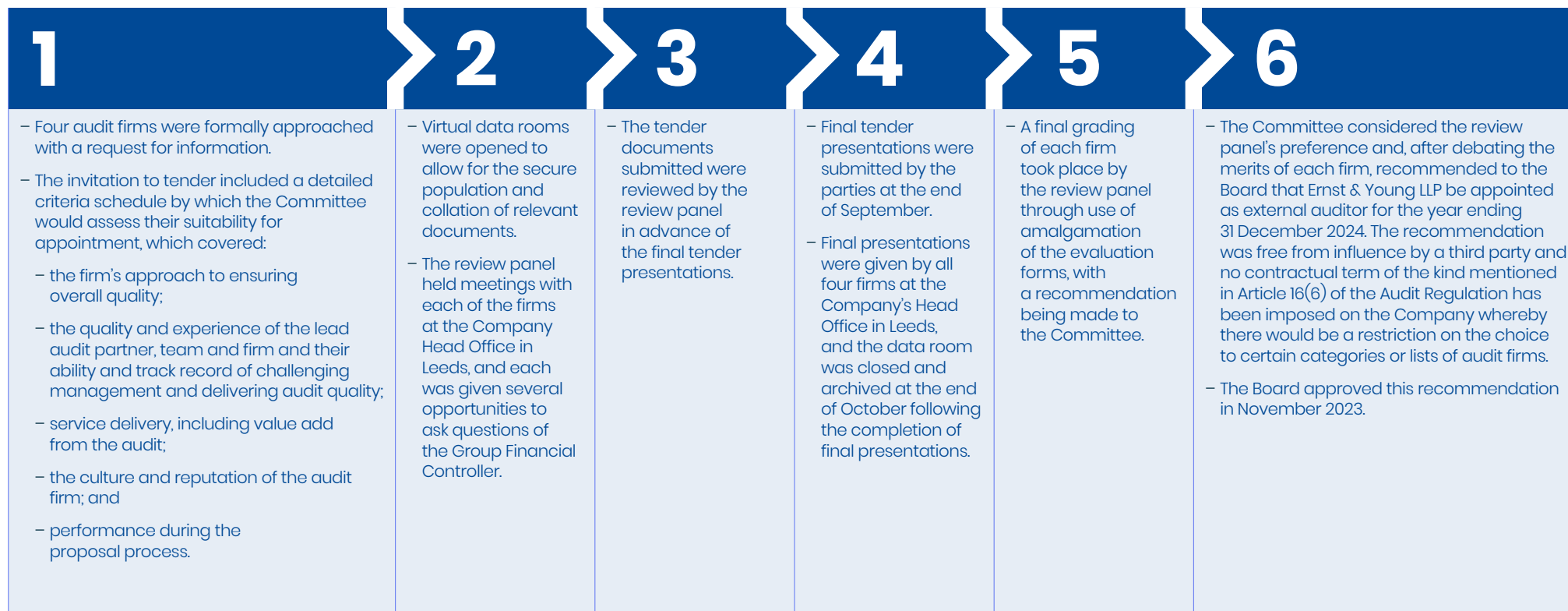
As part of the invitation to tender, the Committee outlined the criteria that the external audit firms would be assessed against, further detail of which is outlined below. During the tender process, individuals from the Company initially met with the tender parties, and the Committee approved the establishment of a review panel comprising the Committee Chair, Chief Financial Officer, Group Financial Controller, two Business Unit Finance Directors and the Group Legal Counsel and Company Secretary. To ensure full transparency and independence of thought, the panel independently scored and reviewed the proposals from the tender parties against an evaluation form, and an internal feedback session with the panel took place where these evaluation forms were shared and amalgamated.



## Audit Committee Report – 2023 in review continued

## Process

The process took place during 2023, which ultimately resulted in EY being chosen as the Group's external auditor for the year ending 31 December 2024, subject to shareholder approval at the 2024 AGM.



## Effectiveness and independence

A review of the external Auditor's performance and effectiveness is undertaken by the Committee each year. In respect of the 2023 full-year audit, EY LLP confirmed its independence in October 2023 and March 2024 as it presented to the Committee on its determination of independence, to enable the Committee to fully, and appropriately, assess its independence. This review includes considering qualification, expertise, resources and reappointment of the external auditors, as well as ensuring that no issues have arisen which may adversely affect their independence and objectivity. The review also considers how robust the external audit has been, as well as the quality of delivery. It also assesses how well the external auditors has

exercised professional scepticism and whether they have provided an appropriate degree of constructive challenge to management. Following this review, the Committee concluded that the external auditor remained independent.

## Non-audit services

The Group's non-audit services policy restricts the external auditor from performing certain non-audit services in accordance with the Revised Ethical Standard 2019 issued by the FRC. All non-audit services proposed to be performed by the external auditor must be pre-approved and sponsored by a senior executive with a detailed written recommendation including: the nature and scope of the proposed service,

the supplier selection process and criteria, the chosen supplier and selection rationale, the relationship of the individual within the external auditor to perform the proposed service with those undertaking the audit work, a fee estimate and the category of non-audit service, if relevant. In addition, the external auditor must provide a written statement of independence approved by the lead audit partner. All non-audit services proposed to be performed by the external auditor with a fee estimate in excess of £10,000 must also be pre-approved by the Committee. This policy and approach further enhances auditor objectivity and independence, and was reviewed by the Committee at its meeting in October 2023. There were no exceptions to this policy during 2023.

## Audit Committee Report – 2023 in review continued

### 2022 Financial Statements

During 2023, EY's audit of the Group's 2022 financial statements was selected for review by the FRC's Audit Quality Review (AQR) team. The Committee considered the scope of the AQR review, the findings from the final report from the AQR, together with EY's responses and their proposed future actions. In addition, the Audit Committee Chair and Audit Partner discussed the final report, and the Audit Committee Chair also met with the AQR directly to understand their key findings and recommendations.

Based on its overall review and consideration of the AQR report, the Committee is satisfied that the comments raised by the AQR have been incorporated into the work carried out by the external auditor and the audit continues to be effective.

In November 2023, the Company received a letter from the FRC to inform the Company that they had carried out a review of the Group's Annual Report and Accounts for the year ended 31 December 2022 in accordance with Part 2 of the FRC's Corporate Reporting Review Operating Procedures. In its letter, the FRC raised questions to help them understand aspects of the Group's goodwill impairment testing and related sensitivity analysis. It also set out, in an appendix to the letter, further observations on certain disclosures in the financial statements which we were encouraged to take into account when considering improvements in future reporting. The FRC was satisfied with the Company's response to the questions raised and the matter was closed in December 2023. Enhanced disclosures in relation to impairment testing and associated sensitivities have been included in the consolidated financial statements for the year ended 31 December 2023. In addition, the further observations made by the FRC have been considered and, where relevant, addressed through enhanced disclosures in the consolidated financial statements.

The letter explained that the FRC's review was based solely on the Annual Report and Accounts and did not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. It also explained that the review did not provide assurance that the Annual Report and Accounts were correct in all material respects; the FRC confirmed that its role was not to verify the information provided but to consider compliance with reporting requirements. The FRC accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

### Fraud, compliance, whistleblowing, and UK Bribery Act

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

#### Whistleblowing

In accordance with Principle E of the Code, a company's workforce should be able to raise any matters of concern and should be able to do so with confidence. The Committee recognises the importance of effective whistleblowing policies as being a key tool to strengthen governance and mechanism for ensuring internal control. The Committee ensures a reliable system is in place to identify and correct any unlawful or unethical conduct, and is responsible for ensuring adequate reporting tools and policies are in place. It regularly reviews the arrangements whereby all of the Group's employees may, in confidence, raise concerns about illegal, unethical or improper behaviour or other matters and ensures that these concerns are investigated and escalated as appropriate. As part of this, it monitors any reported incidents under its whistleblowing policy, and via the third party reporting provider.

The Whistleblowing Policy is accessible across the Group as a standalone policy and sets out the procedure employees should follow to raise legitimate concerns about any wrongdoing in financial reporting or other matters such as:

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

The anonymous hotline and online reporting tool support the internal processes and enable employees to feel confident to freely report any concerns they may have. During the year, the Company Secretary provided regular updates to the Committee on any reports received via the third party reporting line, and the action taken, where required, to address the concerns raised. The Group will continue to monitor any national laws that implement additional, relevant requirements and make any required changes to policies and procedures where appropriate.

### Fraud and the UK Bribery Act

As part of its commitment to drive a workplace which promotes honesty, integrity and good ethical practices, the Committee is also responsible for reviewing the Group's compliance procedures for detecting fraud and the systems and controls in place to prevent a breach of anti-bribery legislation. The Committee receives an annual update on the effectiveness of the ethics and compliance policies in place across the Group, as well as reviewing and approving any updated versions of these policies. These must be adhered to by all employees and are aimed at reducing the risk of fraud occurring. The Group is committed to a zero-tolerance position with regard to bribery, and during the year the Anti-Bribery and Corruption Policy was updated and distributed to all employees, regardless of their possible risk of exposure. A new online training module was launched for all PC-users, and short classroom training sessions for non-PC users were completed across the Group. The drive to increase awareness will ensure that the Company fosters an environment whereby every employee takes responsibility and feels empowered to ensure the zero-tolerance position is upheld and there are no breaches of anti-bribery legislation. The Group will continue to request biannual confirmations from relevant individuals stating that they have complied with the Group's policy. Refresh training will be reissued on a biennial basis, with all new starters being required to complete on commencement of employment.

### Cyber and information security

The Committee is responsible for ensuring adequate cyber and information security protections are in place across the Group. The Committee received regular cyber security updates from the Group IS Director throughout the year, in addition to those received by the Board as a whole. The Committee remains satisfied with the ongoing investment and commitment to robust cyber defences. To complement the updates and investments within cyber security, data protection and information security was also of particular focus for the relevant management teams across the Group. Updates were made to the structure of the Group data processing registers and simplified through the use of an online system which allows designated employees to maintain, update, change or add any new personal data processing activities on a regular basis.

By order of the Board.

**Shatish Dasani**  
Chair of the Audit Committee  
12 March 2024

# Directors' Report

## Statutory and other information

### Introduction

The Directors present their Annual Report and Accounts for the year ended 31 December 2023. In accordance with the Companies Act 2006 as amended, and the Listing Rules and the Disclosure Guidance and Transparency Rules, the Reports within the Governance section of the Annual Report and Accounts should be read in conjunction with one another, and with the Strategic Report. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report (pages 2 to 72) as the Board considers them to be of strategic importance.

### The Company

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

### Strategic Report

The Companies Act 2006 requires the Company to present a fair review of the development and performance of the Group's business during the financial year and the position of the business at the end of that year. This review is contained within the Strategic Report on pages 2 to 72. The principal activities of the Group are described in the Strategic Report on pages 16 to 48.

### Financial risk management

The Group's financial risk management objectives and policies, including information on financial risks that materially impact the Group and financial instruments used by the Group (if any), are disclosed in Note 29 to the Group's consolidated financial statements on pages 188 to 190.

### Viability Statement

In accordance with Provision 31 of the Code, the Directors have assessed the prospects of the Group over a longer period than that required by the 'going concern' provision.

The Board has determined that a three-year period to 31 December 2026 is the most appropriate period of assessment. Whilst the Board has no reason to believe the Group will not remain viable over a longer period, three years has been chosen as this aligns with the Group's Strategic Review and is considered the period over which it has reasonable visibility of the market and industry characteristics to be able to develop reasonable forecasting assumptions and perform a realistic viability assessment.

The Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency, or liquidity. In performing scenario analysis, the Directors have assumed the Group's banking facilities and Sustainability-Linked Loan revolving credit facility agreement of £350.0m with a £50.0m uncommitted accordion facility which expires in August 2027 will continue to be available. Further, they have assumed the separate agreement for private placement loan notes of £25.0m will be repaid at the end of their full term in August 2029. Within the base case scenario, the Directors have assumed that the Group's volumes will move in line with industry forecasts and inflationary pricing. The Directors believe that the Group is well placed to manage its business risks successfully, having considered the current economic outlook. In their assessment of the viability of the Group, the Directors have considered 6 scenarios each considering the impact of one of the Group's principal risks and uncertainties, detailed on pages 66 to 72 of the Strategic Report. In addition, the Directors have considered a combined scenario which reflects the impact of multiple risks. The most severe scenario considers the impact of both a recession, with a similar impact to that of the 2007 to 2010 Global Financial Crisis, and a delay in recovering increases in raw material costs of 25% from customers. Even under these scenarios the Group would not be required to pursue any of its available mitigating actions in order to avoid a breach of covenants or exhaust available liquidity. Notwithstanding the Directors' expectation that they would not need to pursue mitigating actions, they have identified the reduction of capital expenditure and dividend payments as the two most significant mitigations. The Board included this in its assessment of the viability of the Group. The Directors have considered the potential impact of climate change on the viability assessment, particularly in the context of the risks and opportunities identified in the Task Force on Climate-Related Financial Disclosures Report on pages 31 to 40 of the Strategic Report. The Directors do not currently expect any material short- and medium-term impacts under the scenarios modelled that could not be mitigated, and climate change presents a number of opportunities for the Group which are built into the Group's strategy. The risks over the longer term

are more uncertain and the Directors will continue to assess these risks against key areas of judgement and estimations made within the Group's Annual Report.

Accordingly, the Board believes that, considering the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2026, being the period considered under the Group's current three-year strategic plan.

### Going concern statement

The Directors have made enquiries into the adequacy of the Group's financial resources, through a review of the Group's budget and medium-term financial plan, including cash flow forecasts. The Group has modelled a range of scenarios, with the base forecast being one in which, over the 24 months ending 31 December 2025, sales volumes grow in line with or moderately above external construction industry forecasts.

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

At 31 December 2023, the Group had available £230.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities are available until at least August 2027, subject to covenant headroom. The Directors are satisfied that the Group has sufficient liquidity and covenant headroom to withstand reasonable variances to the base forecast, as well as the downside scenarios. In addition, the Directors have noted the range of possible additional liquidity options available to the Group, should they be required.

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

## Directors' Report continued

### Directors

The current Directors' biographies are set out on pages 78 and 79. In accordance with the Code, each Director will retire annually and put themselves forward for re-election at each AGM of the Company. Tim Pullen and Bronagh Kennedy joined the Board on 1 November 2023 and 3 July 2023 respectively and will offer themselves for election at the 2024 AGM, and for re-election annually thereafter.

### Appointment and replacement of Directors

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

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

Details of the Non-Executive Directors' letters of appointment are given on page 88 under 'Appointment and tenure'. The Executive Directors have service contracts under which 12 months' notice is required by both the Company and the Executive Director.

### Powers of Directors

The general powers of the Directors set out in Article 104 of the Articles provide that the business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to any limitations imposed by applicable legislation or the Articles.

The general powers of the Directors are also limited by any directions given by special resolution of the shareholders of the Company which are applicable on the date that any power is exercised.

### Compensation for loss of office

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on page 132.

### Directors' indemnity arrangements

Directors and officers of the Company are entitled to be indemnified out of the assets of the Company in respect of any liability incurred in relation to the Company or any associate Company, to the extent the law allows. In this regard, the Company is required to disclose that, under Article 224 of the Articles, the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 2006, against liabilities incurred by them in the execution of their duties and exercise of their powers.

This indemnity has been in place since the Company's listing in 2014 and remains in place. The Company has purchased and maintained throughout the financial period Directors' and Officers' liability insurance.

### Share capital

As at 31 December 2023, the share capital of the Company was 249,170,247 ordinary shares of £0.001 each, of which 375 ordinary shares were held in treasury. Details of the Company's share capital are disclosed in Note 24 to the Group's consolidated financial statements on pages 182 to 183. As at 12 March 2024, the share capital of the Company was 249,170,247 ordinary shares of £0.001 each, of which 375 ordinary shares were held in treasury.

### Authority of the Directors to allot shares

The Company passed a resolution at the AGM held on 18 May 2023 authorising the Directors to allot ordinary shares up to an aggregate nominal amount of £166,113.25 (representing approximately two-thirds of the ordinary share capital). This authority will expire at the Company's 2024 AGM and the Directors will be seeking a new authority to allot shares, to ensure that the Directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes.

### Issue of shares

A special resolution was passed at the AGM held on 18 May 2023 granting the Directors the authority to issue shares on a non-pre-emptive basis up to an aggregate nominal amount of £24,916.99 (representing 24,916,987 ordinary shares or approximately 10% of the ordinary share capital). A special resolution was also passed granting the Directors the authority to issue shares on a non-pre-emptive basis in respect of an additional 10% of the ordinary share capital in connection with an acquisition or specified capital investment.

These authorities will expire at the Company's 2024 AGM. The Directors will therefore be seeking a new authority to issue shares for cash on a non-pre-emptive basis up to £166,113.25, and the Directors also propose to seek authority to issue non-pre-emptively share capital of the Company in accordance with the updated Pre-Emption Group's Statement of Principles 2022 on Disapplying Pre-Emption Rights, being no more than 24% in total rather than the previous thresholds of 10% in accordance with the Pre-Emption Group's Statement of Principles published in 2015. The Directors will also seek authority to issue non-pre-emptively for cash shares up to £24,916.99 (representing 24,916,987 ordinary shares or approximately 10% of the ordinary share capital) for use only in connection with an acquisition or specified capital investment, and a further authority of no more than 2%, to be used only for the purposes of making a 'follow on offer', as set out in the Pre-Emption Group guidance.

### Purchase of own shares by the Company

A special resolution was passed at the AGM held on 18 May 2023 granting the Directors the authority to make market purchases of up to 37,350,563.81 ordinary shares with a total nominal value of £37,350.56 representing approximately 14.99% of the Company's issued ordinary share capital. The authority to make market purchases will expire at the Company's 2024 AGM and the Directors will be seeking a new authority to make market purchases up to 14.99% of the Company's issued ordinary share capital, which will only be exercised if the market and financial conditions make it advantageous to do so. Further details are set out in the explanatory notes of the notice convening the AGM.

### Rights attaching to shares

The rights attaching to the ordinary shares are summarised as:

- the ordinary shares rank equally for voting purposes;
- on a show of hands each shareholder has one vote and on a poll each shareholder has one vote per ordinary share held;
- each ordinary share ranks equally for any dividend declared;
- each ordinary share ranks equally for any distributions made on a winding-up of the Company;
- each ordinary share ranks equally in the right to receive a relative proportion of shares in the event of a capitalisation of reserves;
- the ordinary shares are freely transferable; and
- no ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights.



## Directors' Report continued

**Amendment to the Company's Articles**

The Company may alter its Articles by special resolution passed at a general meeting of the Company. A resolution to amend the Articles was voted on and passed by shareholders at the 2020 AGM.

**Political donations**

The Group made no political donations during the year.

**Greenhouse gas emissions**

Information on the Group's greenhouse gas emissions is set out in the Strategic Report on pages 26 to 28, and forms part of this Report by reference.

**Future developments within the Group**

The Strategic Report contains details of likely future developments within the Group. The Group's research and development costs are disclosed in Note 6 to the Group's consolidated financial statements on page 173.

**Overseas operations**

As explained in the Strategic Report, the Group operates in the UK, Ireland, Italy, the Netherlands and the Middle East.

**Post balance sheet events**

There have been no significant post balance sheet events to report.

**Principal risks and uncertainties**

The Board has carried out a robust assessment of our current key risks and these are summarised in the Principal Risks and Uncertainties section of the Strategic Report on pages 66 to 72.

**Results and dividends**

An interim dividend of 4.1 pence per share was paid on 27 September 2023. The Board recommends a final 2023 dividend of 8.3 pence per share.

Shareholders will be asked to approve the final dividend at the AGM, for payment on 5 June 2024 to shareholders whose names appear on the register on 3 May 2024.

Total ordinary dividends paid and proposed for the year amount to 12.4 pence per share or a total return to shareholders of £30.8m.

**Employees**

The Group is committed to employment principles which not only follow best practice, but are based on equal opportunities for all colleagues, irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment or religion or belief. Full and fair consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The Group encourages and supports the continued employment and training, career development and promotion of disabled persons employed by the Group; including making reasonable adjustments where required. If any employee becomes disabled, every effort is made by the Group to support and ensure their continued employment, either in the same or an alternative position, with appropriate retraining given if necessary.

The Board is aware of its obligations to engage with employees and the Group's wider stakeholders, as outlined under The Companies (Miscellaneous Reporting) Regulations. Further detail of its activities during the year can be found in our Stakeholder Engagement section on pages 49 to 53, our s172 statement on pages 54 to 57, and our Board employee engagement activities on page 86 of the Governance Report.

**Substantial shareholders**

As at 31 December 2023 and 12 March 2024, the Company was aware of the interests in voting rights representing 3% or more of the issued ordinary share capital of the Company set out below. This information was correct at the date of notification. It should be noted that these holdings may have changed since they were notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

Name of shareholder	As at 31 December 2023		As at 12 March 2024	
	Ordinary shares	% Voting Rights	Ordinary shares	% Voting Rights
Impax Asset Mgt	20,317,353	8.15	<b>20,317,353</b>	<b>8.15</b>
Franklin Templeton Investments	13,408,466	5.38	<b>13,247,000</b>	<b>5.32</b>
Lansdowne Partners	11,769,231	4.72	<b>11,944,092</b>	<b>4.79</b>
Janus Henderson Investors	10,022,538	4.02	<b>10,140,753</b>	<b>4.07</b>
Vanguard Group	8,456,240	3.39	<b>8,542,838</b>	<b>3.43</b>

**Auditor**

A resolution to reappoint Ernst & Young LLP as the Company's external auditor and to authorise the Directors to fix the auditor's remuneration will be proposed at the 2024 AGM.

**Directors' statement of disclosure of information to auditor**

Each of the Directors has confirmed that as at the date of this Report:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
  - The Directors have taken all reasonable steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
- This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Requirements of the Listing Rules**

Apart from the details of any long-term incentive scheme as required by Listing Rule 9.4.3R, which is disclosed in the Directors' Remuneration Report on pages 134 to 147, disclosure of the information listed in Listing Rule 9.8.4R is not applicable.

**Annual General Meeting**

The 2024 AGM is scheduled to be held on 28 May 2024. A full description of the business to be conducted at the meeting is set out in the separate notice of AGM.

By order of the Board.

**Emma Versluys**  
Company Secretary  
12 March 2024

# Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Group's consolidated financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group's consolidated financial statements in accordance with UK-Adopted International Accounting Standards (IFRSs).

Under company law the Directors must not approve the Group's consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Group's consolidated financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether IFRSs have been followed, subject to any material departures disclosed and explained in the Group's consolidated financial statements; and
- prepare the Group's consolidated financial statements on the going concern basis unless it is appropriate to presume that the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group's consolidated financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Section 172 Statement, Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

## Directors' responsibility statement

The Directors confirm, to the best of their knowledge:

- the Group's consolidated financial statements, prepared in accordance with UK-Adopted International Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and undertakings included in the consolidation taken as a whole
- the Annual Report and Accounts, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- they consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy

By order of the Board.

**Joe Vorih**  
Chief Executive Officer

**Tim Pullen**  
Chief Financial Officer  
12 March 2024

# Remuneration

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# Remuneration Committee Report

## Chair



**Lisa Scenna**  
Chair of the Remuneration Committee

## Members



**Kevin Boyd**  
Non-Executive Chair



**Shatish Dasani**  
Non-Executive Director



**Louise Brooke-Smith**  
Non-Executive Director



**Bronagh Kennedy**  
Non-Executive Director

## Dear Shareholder

I am pleased to present the Directors' Remuneration Report (the Report) for the year ended 31 December 2023.

The Report is split into two sections in line with legislative reporting regulations:

- The proposed Remuneration Policy (the Policy) which contains details of the various components of the Policy, which will be subject to a binding shareholder vote at our 2024 Annual General Meeting (AGM) and will have effect from the date on which it is approved. Details of the key changes to the Policy are set out on page 124.
- The Annual Report on Remuneration which contains details of remuneration received by Directors in 2023 and also contains full details of how we intend to implement the Policy during 2024. The Annual Report on Remuneration will be subject to an advisory vote at the 2024 AGM. Further details are set out on pages 134 to 147.

This Directors' Remuneration Report is compliant with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 (and subsequent amendments), the UK Listing Authority Listing Rules and the Companies Act 2006 and has been prepared on a 'comply or explain' basis with regard to the remuneration provisions included in the UK Corporate Governance Code (the Code).

“The Committee believes that this combination of short-term and longer-term metrics and targets will provide a fair and rounded assessment of Company performance.”

## Aligning remuneration with Company strategy

The Policy is designed to encourage achievement of our strategic goals and priorities, details of which are set out on pages 16 to 48, by rewarding Directors and senior management in line with underlying Company performance, whilst encouraging leadership behaviour which carries an appropriate level of risk. This is achieved by an annual bonus arrangement, which is linked to achieving financial and non-financial targets, as well as a long-term incentive plan, which rewards for shareholder value creation and delivery of long-term earnings growth.

## Remuneration policy review

The 2024 AGM marks the third anniversary of the current remuneration policy and the Committee is therefore required to seek shareholder approval for an updated Policy at the 2024 AGM. As a result, the Committee undertook a detailed review of the current remuneration policy during the year.

In summary, the review concluded that the current remuneration policy is generally working effectively and is well aligned with institutional investors' best practice expectations. As a result, we do not propose substantial changes to the current arrangements. However, we are proposing a small number of changes to better align Executive Director remuneration with our medium-term financial targets (presented to the market in November 2023 and detailed on page 4 of the Strategic Report) and our overall focus on shareholder value creation.



## Remuneration Committee Report continued

The changes we are proposing include:

1. Introduction of cash conversion as a performance measure in long-term incentive awards granted from 2024 to align with our published medium-term targets. Performance will be measured over three years and operate alongside EPS and sustainability targets.
2. Adoption of a relative TSR performance modifier that will result in higher or lower vesting than the outcome based solely on EPS, cash conversion and sustainability performance. This change increases the importance of TSR within the overall long-term incentive plan when compared to including TSR for only a proportion of the total award.
3. The introduction of a general financial underpin to future LTIP awards. This will require the Committee to consider our ROCE performance, along with our overall financial performance, in light of the Board's internal plans and the wider stakeholder experience across the three-year performance period. Should the performance not be considered consistent with the Board's expectations, the Committee will have the ability to reduce the formula-based vesting (including to zero) if it considered appropriate to do so.
4. Introduction of a new exceptional circumstances limit to be included within the long-term incentive plan. As our long-term incentive plan rules require renewal at the 2024 AGM, we are proposing to include a maximum award limit of 250% of salary to provide greater flexibility in recruitment buyout situations. To align with this intent, we have introduced an exceptional circumstances award limit of 250% of salary into the Policy, with the normal annual grant limit remaining at 200% of salary.

The proposed changes are refinements which will better reflect our current medium to long-term objectives, resulting in an executive remuneration structure that is better aligned with the pathway to shareholder value creation and provides the necessary flexibility to compete for the executive talent required to deliver our strategy. In line with best practice, the Committee, in operating the Policy, will retain the ability to adjust remuneration outcomes so that payments appropriately recognise the employee and wider stakeholder experience during the relevant performance periods.

These proposals were subject to an extensive consultation process with the Company's top shareholders and the leading shareholder advisory bodies. The Committee also took into

account the feedback from executives that will participate in the LTIP, with the feedback being positive in that executives understand the structure and will be motivated by it, given the alignment to the Company's medium-term targets and shareholder value creation. Overall, the Committee received positive feedback from investors consulted, and where further clarification was sought, this related primarily to the rationale for the introduction of the TSR multiplier, the choice of performance metrics in light of our stated medium-term targets, and the circumstances in which the exceptional circumstances limit under the long-term incentive plan would be used. The introduction of the general financial underpin, that includes having regard to ROCE, was as an amendment made to our original proposals based on investor feedback. As set out above and in further detail on pages 123 to 133 of this Report, we consider the Policy to be effective and aligned with our strategy.

Outside of the Policy review, the most substantial issues considered by the Committee during the year are set out below.

### Board changes

Matt Pullen, Chief Operating Officer, stepped down from the Board on 28 April 2023 and remained an employee of the Company until 30 June 2023. Mr Pullen had mutually agreed with the Board that he would step down as a result of the business restructuring that had been undertaken to simplify the business which effectively made the role of Chief Operating Officer redundant. As a result, the Committee determined that Mr Pullen would, for the purposes of the awards granted to him under the Company's LTIP, be deemed a good leaver and that these awards would therefore, subject to achievement of the relevant performance conditions, vest on their normal vesting dates. Mr Pullen remains subject to the Company's post-cessation of employment share ownership guidelines, and is therefore required to retain the shareholding held at 30 June 2023 for a period of two years. Further details of Mr Pullen's remuneration are set out later in this Report.

Paul James stepped down from the Board on 30 September 2023, and in accordance with the current Policy, Mr James was not eligible to receive a performance-related annual bonus in respect of 2023 and all outstanding LTIP awards lapsed on his termination date. The Deferred Share Bonus Plan (DSBP) awards granted to Mr James in 2022 and 2023 vest on the normal vesting dates and will be exercisable for a period of six months from the relevant vesting date.

### 2023 Key Achievements

- Review of Group-wide remuneration arrangements and policies
- Engagement with the wider workforce on executive remuneration and consideration of employee views during the remuneration policy review process
- Detailed review of remuneration policy and drafting of proposed changes
- First stage consultation on proposed changes to remuneration policy with shareholders and shareholder advisory bodies
- Review of short-term and Long-Term Incentive Plan targets to ensure ongoing suitability

### Areas of focus for 2024

- Second stage consultation on proposed changes to remuneration policy with shareholders and shareholder advisory bodies
- Finalisation of targets for 2024 short-term and Long-Term Incentive Plans
- Review of performance against targets set for the 2023 annual bonus and 2021 Long-Term Incentive Plan awards and confirmation of achievement
- Review and update of Long-Term Incentive Plan, Deferred Share Bonus Plan and Save as You Earn Plan in light of impending expiry of current plans

## Remuneration Committee Report continued

On 1 November 2023, Tim Pullen was appointed permanent Chief Financial Officer (CFO) and Executive Director. His base salary on appointment was £370,000, set at the same rate as his salary in the role he left earlier in FY 2023 and considered by the Committee to be the market rate for the role. In line with the current Policy, he receives a pension contribution of 5% of salary. Mr Pullen was entitled, subject to achievement of the relevant performance targets, to receive a performance-related bonus of up to 125% of his pro-rated salary for FY 2023. He did not receive an LTIP award in 2023 and there was no buyout award on appointment. Further details of Mr Pullen's remuneration are set out later in this Report.

Shatish Dasani was appointed as Non-Executive Director on 1 March 2023 and Audit Committee Chair on 7 March 2023 and Bronagh Kennedy was appointed as Non-Executive Director on 3 July 2023. Mark Hammond retired from the Board on 31 October 2023, after completing his nine-year tenure on the Board and remaining on the Board for an additional six months to assist with an orderly handover. Details of their fees are set out on page 137 of this Report.

### Executive remuneration in 2023

Our performance was resilient in the face of ongoing softness in the UK construction market, with successful product launches, balanced price and cost management, ongoing business simplification and growth in our international revenues helping to offset this volume decline. Further details are set out in the Chief Executive Officer (CEO) and CFO Reviews on pages 8 to 11 and 59 to 64 respectively. In 2023, we achieved an underlying operating profit of £94.1m and an underlying basic earnings per share (EPS) of 25.2 pence.

Despite the difficult market conditions, we delivered a solid performance. This included exceeding the maximum operating cash flow conversion target set at the start of the year, delivering an EBIT margin towards the maximum target and partially achieving our EBIT target, as well as making strong strategic progress through the year. As a result, the Committee determined that, in respect of 2023 performance, Joe Vorih and Tim Pullen each earned a bonus of 65.38% of the maximum potential annual bonus. The bonus earned by Tim Pullen was pro-rated for the part year of his employment. In accordance with the Policy, one third of this bonus will be deferred into shares.

The same approach was used to determine the annual bonus outcome across the Group. The Committee is comfortable that the formulaic outcome of the bonus reflects the wider performance of the business, and therefore no adjustments to the payouts are required. Paul James stepped down from the Board on 30 September 2023. As a result, his 2021 LTIP award lapsed. As none of the other Executive Directors received a 2021 LTIP award, no LTIPs were eligible to vest based on performance to 31 December 2023.

The Committee is comfortable that the current Policy operated as intended during the year.

### 2023 LTIP awards

In April 2023, the Committee approved the grant of LTIP awards to the Executive Directors and other senior management. Award levels were 150% of annual salary for Joe Vorih and Paul James. These award levels are below the maximum of 200% of annual salary permitted under the current Policy.

The Committee considered a number of possible performance measures, and concluded that it was appropriate that a combination of stretching earnings per share (EPS) growth targets, relative Total Shareholder Return (TSR) targets, and sustainability targets aligned with key elements of the Company's sustainability strategy, provided an appropriate basis for rewarding the successful delivery of longer-term strategic priorities, Company growth and shareholder value.

In light of the prevailing share price at the time of grant, the Committee agreed the inclusion of a windfall provision in relation to the 2023 awards. The Committee will determine whether there has been a windfall gain at the time of vesting. In doing so, consideration will be given to the share price performance over the six months immediately following grant (i.e. is there any evidence of a short-term bounce in the share price) and any other factors it considers appropriate.

### Committee evaluation

During the year, the Board undertook an internal evaluation of its performance, and the activities of the Committee were reviewed as part of this process. The results of this evaluation demonstrated that the Committee continued to operate effectively and in alignment with its Terms of Reference, and overall was agreed that the Committee was effectively Chaired and well supported by the external advisors and the Group HR team.

Further details of the evaluation process can be found in the Corporate Governance Report on page 90.

### Key remuneration decisions for 2024

The proposed implementation of the Policy for our Executive Directors for 2024 is outlined on pages 134 to 137. Key decisions made by the Committee in relation to 2024 include:

- During the year the Committee reviewed the salary increases for the wider workforce, in the context of the wider approach to remuneration, taking into account the current cost of living challenges and the tiered approach adopted for 2023 salary increases for the wider workforce. As a result of the review, the Committee agreed that a tiered approach would not be adopted in 2024, and that an average increase in salary of 4% would apply to the wider workforce. Therefore, the Remuneration Committee determined that an increase of 3.5% would apply for Executive Directors.
- The maximum bonus opportunity in FY 2024 will be 150% of salary for Joe Vorih and 125% of salary for Tim Pullen. With regard to the LTIP quantum of FY 2024 awards, the Committee intends to continue making awards at 150% of salary to the Executive Directors with the awards then subject to a TSR modifier that can increase or reduce the number of shares vesting by up to 33% depending on the Company's relative TSR performance. In recognition of current share price volatility, the Committee intends to include the ability to adjust the number of shares vesting in the FY 2024 long-term incentive award in the event there is perceived to be a windfall gain on vesting.

## Remuneration Committee Report continued

- During the year, the Committee reviewed the performance measures for the annual bonus and determined that these remained appropriate and effective, and therefore the weightings and performance measures for the 2024 annual bonus remain unchanged, with the total weighting on EBIT and EBIT margin at 65%, operating cash flow conversion at 15%, and strategic objectives at 20%. This continues to align the annual bonus with the in-year objectives that have been set to contribute towards the longer-term delivery of sustainable shareholder value. In addition, a health and safety and a compliance override will continue to be operated, in relation to which the Committee will have discretion to reduce any annual bonus payable in the event that certain circumstances arise.
- Following the review of the LTIP performance targets referred to earlier in this letter, the proportion of the LTIP subject to underlying diluted EPS will remain at 50%, with 25% subject to defined and measurable long-term sustainability targets and the remaining 25% subject to a cash conversion target. Cash conversion has been introduced as it directly aligns with the Company's published medium-term targets. Achievement of the threshold performance targets will continue to trigger 25% of each element vesting, rising to 100% for achieving the maximum target or better. Once vesting is determined based on performance against the above metrics, a TSR modifier will be applied to the vesting result. This will have the ability to increase total vesting by a further 33% or reduce total vesting by 33%. TSR will continue to be measured against FTSE 250 industrials. The introduction of the TSR multiplier gives rise to a higher potential vesting outcome overall at 200% of salary from the current 150% of salary. However, there is no change to the expected value of the award given that while vesting can be increased by 33%, it can also be reduced by 33%.
- The Committee intends to undertake a final review of the range of targets to apply to the 2024 LTIP awards prior to grant to ensure that any changes to the external environment can be taken into account. The current intention is that the underlying diluted EPS targets will require EPS to grow by at least 4% per annum for FY 2026 for threshold vesting to take place, with maximum vesting requiring EPS to be at least 10% per annum growth. The range of EPS targets has been set in light of both internal planning, the market's expectations for our future performance and current market conditions.

The current intention in relation to cash conversion is that a threshold of 93% and a maximum target of 99% will operate, calculated on an underlying basis and defined as the sum of operating cash flow excluding non-underlying items and capital expenditure and payment of lease liabilities in 2024, 2025 and 2026 relative to EBITDA over the same three-year period. The definition of cash conversion has been set so that it does not impact the timing of investment decisions, or act as a disincentive to invest, with the basis of setting the target range consistent with the assumptions used in our medium-term published targets. These targets are considered similarly challenging to those set in prior years in this context.

- The sustainability targets are set to be similarly challenging to the EPS and cash conversion targets. The targets have been updated versus the sustainability targets set for the 2023 award to better reflect our current priorities. As a result, 12.5% of the 2024 award will vest based on achievement against challenging diversity targets that will require at least one-third of our early careers (i.e. apprenticeships and graduates) to have diverse characteristics in 2026 for the target to be met in full. Working from entry level up will ensure that our talent pipeline is diverse and aligned with our long-term aspirations. The final 12.5% of the 2024 award will vest based on the proportion of our suppliers that have science-based targets in place. Full vesting under this element will require the suppliers representing at least 83% of our carbon emissions within purchased goods and services to have science-based targets in place. This target is consistent with driving down our scope 3: category 1 emissions. The Committee is comfortable with the revised targets for the 2024 award given they are well structured and challenging with respect to our current baselines.

The Committee believes that this combination of short-term and longer-term metrics and targets will provide a fair and rounded assessment of Company performance, and that the introduction of the TSR modifier within the LTIP is reflective of the Board's overall focus on aligning management with the delivery of improved returns for our shareholders.

### Context of Director pay within the Company

During the year, the Committee reviewed the analysis of the overall gender pay gap and equity of role-based pay within the Company. The Board and the Committee were satisfied appropriate actions were being taken and will continue to monitor the situation going forward.

As required by legislation we have included pay ratios between the CEO and our wider workforce using remuneration earned in 2023. As part of its discussions on this issue, the Committee noted that the ratio was consistent with the scope and responsibilities of the different roles undertaken by the individuals included in the analysis, and that the ratios were within the range disclosed by other FTSE 250 companies to date. Louise Brooke-Smith is the Company's appointed Non-Executive Director with responsibility for employee engagement which includes, where appropriate, engagement with employees on how executive remuneration aligns with wider Company pay policy.

Given that the remuneration structures were not raised as a material issue during the engagement with employees, it was not considered necessary to make any changes to the current remuneration structures. Further detail on this role is set out in the Governance Report on page 86. We have set out our compliance with Provision 40 of the Code in more detail on page 123.

### Shareholder engagement

The Committee consults with its top shareholders on executive pay matters, where considered appropriate. In light of the proposed changes to the Policy, a formal consultation process with shareholders and the shareholder advisory bodies was carried out, and where requested, face-to-face meetings were held with the Committee Chair and Company Secretary. As detailed above, the feedback was gratefully received and resulted in a modification to our original proposals. I am always happy to make myself available to shareholders to discuss any concerns or feedback they may have, and I will be available to answer questions on the Policy and the Annual Report on Remuneration at the upcoming AGM.

I hope you will find this report to be clear and helpful in understanding our remuneration practices and that you will be supportive of the resolutions relating to remuneration at the AGM.

**Lisa Scenna**  
Chair of the Remuneration Committee  
12 March 2024

# Remuneration at a glance

## Executive Director remuneration for 2023 (£000's)

### Joe Vorih

	Base salary	Benefits	Pension	Annual Bonus	LTIP	Other	Total
2023 Total Remuneration	577	89	29	566	N/A	350	1,611

### Tim Pullen

	Base salary	Benefits	Pension	Annual Bonus	LTIP	Other	Total
2023 Total Remuneration	123	9	6	99	N/A	N/A	237

Full details are disclosed on page 138.

## Fixed pay

### Executive Directors

#### Base salary

To appropriately recognise skills, experience and responsibilities and attract and retain talent by ensuring salaries are market competitive.

#### Pensions

To provide market-competitive retirement benefits.

#### Benefits

To provide market-competitive benefits as part of a competitive package to assist with recruitment and retention.

**Salary**  
**+3.5%**  
increase for Executive Directors for 2024  
(average workforce increase +4.0%)

#### Benefits

No change

#### Pension

5% of salary

#### Element timeline (years)

1	2	3	4	5
Base salary				

## Proposed changes to application of the Directors' Remuneration Policy

- In relation to the 2024 LTIP awards, the performance metrics used to determine vesting will be underlying diluted EPS (50%), cash conversion (25%) and sustainability targets (25%). The cash conversion measure replaces relative TSR which will in future be used to modify the vesting result based on performance achieved against the financial and sustainability metrics. Achievement of the threshold performance targets will continue to trigger 25% of each element vesting, rising to 100% for achieving the maximum target or better.
- Once vesting is determined based on performance against the above metrics, a TSR modifier will be applied to the vesting result. This will have the ability to increase total vesting by a further 33% or reduce total vesting by 33%. TSR will continue to be measured against FTSE 250 industrials.

## Variable pay

### Joe Vorih

### Tim Pullen

#### Annual Bonus

To link reward to key financial and operational targets for the forthcoming year.

Additional alignment with shareholders' interests through the operation of bonus deferral.

150%

of salary

- Subject to underlying EBIT, EBIT margin, operating cash flow conversion targets and strategic objectives
- 33% deferred into shares. Half the shares vest two years from grant and half three years from grant

125%

of salary

#### Element timeline (years)

1	2	3	4	5
Two thirds cash				
	One third deferred into shares for two/three years			

#### Long-Term Incentive Plan (LTIP)

To link reward to key strategic and business targets for the longer term and to align Executive Directors' interests with shareholders' interests.

150%

of salary

150%

of salary

- Awards subject to underlying diluted EPS, cash conversion and sustainability performance measures, overlaid with a TSR modifier
- Two year post-vesting holding period applies

#### Element timeline (years)

1	2	3	4	5
Performance period				
			Post-vesting holding period	

#### Share Ownership

200% of salary in employment share ownership guideline and a post-employment requirement to retain the lower of the shares held at cessation of employment and 200% of salary for two years. Additional alignment with shareholders' interests through the operation of bonus deferral.

## Incentive Performance Snapshot for 2023

### Annual Bonus

Performance measures	Achievement (%)
EBIT margin %	85%
Underlying EBIT target	27%
Operating cashflow	100%
Strategic targets	92%
<b>Total</b>	<b>65.38%</b>

### LTIP

Neither of the current Executive Directors has a 2021 LTIP award as they joined the Company post 2021.

### AGM

The Annual Report on Remuneration will be subject to an advisory shareholder vote and the Remuneration Policy will be subject to a binding shareholder vote at our AGM scheduled to be held on 28 May 2024.



# Remuneration Policy

## This part of the Report sets out the Directors' Remuneration Policy (the Policy)

The Company's current Policy was approved by shareholders at the 2021 AGM (the full remuneration policy is set out in the 2022 Annual Report and Accounts). As a result, the Remuneration Committee carried out a detailed review of the Policy during the year and considered its effectiveness in light of the Company's current strategic priorities and direction and in the context of market practice. This part of the Report sets out the changes proposed to the Policy and the rationale for those changes. It is intended that this Policy will apply for three years, and that the Policy will apply to payments made from the date of approval. The information provided in this section of the Directors' Remuneration Report is not subject to audit.

## Determining the remuneration policy

The Committee is responsible for the development, implementation and review of the Directors' remuneration policy. In addressing this responsibility, the Committee works with management and external advisors to develop proposals and recommendations. The Committee considers the source of information presented to it, takes care to understand the detail and ensures that independent judgement is exercised when making decisions. The Committee works alongside other Board Committees as needed; for example, the Audit Committee confirms incentive plan performance results.

When reviewing the Policy the Committee considered its effectiveness in light of the Company's current strategic priorities and in the context of market practice. Our Policy and practices are designed to support strategy and promote long-term sustainable success. Executive remuneration is aligned to Company purpose and behaviour, with increased emphasis on sustainability in the application of our Policy and clear links to the successful delivery of the Company's mid-term objectives and long-term strategy.

As a part of the Policy review, the Committee considered the alignment across the business as well as stakeholder views. A summary of the pay alignment across the business and how stakeholder views are taken into account in the Policy is set out on page 133.

## Corporate Governance Code Requirements

As a part of the Policy review process and in line with the UK Corporate Governance Code, the Policy has been tested against the six factors listed in Provision 40.



### Clarity

**Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce**

Remuneration arrangements are clearly articulated within the Annual Report and Accounts to shareholders and other stakeholders. The Policy is clearly disclosed on pages 124 to 133 and the implementation of the Policy is set out on pages 134 to 147. Before proposing the updated Policy for approval, extensive consultation with the Company's major shareholders and the leading shareholder advisory bodies took place. All feedback was carefully reviewed and considered, to ensure that the changes proposed were clear, understandable and transparent, and clearly aligned to stakeholder interests.



### Simplicity

**Remuneration structures should avoid complexity and their rationale and operation should be easy to understand**

Our remuneration arrangements are regularly reviewed to ensure they are as simple as possible and in line with market practice, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to Group performance and strategy. Additional steps are taken to ensure these are effectively communicated and understood by all participants.



### Risk

**Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated**

The proposed Policy has been designed to discourage inappropriate risk-taking through a weighting of incentive pay towards long-term incentives, the balance between financial and non-financial measures in the annual bonus, the requirement for bonus deferral, recovery provisions, and shareholding requirements both during and post-employment. The Committee therefore believes that the performance targets in place for the incentive schemes provide appropriate rewards for stretching levels of performance without driving behaviour which is inconsistent with the Company's risk profile. In addition, to avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings.



### Predictability

**The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy**

The Annual Report on Remuneration clearly sets out how the current Policy has been applied during the year, as well as the Committee's intentions for the following reporting year. This is put to a shareholder vote at each Annual General Meeting of the Company. Elements of the Policy are subject to caps and dilution limits. Examples of how remuneration varies depending on performance is set out in the scenario charts. Any incentive payout is ultimately at the discretion of the Committee.



### Proportionality

**Remuneration arrangements should ensure the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance**

There is an equal balance between short-term and long-term incentives, and performance conditions include both financial and non-financial performance linked to strategy. The previous updates to the remuneration policy in 2021 increased the proportion of the annual bonus payable to Executive Directors which is required to be deferred into shares, further aligning short-term incentives with long-term performance. This remains unchanged in the proposed Policy being put to shareholders in 2024. All incentive targets are set to be stretching and incentivising. The Committee has discretion to override formulaic outturns to ensure that they are appropriate and reflective of overall performance.



### Alignment to culture

**Incentive schemes should drive behaviours consistent with Company purpose, behaviours and strategy**

Variable incentive schemes, performance measures and underpins are designed to be consistent with the Company's purpose, established behaviours and strategy. Our performance metrics include sustainability-related targets in our long-term incentive plan which reflects the increasing importance of sustainability within our future strategy, rewarding for supporting the Company's growth-focused, sustainability centric culture. The Sharesave Plan is in place for all eligible employees across the Group (in the UK and overseas) to encourage them to become shareholders and have a share in our future growth.

# Summary of proposed Policy changes and key 2024 implementation highlights

As noted above, we consider our Policy to be effective and aligned with our strategy. As a result, the changes we are proposing are refinements to better reflect our current medium to long-term objectives. The key points to note are set out in the table below:

## Policy Changes:

### Long-Term Incentive Plan and Recruitment Policy

The wording in the Policy will be updated to reflect a new exceptional circumstances limit to be included in the Long-Term Incentive Plan (the intention being to enable awards at up to 250% of salary to be granted as part of a recruitment buyout award). The wording around the structure of buyout awards such that these would mirror, as far as practicable, what has been forfeited in terms of structure and quantum, will also be clarified.

### Payments for Loss of Office

The termination policy wording to note that payments in lieu of notice ordinarily relate to a maximum of base salary, benefits and pension and that the payments may be phased and subject to mitigation, will also be clarified.

## Key 2024 Implementation Highlights:

### Annual Bonus Plan

No changes proposed – quantum to remain at 150% of salary for the CEO and 125% of salary for the CFO, with no changes to the performance metrics (40% EBITDA, 25% EBITDA margin, 15% cash flow and 20% strategic measures).

One third of any bonus earned will continue to be deferred into Genuit shares and vest equally over two and three years. Market standard recovery and withholding provisions apply.

### Long-Term Incentive Plan

Awards to Executive Directors will continue to be granted at 150% of salary with performance tested over three years. However, the following changes are to be made:

- The performance metrics used to determine vesting will be underlying diluted EPS (50%), cash conversion (25%) and ESG (25%). The cash conversion measure replaces relative TSR which will in relation to 2024 be used to modify the vesting result based on performance achieved against the financial and ESG metrics (see below). Achievement of the threshold performance targets will continue to trigger 25% of each element vesting, rising to 100% for achieving the maximum target or better.
- Once vesting is determined based on performance against the above metrics, a TSR modifier will be applied to the vesting result. This will have the ability to increase total vesting by a further 33% or reduce total vesting by 33%. TSR will continue to be measured against FTSE 250 industrials and the modifier will be applied as follows:
  - TSR at or below lower quartile: the vesting result based on EPS, cash conversion and ESG performance is reduced by 33% (i.e. the vesting result will be multiplied by a factor of 0.67).
  - TSR at or above upper quartile: the vesting result is increased by 33% (i.e. the vesting result will be multiplied by a factor of 1.33).
  - TSR between performance points: the vesting result is adjusted on a straight-line basis using a TSR performance factor of between 0.67 and 1.33.

The introduction of the TSR modifier gives rise to a higher potential vesting outcome overall at 200% of salary from the current 150% of salary. However, there is no change to the expected value of the award given that while vesting can be increased by 33%, it can also be reduced by 33%.

Awards are subject to a two-year holding period and market standard recovery and withholding provisions apply.

### Share Ownership Guidelines

Executive Directors will continue to be required to build a share ownership of a value equal to 200% of salary. This must be retained for two years post cessation of employment.

Remuneration Policy continued

## Executive Directors

Fixed Pay	
Base Salary	
<b>Purpose and link to strategy</b>	To appropriately recognise skills, experience and responsibilities and attract and retain talent by ensuring salaries are market competitive.
<b>Operation</b>	<p>Generally reviewed annually with any increase normally taking effect from 1 January, although the Committee may award increases at other times of the year if it considers it appropriate.</p> <p>The review takes into consideration a number of factors, including (but not limited to):</p> <ul style="list-style-type: none"> <li>– The individual Director's role, experience and performance.</li> <li>– Business performance.</li> <li>– Market data for comparable roles in appropriate pay comparators.</li> <li>– Pay and conditions elsewhere in the Group.</li> </ul>
<b>Maximum opportunity</b>	<p>No absolute maximum has been set for Executive Director base salaries. Current Executive Director salaries are set out in the Annual Report on Remuneration section of this Remuneration Report.</p> <p>Any annual increase in salaries is at the discretion of the Committee taking into account the factors stated in this table and the following principles:</p> <ul style="list-style-type: none"> <li>– Salaries would typically be increased at a rate consistent with the average salary increase for UK employees.</li> <li>– Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group).</li> <li>– Larger increases may also be considered appropriate if a Director has been initially appointed to their position on the Board at a lower than typical salary.</li> </ul>
<b>Performance conditions and provisions for recovery of sums paid<sup>(1)</sup></b>	<p>No performance conditions.</p> <p>Recovery and withholding provisions do not apply.</p>
Benefits	
<b>Purpose and link to strategy</b>	To provide market-competitive benefits as part of a competitive package to assist with recruitment and retention.
<b>Operation</b>	<p>Benefits currently include company car (or car allowance), income protection insurance, private family medical insurance, permanent health insurance and life assurance of four times annual salary. The Committee has discretion to add to or remove benefits provided to Executive Directors.</p> <p>Executive Directors are entitled to reimbursement of reasonable expenses. Executive Directors also have the benefit of a qualifying third-party indemnity from the Company as well as Directors' and Officers' liability insurance.</p>
<b>Maximum opportunity</b>	There is no overall maximum as the level of benefits depends on the annual cost of providing individual items in the relevant local market and the individual's specific role.
<b>Performance conditions and provisions for recovery of sums paid<sup>(1)</sup></b>	<p>No performance conditions.</p> <p>Recovery and withholding provisions do not apply.</p>

## Remuneration Policy continued

<b>Pension</b>	
<b>Purpose and link to strategy</b>	To provide market-competitive retirement benefits.
<b>Operation</b>	Current policy is for the Company to contribute to the Group Pension Plan, a personal pension scheme and/or provide a cash allowance in lieu of pension.
<b>Maximum opportunity</b>	Executive Directors receive a pension-related contribution in line with the contribution available to the wider workforce (currently 5% of salary).
<b>Performance conditions and provisions for recovery of sums paid<sup>(1)</sup></b>	No performance conditions. Recovery and withholding provisions do not apply.
<b>Variable Pay</b>	
<b>Annual Bonus<sup>(2)(3)</sup></b>	
<b>Purpose and link to strategy</b>	To link reward to key financial and operational targets for the forthcoming year. Additional alignment with shareholders' interests through the operation of bonus deferral.
<b>Operation</b>	The Executive Directors are participants in the annual bonus plan which is reviewed annually to ensure that bonus opportunity, performance measures and targets are appropriate and supportive of the business plan.  No more than two thirds of an Executive Director's annual bonus is delivered in cash following the release of audited results and the remaining amount is deferred into an award over Company shares under the Deferred Share Bonus Plan.  – Deferred awards are usually granted in the form of conditional share awards or nil-cost options (and may also be settled in cash).  – Deferred awards usually vest in two equal tranches two and three years after award although may vest early on leaving employment or on a change of control (see later sections).  – An additional payment (in the form of cash or shares) may be made in respect of shares which vest under deferred awards to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).
<b>Maximum opportunity</b>	The maximum award that can be made to an Executive Director under the annual bonus plan is 150% of salary for the Chief Executive Officer and 125% of salary for other Executive Directors.
<b>Performance conditions and provisions for recovery of sums paid<sup>(1)</sup></b>	The bonus is normally based on performance assessed over one year using appropriate financial, operational and individual performance measures.  The majority of the bonus will be determined by measures of Group financial performance. A sliding scale of targets is set for each Group financial measure with payout at no more than 25% for threshold financial performance increasing to 100% for maximum performance.  The remainder of the bonus will be based on financial, strategic or operational measures appropriate to the individual Executive Director.  Details of the bonus measures operating each year will be included in the relevant Annual Report on Remuneration. The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the annual bonus plan. Any bonus payout is ultimately at the discretion of the Committee.  Malus/clawback provisions apply. Cash bonus will be subject to recovery and/or deferred shares will be subject to withholding at the Committee's discretion in exceptional circumstances where, within three years of the bonus determination or before the vesting of each tranche of deferred shares, a material misstatement or miscalculation comes to light which resulted in an overpayment under the annual bonus plan or if evidence comes to light of material misconduct by an individual or a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency.



## Remuneration Policy continued

<b>Long-Term Incentive Plan (LTIP)<sup>(3)(4)</sup></b>	
<b>Purpose and link to strategy</b>	To link reward to key strategic and business targets for the longer term and to align Executive Directors' interests with shareholders' interests.
<b>Operation</b>	<p>Awards are usually granted annually under the LTIP to selected senior executives.</p> <p>Individual award levels and performance conditions on which vesting will be dependent are reviewed annually by the Committee.</p> <p>Awards may be granted as conditional awards of shares, nil-cost options or, if appropriate, as cash-settled equivalents.</p> <p>Awards normally vest or become exercisable at the end of a period of at least three years following grant although may vest early on leaving employment or on a change of control (see later sections). Awards to Executive Directors that vest are subject to a two-year holding period (other than in exceptional circumstances such as death).</p> <p>An additional payment (in the form of cash or shares) may be made in respect of shares which vest under LTIP awards to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).</p>
<b>Maximum opportunity</b>	<p>The normal maximum annual award permitted under the LTIP is shares with a market value (as determined by the Committee) of 200% of salary. In exceptional circumstances, awards can be granted up to 250% of salary with the intention being to provide greater flexibility in recruitment situations where there is a need to buy out forfeited awards.</p> <p>Each year the Committee determines the actual award level for individual senior executives within these limits.</p>
<b>Performance conditions and provisions for recovery of sums paid<sup>(1)</sup></b>	<p>All LTIP awards granted to Executive Directors must be subject to a performance condition. Vesting of Executive Directors' LTIP awards would be dependent on measures which could include Group earnings, return on capital employed, cash conversion, total shareholder return and sustainability, with the precise measures and weighting of the measures determined by the Committee ahead of each award.</p> <p>Performance will usually be measured over a performance period of at least three years. For achieving a 'threshold' level of performance against a performance measure, no more than 25% of the portion of the LTIP award determined by that measure will vest. Vesting then increases on a sliding scale to 100% for achieving a maximum performance target. Vesting outcomes may also be subject to a performance modifier which may increase or reduce the vesting outcome by up to one third. The maximum opportunities noted above are inclusive of the operation of any modifier.</p> <p>The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the LTIP. Malus and clawback provisions apply. LTIP awards may be subject to withholding or recovery at the Committee's discretion in exceptional circumstances where, before the later of the vesting of an award and the second anniversary of the end of the performance period, a material misstatement or miscalculation comes to light, or evidence comes to light that during that performance period there was material misconduct by an individual or a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency.</p>
<b>Sharesave Plan<sup>(3)</sup></b>	
<b>Purpose and link to strategy</b>	To create staff alignment with the Group and promote a sense of ownership.
<b>Operation</b>	<p>UK tax-approved monthly savings scheme facilitating the purchase of shares through share options at a discounted exercise price by all eligible employees.</p> <p>Executive Directors are eligible to participate on the same basis as other UK employees.</p>
<b>Maximum opportunity</b>	Monthly savings limit of £500 (or such other limit as may be approved from time to time by HMRC) under all savings contracts held by an individual.
<b>Performance conditions and provisions for recovery of sums paid</b>	<p>The Sharesave Plan is structured in accordance with HMRC requirements so has no performance conditions but requires participants to make regular contributions into a savings contract.</p> <p>Malus and clawback provisions do not apply.</p>

## Remuneration Policy continued

Share Ownership Guidelines	
<b>Purpose and link to strategy</b>	To create alignment between the long-term interests of Executive Directors and shareholders.
<b>Operation</b>	Executive Directors are required to build and maintain a shareholding as a percentage of salary in the form of shares in the Company. Executive Directors are expected to achieve the shareholding requirement within five years of an individual becoming subject to the requirement.
<b>Maximum opportunity</b>	Any Executive Director in employment is expected to achieve a shareholding with a value of 200% of salary. Any Executive Director leaving the Company will be expected to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary for a period of two years.
<b>Performance conditions and provisions for recovery of sums paid</b>	Not applicable.

**Notes to table:**

- The Committee may amend or substitute any performance condition(s) if one or more events occur which cause it to determine that an amended or substituted performance condition would be more appropriate, provided that any such amended or substituted performance condition would not be materially less difficult to satisfy than the original condition (in its opinion). The Committee may also adjust the calculation of performance targets and vesting outcomes (for instance for material acquisitions, disposals or investments and events not foreseen at the time the targets were set) to ensure they remain a fair reflection of performance over the relevant period. In the event that the Committee was to make an adjustment of this sort, a full explanation would be provided in the next Directors' Remuneration Report.
- Performance measures – annual bonus. The annual bonus measures are reviewed annually and chosen to focus executive rewards on delivery of key financial targets for the forthcoming year as well as key strategic or operational goals relevant to an individual. Specific targets for bonus measures are set at the start of each year by the Committee based on a range of relevant reference points, including, for Group financial targets, the Group's business plan and are designed to be appropriately stretching.
- The Committee may: (a) in the event of a variation of the Company's share capital, demerger, special dividend or dividend in specie or any other corporate event which it reasonably determines justifies such an adjustment, adjust; and (b) amend the terms of awards granted under the share schemes referred to above in accordance with the rules of the relevant plans. Share awards may be settled by the issue of new shares or by the transfer of existing shares. In line with prevailing best practice at the time this Remuneration Policy was approved, any issuance of new shares is limited to 5% of share capital over a rolling ten-year period in relation to discretionary employee share schemes and 10% of share capital over a rolling ten-year period in relation to all-employee share schemes.
- Performance measures – LTIP. The LTIP performance measures will be chosen to provide alignment with our longer-term strategy of growing the business in a sustainable manner that will be in the best interests of shareholders and other key stakeholders in the Company. Use of earnings and cash conversion measures would reward management for delivery of key financial measures of Company success that should result in sustainable value creation. Use of a total shareholder return measure would align management's interests with the interests of our shareholders. Use of sustainability measures will align management with the Company's long-term commitment to building a sustainable operating business. Targets are considered ahead of each grant of LTIP awards by the Committee, taking into account relevant external and internal reference points and are designed to be appropriately stretching.

**Other notes:**

- The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder approved Remuneration Policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.
- The Committee may make minor amendments to the Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.
- All historical awards that were granted under any current or previous share schemes operated by the Company and remain outstanding remain eligible to vest based on their original award terms.

## Remuneration Policy continued

**Non-Executive Director (NED) fees**

<b>Purpose and link to strategy</b>	To appropriately recognise responsibilities, skills and experience by ensuring fees are market competitive.
<b>Operation</b>	<p>NED fees comprise payment of an annual basic fee and additional fees for further Board responsibilities such as:</p> <ul style="list-style-type: none"> <li>– Senior Independent Director</li> <li>– Chair of Audit Committee</li> <li>– Chair of Remuneration Committee</li> <li>– Employee Engagement NED</li> </ul> <p>The Chair of the Board receives an all-inclusive fee.</p> <p>No NED participates in the Group's incentive arrangements or pension plan or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a NED may receive the grossed-up costs of travel as a benefit. NEDs are entitled to reimbursement of reasonable expenses.</p> <p>Fees are reviewed annually.</p> <p>NEDs also have the benefit of a qualifying third-party indemnity from the Company as well as Directors' and Officers' liability insurance.</p>
<b>Maximum opportunity</b>	<p>Fees are set at an appropriate level that is market competitive and reflective of the responsibilities and time commitment associated with specific roles.</p> <p>No absolute maximum has been set for individual NED fees. Current fee levels are set out in the Annual Report on Remuneration section of this Remuneration Report.</p> <p>The Company's Articles of Association provide that the total aggregate fees paid to the Chair and NEDs will not exceed £2,000,000 per annum.</p>

Remuneration Policy continued

Illustrations of application of the Policy

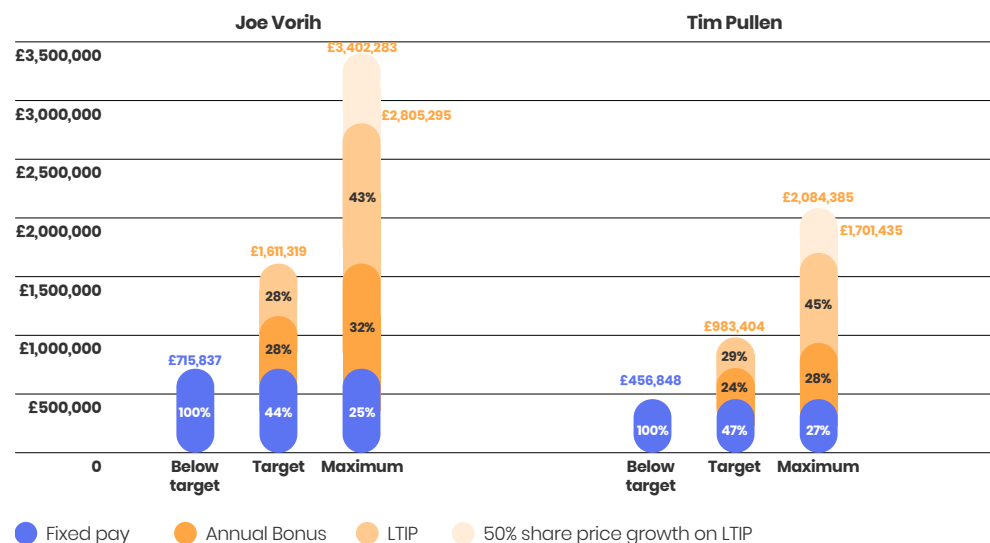
The 'Implementation of Remuneration Policy in 2024' section of the Annual Report on Remuneration details how the Committee intends to implement the Policy during 2024.

The charts to the right illustrate, in three assumed performance scenarios, the total value of the remuneration package potentially receivable by Joe Vorih and Tim Pullen in relation to 2024. This comprises salary and benefits plus an annual bonus of up to a maximum of 150% of salary for Joe Vorih, and 125% of salary for Tim Pullen, and an LTIP award of 150% of salary for Joe Vorih and Tim Pullen.

The charts are for illustrative purposes only and actual outcomes may differ from that shown. LTIP awards have been shown at face value and also allowing for a 50% increase in share price under the maximum performance scenario. All-employee share plans have been excluded. The totals shown in the charts relate to the potential value receivable by the current Executive Directors in relation to 2024.

Potential remuneration outcomes for the Executive Directors

Assumed performance	Assumptions used
<p><b>All performance scenarios (Fixed pay)</b></p> <p>Consists of total fixed pay, including base salary, benefits and pension</p>	<ul style="list-style-type: none"> <li>– Base salary – salary effective for 2024</li> <li>– Benefits – the value of benefits received in 2023 have been included (pro-rated for Tim Pullen to represent a full year)</li> <li>– Pension – 5% of salary</li> </ul>
<p><b>Minimum performance (Variable pay)</b></p>	<ul style="list-style-type: none"> <li>– No payout under the annual bonus</li> <li>– No vesting under the LTIP</li> </ul>
<p><b>Performance in line with expectations (Variable pay)</b></p>	<ul style="list-style-type: none"> <li>– 50% of the maximum payout under the annual bonus</li> <li>– 50% vesting under the LTIP</li> </ul>
<p><b>Maximum performance (Variable pay)</b></p>	<ul style="list-style-type: none"> <li>– 100% of the maximum payout under the annual bonus.</li> <li>– 100% vesting under the LTIP. The maximum scenario includes an additional element to represent 50% share price growth on the LTIP award from the date of grant to vesting. In addition, we have assumed that relative TSR performance is at or above the upper quartile, as a result the LTIP vesting would be increased by 33% (i.e. the vesting result will be multiplied by a factor of 1.33)</li> </ul>



Approach to recruitment remuneration

Principles

In determining remuneration arrangements for new appointments to the Board (including internal promotions), the Committee will apply the following principles:

- The Committee will take into consideration all relevant factors, including the experience of the individual, market data and existing arrangements for other Executive Directors, with a view that any arrangements should be in the best interests of both the Company and our shareholders, without paying more than is necessary.
- Typically, the new appointment will have (or be transitioned onto) the same remuneration structure as the other Executive Directors, in line with the Policy.
- Upon appointment, the Committee may consider it appropriate to offer additional remuneration arrangements in order to secure the appointment. In particular, the Committee may consider it appropriate to 'buy out' terms or remuneration arrangements forfeited on leaving a previous employer (discussed below).
- The Committee may reimburse costs and provide support if the recruitment requires relocation of the individual.
- Where an Executive Director is an internal promotion, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured.



## Remuneration Policy continued

### Components and approach

The remuneration package offered to new appointments may include any element within the Policy, or any other element which the Committee considers is appropriate given the particular circumstances, with due regard to the best interests of shareholders, subject to the limits on variable pay set out above in the Policy.

In considering which elements to include, and in determining the approach for all relevant elements, the Committee will take into account a number of different factors, including (but not limited to) market practice, existing arrangements for other Executive Directors and internal relativities. If appropriate, different measures and targets may be applied to a new appointee's annual bonus in their year of joining.

The Committee would seek to structure buyout and variable pay awards on recruitment to be in line with the Company's remuneration framework so far as practical, which may include granting awards at up to 250% of salary under the LTIP to facilitate the buyout of an award. However, if necessary, the Committee may also grant such awards outside of that framework as permitted under Listing Rule 9.4.2 subject to the limits on variable pay set out above. The exact terms of any such awards (e.g. the form of the award, time frame, performance conditions and leaver provisions) would vary depending upon the specific commercial circumstances, albeit the Committee would seek to mirror the value and timeline of any awards forfeited as far as practicable in constructing any buy-out award.

### Maximum level of variable pay

The normal maximum level of variable remuneration which may be granted to new Executive Directors in respect of recruitment shall be limited to the normal maximum permitted under the Policy, namely 350% of their annual salary.

This limit excludes any payments or awards that may be made to buy out the Executive Director for terms, awards or other compensation forfeited from their previous employer (discussed below).

### Buyouts

To facilitate recruitment, the Committee may make a one-off award to buy out compensation arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of all relevant factors, including any performance conditions attached to incentive awards, the likelihood of those conditions being met, the proportion of the vesting/performance period remaining and the form of the award (e.g. cash or shares). The overriding principle will be that any buyout award should be of comparable commercial value to the compensation which has been forfeited. However, such buyout awards would only be considered where there is a strong commercial rationale to do so.

### Recruitment of Non-Executive Directors

In the event of the appointment of a new Non-Executive Director, remuneration arrangements will normally be in line with the Policy for Non-Executive Directors. However, the Committee (or the Board as appropriate) may include any element within the Policy, or any other element which the Committee considers is appropriate given the particular circumstances, with due regard to the best interests of shareholders. In particular, if the Chair or a Non-Executive Director takes on an executive function on a short-term basis, they would be able to receive any of the standard elements of Executive Director pay.

## Service contracts and letters of appointment

Key terms of the current Executive Directors' service agreements and Non-Executive Directors' letters of appointment are summarised in the table below. It is envisaged that any future appointments would have equivalent contractual arrangements unless otherwise stated in this Report.

Provision	Policy
<b>Notice period</b>	Executive Directors – 12 months' notice by either the Company or the Executive Director.
	Non-Executive Directors – at the Company's discretion, Non-Executive Directors may have a notice period of up to three months.
<b>Termination payment</b>	Following the serving of notice by either party, the Company may terminate employment of an Executive Director with immediate effect by paying a sum equal to salary, benefits and pension with the payment subject to appropriate phasing and mitigation. Executive Directors are not contractually entitled to any bonus for the period of service in the year in which their employment ends.
	Non-Executive Directors are only entitled to receive any fee accruing in respect of the period up to termination.
<b>Expiry date</b>	Executive Directors have rolling 12-month notice periods so have no fixed expiry date.
	Non-Executive Directors' letters of appointment have no fixed expiry date.

## Remuneration Policy continued

In accordance with the Code, each Director will retire annually and put themselves forward for election or re-election at each AGM of the Company.

All Executive Directors' service agreements and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office at 4 Victoria Place, Holbeck, Leeds, LS11 5AE.

In the table below, we have set out details of the service contracts for the Executive Directors and letters of appointment for the Non-Executive Directors.

Executive Directors	Date of appointment	Date of current contract/letter of appointment	Notice from the Company and individual	Unexpired period of service contract
Joe Vorih	28 February 2022	28 February 2022	12 months	Rolling contract
Paul James*	5 March 2018	5 March 2018	12 months	Rolling contract
Matt Pullen**	1 November 2021	1 November 2021	12 months	Rolling contract
Tim Pullen***	1 November 2023	8 November 2023	12 months	Rolling contract
Non-Executive Directors				
Kevin Boyd	22 September 2020	1 November 2022	3 months	3 months
Mark Hammond <sup>^</sup>	16 April 2014	28 March 2014	None	To 16 April 2023
Lisa Scenna	24 September 2019	10 September 2019	1 month	1 month
Louise Brooke-Smith	24 September 2019	10 September 2019	1 month	1 month
Shatish Dasani <sup>^^</sup>	1 March 2023	24 February 2023	1 month	1 month
Bronagh Kennedy <sup>^^^</sup>	3 July 2023	6 June 2023	1 month	1 month

**Notes**

\* Paul James stepped down from the Board and left the Company on 30 September 2023.

\*\* Matt Pullen stepped down from the Board on 28 April 2023 and left the Company on 30 June 2023.

\*\*\* Tim Pullen joined the Board on 1 November 2023.

<sup>^</sup> Mark Hammond joined the Board at IPO and had no notice period in his letter of appointment. His term therefore ran for a nine-year period, subject to annual re-election, as per the UK Corporate Governance Code. Mark retired from the Board on 31 October 2023.

<sup>^^</sup> Shatish Dasani joined the Board on 1 March 2023.

<sup>^^^</sup> Bronagh Kennedy joined the Board on 3 July 2023.

**Policy on payment for loss of office**

In relation to payments under non-contractual incentive schemes, the Committee would take the following factors into account:

**Annual Bonus**

– The Committee may determine that the Executive Director is eligible to receive a bonus in respect of the financial year in which they cease employment. This bonus would usually be time apportioned and may be settled wholly in cash. In determining the level of bonus to be paid, the Committee may, at its discretion, take into account performance up to the date of cessation or over the financial year as a whole based on appropriate performance measures as determined by the Committee. The treatment of outstanding share awards is governed by the relevant share plan rules as summarised below.

**Deferred Share Bonus Plan**

– On cessation of employment, unvested shares will vest immediately or at their normal vesting date at the discretion of the Committee.

– On a change of control, unvested shares will vest in full.

– If other corporate events occur, such as a demerger, delisting, special dividend, voluntary winding-up or other event which in the opinion of the Committee may affect the current or future value of shares, the Committee will determine whether unvested shares should vest.

**LTIP**

– On cessation of employment, unvested awards will lapse unless cessation is as a result of death, ill health, injury, disability, transfer of employing company or business to which an individual's employment relates out of the Group or any other scenario in which the Committee determines at its discretion that good leaver treatment is appropriate (other than circumstances justifying summary dismissal). In these scenarios, unvested awards will usually continue until the normal vesting date unless the Committee determines that the award should vest earlier and will vest to an extent that takes into account the performance conditions assessed at the date of vesting and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and cessation of employment.

– On a change of control, unvested LTIP awards will vest immediately to an extent that takes into account the performance conditions assessed at the change of control and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and the change of control. If other corporate events occur, such as a demerger, delisting, special dividend, voluntary winding-up or other event which in the opinion of the Committee may affect the current or future value of shares, the Committee will determine whether unvested LTIP awards should vest. If they do vest, they will vest immediately to an extent that takes into account the performance conditions assessed at the date of the event and, unless the Committee determines otherwise, to an extent that takes into account the period of time between grant of the award and the date of the event.

## Remuneration Policy continued

**Sharesave Plan**

– Options become exercisable immediately on death, ceasing employment due to injury, disability, retirement, redundancy, sale of the employing company or business to which an individual's employment relates out of the Group or on a change of control/voluntary winding-up of the Company.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his/her cessation of office or employment.

**Consideration of employment conditions elsewhere in the Group**

The Committee appreciates the importance of effective engagement with the wider workforce and so has a nominated Non-Executive Director responsible for employee engagement. Louise Brooke-Smith has held this role since June 2020 and has engaged regularly with employees during the course of the year through a structured employee engagement programme across the Group, which includes, where appropriate, engagement with employees on how executive remuneration aligns with the wider Company pay policy. This engagement involved various employees at different Company sites as well as virtually for employees based overseas, and covered a wide variety of topics. Louise reported regularly to the Committee and confirmed that there were no concerns raised regarding the alignment between executive remuneration and wider workforce pay. Further details on some of the activities Louise has undertaken during the year can be found in the Corporate Governance Report on page 86. Given that the remuneration structures were not raised as a material issue during the engagement with employees, no amendments to the remuneration policy were required.

The Committee reviews workforce remuneration and related policies on an annual basis, and is conscious of the importance of ensuring that its pay decisions for Executive Directors and the senior management team are regarded as fair and reasonable within the business.

As outlined in the Policy table, pay and conditions across the Group are one of the specific considerations taken into account when the Committee is considering changes in salaries for the Executive Directors and the senior management team.

**Differences in policy from broader employee population**

A greater proportion of Executive Directors' potential wealth is 'at risk', either through their existing shareholding or through LTIP awards than for our employees generally and a greater proportion is determined by performance than for our employees generally. However, common principles underlie the pay policy throughout the Group, including for the Executive Directors. In particular, we place great emphasis throughout the Group on reward being linked to performance (either Group performance or performance of an individual's business) and on encouraging share ownership (through participation in the LTIP or an all-employee share scheme).

**Consideration of shareholders' views**

The Company is mindful of general investor views on certain aspects of remuneration, and continues to take these views into account, where appropriate, when setting Executive Director remuneration. The Committee Chair is available to meet with any shareholders who wish to discuss any aspect of the Policy in more detail, and the Chair of the Company regularly offers the Company's largest shareholders the opportunity to meet with him to discuss remuneration-related and other matters.

As set out in the letter from the Remuneration Committee Chair, an extensive consultation process was undertaken in relation to the updated Policy to be presented for approval by shareholders at the 2024 AGM. The Chair of the Committee and the Company Secretary met with those shareholders who requested a meeting to discuss the proposed Policy in more detail and to answer specific queries. The feedback received from these meetings and the written responses was generally supportive and was discussed in detail by the Committee before finalising the Policy proposals, which included an amendment to the original proposals to reflect investor feedback.

# Annual Report on Remuneration

## Remuneration Committee Report

The Annual Report on Remuneration describes how the Directors' Remuneration Policy, approved by shareholders at the Annual General Meeting in May 2021 (the Policy), has been applied in the financial year ended 31 December 2023. This Annual Report on Remuneration will be put to an advisory shareholder vote at the Annual General Meeting (AGM) on 28 May 2024.

### Role of the Committee

The role of the Committee is to determine all aspects of Executive Director pay, ensuring that the remuneration framework both attracts and retains leaders who are appropriately incentivised to deliver the Group's strategy, aligning with the interests of members and promoting the long-term success of the Company for the benefit of its stakeholders as a whole. The Committee also reviews workforce remuneration and related policies and ensures alignment of its rewards with culture. It also monitors pay arrangements for other senior executives and oversees the operation of all share plans.

Details about the role of the Committee are set out in its Terms of Reference which are reviewed annually and were last updated in October 2023. These can be found on the Company's website.

### Committee membership and meetings

The Committee comprises all of the Non-Executive Directors, all of whom are considered to be independent, and their attendance at meetings during the year is set out on page 83. Lisa Scenna is Chair of the Committee and attended all seven meetings held during the year. Shatish Dasani joined the Committee on his appointment on 1 March 2023, Bronagh Kennedy joined on her appointment on 3 July 2023, and Mark Hammond stepped down as a member of the Committee on his retirement from the Board on 31 October 2023. Both new members attended all Committee meetings following their respective appointment. The remaining members of the Remuneration Committee, Kevin Boyd and Louise Brooke-Smith, attended all seven meetings during the year. The CEO, Joe Vorih, was also present at those meetings during 2023 by invitation, albeit he was not involved in any discussions in relation to his own remuneration. Tim Pullen also attended the Committee meetings held following his appointment as interim and subsequently permanent CFO, and was not involved in any discussions in relation to his own remuneration.

The Committee typically meets at least four times a year and thereafter as required, and in 2023, the Committee met seven times.

### External advisers

Korn Ferry have been advisers to the Committee on executive remuneration matters since January 2020. During the year, the Committee received advice from Korn Ferry on market practice and key areas of investor focus, market updates and assistance with performance monitoring and benchmarking, as well as advice and support in relation to the Policy. Korn Ferry also provided other human capital-related services to the Group during the year, but these services were carried out by a team separate to the remuneration advisory team with an effective separation between the Committee advisory team and the wider Korn Ferry teams. As a result, the Committee was satisfied that the advice provided by Korn Ferry was objective and independent, having also noted their commitment to the Code of Conduct. During the year, the fees (charged on a time plus expenses basis) paid to Korn Ferry were £80,000 (2022: £46,565). Korn Ferry is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK.

## Unaudited information

### Implementation of Remuneration Policy in 2024

This section provides an overview of how the Committee is proposing to implement the Policy in 2024 for the Executive Directors, subject to shareholder approval at the 2024 AGM.

#### Base annual salary

During the year the Committee reviewed the salary increases for the wider workforce taking into account the lowering rate of inflation during the year, the recommendations of the Low Pay Commission and the ongoing cost of living challenges. As a result of the review, the Committee determined that, following the adoption of a tiered approach to salary increases in 2023, an average increase of 4% would apply for the wider workforce in 2024, with consideration also being given to the wider employee experience alongside this increase. On this basis, the Remuneration Committee were comfortable with a salary increase of 3.5% for 2024 for Executive Directors.

	Salary 1 January 2024	Salary 1 January 2023	% increase
Joe Vorih (CEO)	<b>£596,988</b>	£576,800	3.5%
Tim Pullen (CFO) <sup>1</sup>	<b>£382,950</b>	£370,000	3.5%
Paul James (CFO from 1 January to 30 September 2023)	–	£350,200	–
Matt Pullen (COO from 1 January to 30 June 2023)	–	£350,097	–

1. Tim Pullen was appointed on 1 November 2023. The 2023 salary for Tim Pullen represents his base salary on appointment.

#### Pension

In line with the Policy, Joe Vorih and Tim Pullen will receive a pension contribution of 5% of annual salary during 2024, which is in line with the wider workforce.

#### Other benefits

In 2024, the Executive Directors will receive a standard package of other benefits consistent with those received in 2023.



## Annual Report on Remuneration continued

## Annual Bonus

The annual bonus plan for 2024 will, subject to shareholder approval, be operated in accordance with the updated Policy.

Key features of the plan for 2024 are:

- There will be a maximum bonus opportunity of 150% of annual salary for Joe Vorih and 125% of annual salary for Tim Pullen.
- 33% of any bonus earned will be deferred into shares under the Deferred Share Bonus Plan (DSBP). Half of these shares will vest two years from the date of grant and the remaining half will vest three years from the date of grant.
- In the event that a material misstatement or miscalculation subsequently comes to light which resulted in an overpayment under the annual bonus plan or if evidence comes to light of material misconduct by an individual, a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency, then the Committee has the flexibility to withhold the value of shares granted under the DSBP and/or to require repayment of an appropriate portion of the annual bonus cash award in respect of the relevant bonus year.
- The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the annual bonus plan.

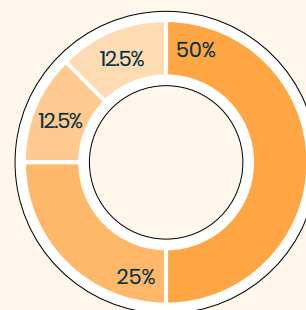
Following a review by the Committee, Executive Director bonuses for 2024 will remain subject to a challenging underlying EBIT target (40%), an underlying EBIT margin percentage target (25%), an operating cash flow conversion target (15%) and structured strategic targets relating to strategy deployment, talent management and climate strategy (20%). The plan will also be subject to a health and safety and a compliance override, in relation to which the Committee shall have discretion to reduce payouts in certain circumstances. It is intended that these objectives will then cascade down through the senior management team to continue to drive the right behaviours across the Group and to ensure that the Executive Directors and senior management teams have incentives that are aligned. These targets will be reviewed for ongoing suitability at the end of 2024.

The targets for these performance measures in relation to FY 2024 are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report to the extent that they do not remain commercially sensitive at that time.

## Long-Term Incentive Plan (LTIP)

Subject to shareholder approval of the Policy, it is expected that the Executive Directors will receive awards under the LTIP during 2024. As at the time of preparing this Remuneration Report the Committee's intention is to grant the awards on the basis described below. Should there be any change to the approach set out below, this would be detailed in the Stock Exchange announcement made at the time of granting the awards and detailed in next year's Remuneration Report.

- With regard to the quantum of FY 2024 awards, the Committee intends to make awards at 150% of salary to the Executive Directors. In recognition of current share price volatility, the Committee is to include the ability to adjust the number of shares vesting in the FY 2024 long-term incentive award in the event there is perceived to be a windfall gain on vesting.
- Subject to achievement of the performance targets, awards will become exercisable three years after grant.
- In the event that a material misstatement or miscalculation subsequently comes to light which results in too high a level of vesting under the LTIP, or if evidence comes to light of material misconduct by an individual, a material health and safety breach or actions that subsequently gave rise to serious reputational damage or insolvency, then the Committee has the flexibility to withhold or recover the value of shares granted under the LTIP.
- The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the LTIP.
- Awards granted to Executive Directors will be subject to a two-year post-vesting holding requirement.
- Awards will be subject to a combination of underlying diluted EPS, cash conversion and sustainability targets, assessed over a three-year performance period as detailed below, with a TSR modifier applying to the vesting result at the end of the performance period, which will have the ability to increase total vesting by a further 33% or reduce total vesting by 33%. The TSR modifier is being introduced to raise the profile of shareholder returns across the executive team. The rationale for the introduction of a cash conversion target into the LTIP is that it aligns with the Company's focus on operational efficiency as set out previously in the November 2022 Capital Markets Day and the Strategy Progress Update in November 2023. The targets have been set to align with the Company's published medium-term targets.



Underlying diluted earnings per share	50.00%
Operating cash conversion	25.00%
Scope 3: category 1 emissions	12.50%
Sustainability (D&I)	12.50%
<b>Total award</b>	<b>100.00%</b>

## Annual Report on Remuneration continued

**Underlying Diluted Earnings per Share (EPS) (50% of the award)**

The EPS targets have been set as a range of growth targets from the FY 2023 EPS result. The targets have been set with reference to both internal and external expectations for the Company's performance allowing for current market conditions and expected changes to the Group's corporate tax rate. The Committee retains discretion in line with the Policy when testing targets (e.g. in the event of material M&A, divestments, etc.). Any use of discretion to restate targets would ensure that the targets were no more or less challenging than when originally set but for the relevant event. The range of targets to apply is as follows:

Underlying Diluted Earnings per Share growth over the three-year period ending 31 December 2026	Vesting (% of this element of the award)
Below 4% p.a.	0%
4% p.a.	25%
10% p.a. or above	100%

Straight-line vesting will operate between these performance points.

**Cash conversion (25% of the award)**

Cash conversion	Vesting (% of this element of the award)
Below 93%	0%
93%	25%
99% or above	100%

Cash conversion is measured as an average over the three-year period ending 31 December 2026 and is calculated on an underlying basis, defined as operating cash flow excluding non-underlying items and capital expenditure and payment of lease liabilities relative to EBITDA. This definition of cash conversion has been set so that it does not impact the timing of investment decisions, or act as a disincentive to invest, with the basis of setting the target range consistent with the assumptions used in our medium-term published targets. This method of calculating cash conversion is more heavily weighted to operational efficiency and effective management of working capital over the long-term, which differs from the post capital expenditure operating cash flow conversion measure used in the annual bonus plan. Whilst the measures are connected, they aim to incentivise different outcomes over different time periods. On this basis, the Committee was comfortable with its choice of measures.

**Sustainability Targets (25% of the award)**

Sustainability targets align with the key elements of the Group's Sustainable Solutions For Growth strategy and its science-based targets. The first sustainability target directly aligns with the Group's science-based targets, whilst the second target aligns with our goal of creating a sustainable business culture through our commitment to The 5% Club and our continuing diversity and inclusion work. The 25% of the award subject to sustainability targets is split into two equal components as follows:

**Scope 3: category 1 emissions (12.5% of the award)**

Consistent with our SBT covering scope 3: Category 1 emissions, we will target that the suppliers representing 83% of our carbon emissions within purchased goods and services in 2026 have science-based targets in place. The target has been set to be a stretch target with the 2023 baseline being 32% and the range of targets consistent with our SBT planning.

FY 2026 scope 3: category 1 emissions (percentage of suppliers with science-based targets in place)	Vesting (% of this element of the award)
Below 70%	0%
70%	25%
83% or above	100%

Straight-line vesting will operate between these performance points.

**Diversity and Inclusion (12.5% of the award)**

Our 2026 objective is to have 1 in 3 early careers employees (apprenticeships and graduates) to have a diverse characteristic, as set out below:

FY 2026 Diversity in early careers employees	Vesting (% of this element of the award)
Below 27%	0%
27%	25%
33% or above	100%

Straight-line vesting will operate between these performance points.

The 2023 baseline from which the above targets were set is 27%. However, maintaining 27% is considered to be challenging given the growth in early careers over the period and the need to replace those already with diverse characteristics as they grow beyond early careers status. As a result, the above range, from 27% to 33%, is challenging and consistent with our objective of increased diversity throughout the Group which will build from our early careers employees.

## Annual Report on Remuneration continued

**TSR modifier – applicable to vesting outcome**

Once vesting is determined based on performance against the above metrics, a TSR modifier will be applied to the vesting result. This will have the ability to increase total vesting by a further 33% or reduce total vesting by 33%. TSR will continue to be measured against FTSE 250 industrials and the modifier will be applied as follows:

- TSR at or below lower quartile: the vesting result based on EPS, cash conversion and ESG performance is reduced by 33% (i.e. the vesting result will be multiplied by a factor of 0.67).
- TSR at or above upper quartile: the vesting result is increased by 33% (i.e. the vesting result will be multiplied by a factor of 1.33).
- TSR between performance points: the vesting result is adjusted on a straight-line basis using a TSR performance factor of between 0.67 and 1.33.

The introduction of the TSR modifier gives rise to a higher potential vesting outcome overall at 200% of salary from the current 150% of salary (based on a 150% of salary award and if all performance targets and the modifier are achieved in full using the original grant price of shares awarded). However, there is no change to the expected value of the award given that while vesting can be increased by 33%, it can also be reduced by 33%.

**Summary**

The range of targets for the 2024 LTIP awards have been set to be similarly challenging to those set in prior years. The targets were set with reference to both internal plans and external market expectations for future performance, both of which were influenced by market conditions such as current rates of inflation and interest rates. The Committee retains discretion to adjust vesting outcomes (e.g. if EPS vesting outcomes are impacted by relevant events such as material M&A or divestments, etc.). Any discretion applied by the Committee would be used to ensure that the performance targets fulfil their original intent and were not more or less challenging than intended when set but for the relevant events in the performance period. Furthermore, as set out in the Policy, awards are granted subject to malus and clawback provisions.

**Sharesave Plan**

Invitations to employees (including Executive Directors) to participate in the Sharesave Plan have been issued annually over the past three years and were issued to all eligible Group employees in 2023. The Board is proposing to continue to issue invitations to join the Sharesave Plan on an annual basis, and all eligible employees will therefore be invited to join the Sharesave Plan in 2024.

**Non-Executive Director remuneration**

During the year, Non-Executive Director fees were reviewed, following which it was agreed to increase the Non-Executive Director base fee by 4% in line with the wider workforce increase. There were no increases to the other fees.

The table below shows the fee structure for Non-Executive Directors with effect from 1 January 2024 with comparative figures for 2023. Non-Executive Director fees are determined by the full Board except for the fee for the Chair of the Board, which is determined by the Committee.

	2024 Fees	2023 Fees
Chair of the Board all-inclusive fee	<b>£208,000</b>	£200,000
Basic Non-Executive Director fee	<b>£55,120</b>	£53,000
Senior Independent Director additional fee	<b>£10,000</b>	£10,000
Chair of Audit Committee additional fee	<b>£10,000</b>	£10,000
Chair of Remuneration Committee additional fee	<b>£10,000</b>	£10,000
Employee engagement NED fee	<b>£10,000</b>	£8,000





## Annual Report on Remuneration continued

**Notes to the table – methodology**

1. Salary and fees – as disclosed in the 2022 Annual Report, Joe Vorih, Paul James and Matt Pullen received a 3% salary increase with effect from 1 January 2023, in line with the wider workforce. The Non-Executive Director base fee was increased by 1.9% and the Chair fee was unchanged following review of the fee on Kevin Boyd's appointment in November 2022.
2. Benefits – this represents the taxable value of all benefits. Executive Directors receive benefits including car allowance, private family medical insurance and life assurance of four times annual salary. For 2023, the benefits value for Joe Vorih includes £39,067 which relates to temporary accommodation and travel expenses (including reimbursement of tax) which was agreed in connection with his recruitment for the first two years of his employment. The benefits value for Paul James includes £25,426 which relates to his contractual entitlements to temporary accommodation and travel expenses (including reimbursement of tax) for a transitional period following a change in Genuit's corporate Head Office which relocated from Doncaster to Leeds.
3. Pension – the pension provision in the form of a cash allowance in 2022 for Martin Payne and Paul James, was 15% of salary. Mr James received a pension provision of 5% of salary from 1 January 2023. The pension provision for Mr Vorih, Mr M Pullen and Mr T Pullen is 5% of salary.
4. Annual bonus – the bonus is typically paid 66.67% in cash and 33.33% deferred into shares under the DSBP.
5. LTIP – Paul James stepped down from the Board on 30 September 2023. As a result, his 2021 LTIP award lapsed. As none of the other Executive Directors received an 2021 LTIP award, no LTIPs were eligible to vest based on performance to 31 December 2023.
6. Other – for 2023, Joe Vorih's 2020 Spectris LTIP replacement award vested in March 2023. The value shown in the table is based on the share price on vesting of £2.715. The awards were granted at a share price of £5.38, so none of the value of the awards is attributable to share price appreciation.  
  
Other – for 2023, Matt Pullen received PILON and holiday pay of £328,191.  
  
Other – for 2022, Matt Pullen was eligible to receive replacement share awards for awards that were forfeited on joining Genuit. Further details are set out in the 2022 Directors' Remuneration Report.
7. Tim Pullen was appointed to the Board as Chief Financial Officer on 1 November 2023.
8. Paul James stepped down from the Board on 30 September 2023.
9. Matt Pullen stepped down from the Board on 28 April 2023 and left the Company on 30 June 2023.
10. Lisa Scenna was appointed as Senior Independent Director on 7 March 2023.
11. Shatish Dasani joined the Board on 1 March 2023.
12. Bronagh Kennedy joined the Board on 3 July 2023.
13. Mark Hammond stepped down as Senior Independent Director on 6 March 2023 and retired from the Board on 31 October 2023.
14. Martin Payne stepped down from the Board on 28 February 2022 and left the Company on 20 May 2022. The salary, benefits and pension included in the table represent his pay until he stepped down from the Board on 28 February 2022. The annual bonus included in the table represents the bonus for the period 1 January 2022 to 20 May 2022.
15. Ron Marsh stepped down as Chair on 1 November 2022 and retired from the Board on 31 December 2022. Further details are provided in the 2022 Annual Report and Accounts.
16. Kevin Boyd was appointed as Chair of the Board on 1 November 2022.
17. Louise Hardy stepped down from the Board on 30 September 2022.
18. Total remuneration paid to Directors in respect of 2023 was £3,278,000 (2022: £2,424,000).

## Annual Report on Remuneration continued

## Annual bonus

The maximum annual bonus opportunity for the Executive Directors in 2023 was as follows:

- 150% of annual salary for Joe Vorih.
- 125% of annual salary for the other Executive Directors.
- Tim Pullen is entitled to receive a pro-rated bonus for the period from 4 September 2023 (date of appointment as Interim CFO) to 31 December 2023.
- Matt Pullen is entitled to receive a pro-rated bonus for the period from 1 January 2023 to 30 June 2023.
- Paul James is not eligible to receive a performance-related annual bonus in respect of 2023.

For all Executive Directors, two thirds of the bonus earned will be paid in cash and one third will be deferred into shares under the DSBP. Half of these shares will vest two years from the date of grant and half will vest three years from the date of grant. Malus and clawback provisions apply to the bonuses of all of the aforementioned Directors. The performance measures and targets that applied to the 2023 annual bonus are set out below. This reflects the same approach used to determine the bonus outcome for the senior management team.

Performance measure	Proportion of bonus determined by measure	Threshold performance	Target performance	Maximum performance	Actual performance	% of maximum bonus payable	
Group underlying EBIT	65%	EBIT margin	14.5% 25% earned	15.0% 50% earned	16.5% 100% earned	16.0%	85%
		EBIT	£93.8m 25% earned	£97.2m 50% earned	£106.9m 100% earned	£94.1m	27%
Operating cash flow conversion	15%	65.6% 25% earned	68.0% 50% earned	74.8% 100% earned	87.7%	100%	
Strategic objectives	Strategy deployment	Execution of business restructuring and cost savings target Deliver lean lighthouse projects at 3 sites Drive GLT engagement and communication Embed culture and refined purpose across the Group			Execution of business restructuring cost savings target achieved with £7m of annualised savings Lean lighthouse projects underway at two sites, third started. Two GLT leadership events with positive feedback and outcomes. Training on culture and purpose across GLT commenced during the year		75%
	Talent management	Active development plans, succession planning for critical roles, retention of high performers/future talent			Development plans and succession plans in place for 100% of roles identified as talent and high retention at 100%		100%
	Pathway to Net-Zero	4% reduction in scopes 1, 2 & 3: category 1 emissions versus 2022				33% reduction*	100%

\* The 33% reduction was met in part through lower production volumes and improved data reporting as we transitioned to science-based targets. However, notwithstanding the above, the target was significantly exceeded on an underlying basis with the volume adjusted reduction being 23.4%.

## Annual Report on Remuneration continued

The total bonus payable to each Executive Director based on the assessment of performance against the targets set out above is shown below:

	Total bonus payable % of maximum	Total bonus payable £'000 and % of salary
Joe Vorih	65.38%	£565,697 (98%)
Tim Pullen <sup>(1)</sup>	65.38%	£98,590 (82%)
Matt Pullen <sup>(2)</sup>	65.38%	£141,890 (82%)

1. Tim Pullen joined the Company as Interim CFO on 4 September 2023 and as permanent CFO on 1 November 2023. The bonus payable has therefore been pro-rated for the period 4 September to 31 December 2023.

2. Matt Pullen left the Company on 30 June 2023. Bonus payable has therefore been pro-rated for the period from 1 January to 30 June 2023.

The Committee has confirmed that it is comfortable with the outcome of the annual bonus scheme in light of the Company's financial performance in the wider macroeconomic environment and health and safety and compliance requirements over the period.

### LTIP vesting

The LTIP award granted in May 2021 is due to vest in May 2024, based 25% on relative TSR performance, 50% on EPS growth, and 25% on sustainability targets split into three equal components of 8.33% for carbon reduction targets, 8.33% for use of recycled plastics and 8.33% for The 5% Club assessed over the three financial years ended on 31 December 2023. The vested value of the award is therefore required to be included in the 2023 single figure table.

Performance measure	Threshold (25% of award vests)	Maximum (100% of award vests)	Actual Performance	% of total award vesting	Vested shares	Estimated value of vested shares
2023 underlying diluted EPS	26.4 pence per share	31.3 pence per share	25.1 pence per share	0%		
TSR performance relative to comparator group	Median	Upper quartile	Below median	0%		
Sustainability targets	Carbon reduction targets 8.33% of award	0.167 emissions intensity	0.141 emissions intensity	0.140	8.33%	No vested awards for current Executive Directors
	Use of recycled plastics 8.33% of award	51.4% recycled materials used	61.2% recycled materials used	49.2%	0%	
	The 5% Club 8.33% of award	4.2% progress towards The 5% Club	5% progress towards The 5% Club	8.2%	8.33%	

Total vesting under the 2021 LTIP award is 16.7% of maximum. Paul James stepped down from the Board on 30 September 2023. As a result, his 2021 LTIP award lapsed. As none of the other Executive Directors received an 2021 LTIP award, no LTIPs were eligible to vest based on performance to 31 December 2023. For completeness, part of the CEO's buyout award that was granted in 2022 in connection with his recruitment from Spectris will vest based on the proportion of the 2021 LTIP targets met, subject to ongoing employment to 17 March 2024.

## Annual Report on Remuneration continued

## Buyout awards vesting

As set out in the 2021 and 2022 Annual Reports, Matt Pullen and Joe Vorih received buyout awards on joining the Company to compensate for awards forfeited on leaving employment at Saint Gobain and Spectris, respectively, to join the Company. Details of the buyout awards that vested during the year are set out in the table below.

For Joe Vorih's vested 2020 Spectris LTIP replacement awards, the number of shares eligible to vest was determined by the proportion of the 2020 Spectris LTIP that vested. The award was subject to EPS, Return on Gross Capital Employed and TSR targets measured from 1 January 2020 to 31 December 2022. The targets are set out on page 90 of the Spectris 2020 Annual Report, available on their Company website. The structure of this award mirrors what was forfeited on leaving Spectris, albeit the conversion into Genuit shares on joining provides alignment with Genuit shareholders. Based on information provided by Spectris, the award vesting level was 71.46%, and this vesting level was applied to the replacement award granted to Joe Vorih.

For Matt Pullen's buyout award for share awards he had earned that were forfeited on joining the Company, the quantum of this award was structured to replicate the Saint-Gobain awards forfeited and could be adjusted by the Committee to ensure that in the event there would be any performance-related clawback, then this could then be replicated in what ultimately vested.

Executive	Grant date	Number of shares granted <sup>(1)</sup>	Vesting date	Vested shares	Face value of the award at vesting date <sup>(2)</sup>
				128,921	
Joe Vorih	22 March 2022	175,081	25 March <sup>(3)</sup> 2023	(including 3,809 dividend shares)	£350,021
				31,665	
Matt Pullen		30,640	22 March 2023	(including 1,025 dividend shares)	£85,496

- Shares were granted in the form of deferred shares as a nil-cost option.
- Share price at the date of vesting was £2.715 for Joe Vorih and £2.70 for Matt Pullen.
- The vesting date for this award mirrored the Spectris award, with vesting taking place at the later of the above date and the date of determining the extent to which the performance conditions had been met. There was an expectation at grant that a minimum proportion of any vested shares would be retained towards satisfying the Company's share ownership guidelines. As disclosed in the 2021 Directors' Remuneration Report, Joe Vorih's buyout award granted in connection with his recruitment from Spectris also included an additional element due to vest on 17 March 2024 based on the proportion of the Company's 2021 LTIP vesting. The vesting of this part of his award will be included in the 2024 Directors' Remuneration Report.

## Scheme interests awarded during the financial year

## LTIP awards

An award was granted under the LTIP to selected members of senior management, including the Executive Directors, in April 2023. This award is subject to the performance conditions described below and will become exercisable in April 2026.

	Type of award	Date of grant	Award as % of salary	Maximum number of shares	Face value (£)*	Threshold vesting	End of performance period
Joe Vorih	Nil-cost	21 April 2023	150%	312,534	£865,094	25% of award	31 December 2025
Paul James***	option**			189,753	£525,236		

\* The maximum number of shares that could be awarded has been calculated using the share price of £2.768 (average closing share price for 18 to 20 April 2023) and is stated before the impact of reinvestment of the dividends paid since grant.

\*\* In line with the 2022 awards, awards were granted as nil-cost options with an exercise date of three years from the grant date. Therefore, there has been no change in exercise price or date.

\*\*\*Paul James stepped down from the Board on 30 September 2023 and his award lapsed on this date.

Vesting of the awards is subject to satisfaction of the performance conditions set out below, measured over a three-year performance period ending 31 December 2025. Vesting is calculated on a straight-line basis.

As set out in the Remuneration Committee Chair's letter on page 120, in light of the prevailing share price at the time of grant, the Committee also agreed the inclusion of a windfall provision in relation to the 2023 awards.

## Underlying Diluted Earnings per Share (EPS) (50% of the award)

The EPS targets are a range around FY 2025 EPS. Setting the targets with reference to the final year of the three-year performance period mirrors standard market practice and reduces the impact on the condition of the near-term uncertainties caused by external factors. The range of targets to apply is as follows:

FY 2025 Underlying Diluted EPS	Vesting (% of this element of the award)
Below 30.1 pence	0%
30.1 pence	25%
35.6 pence or above	100%

Straight-line vesting will operate between performance points.



## Annual Report on Remuneration continued

**Relative Total Shareholder Return Targets (25% of the award)**

The relative TSR targets remain unchanged from those operated in prior years with our performance compared against those companies included in the FTSE 250 Index that are classified as 'Industrials' (c.40 comparator companies). This group remains the most appropriate set of comparator companies as it includes those companies that are the most similar in terms of size and business type to Genuit, and so it is likely to be management actions that drive out-performance as opposed to external market factors. The targets that apply are as follows:

	Vesting (% of this element of the award)
Relative TSR versus FTSE 250 Industrials	
Below median	0%
Median	25%
Upper quartile (or better)	100%

Straight-line vesting will operate between performance points.

**Sustainability Targets (25% of the award)**

Sustainability targets align with the key elements of Genuit's sustainability strategy and require delivery in line with the Company's published 2025 targets. The 25% of the award subject to sustainability targets is split into three equal components as follows:

**Carbon Reduction Targets (8.33% of the total award)**

The range of targets is set based on our emissions intensity which is defined as scopes 1 & 2 tonnes of CO<sub>2</sub>e per tonne of output.

	Vesting (% of this element of the award)
FY 2025 Emissions Intensity	
Above 0.093	0%
0.093	25%
0.086 or below	100%

Straight-line vesting will operate between these performance points.

The 2022 baseline from which the above targets were set is 0.136 and so the above targets are considered stretching and in line with our 2025 targeted reductions.

**Use of Recycled Plastics (8.33% of the total award)**

The range of targets relates to the proportion of our products that are manufactured from recycled products.

	Vesting (% of this element of the award)
FY 2025 % Recycled materials used	
Below 57.4%	0%
57.4%	25%
62.0% or above	100%

Straight-line vesting will operate between these performance points.

The 2022 baseline from which the above targets were set is 48.7% and so the above targets are considered stretching and in line with our 2025 target.

**The 5% Club (8.33% of the total award)**

The first two sustainability targets directly align with Genuit's focus on improvements in the way we work with the third target, aligning with creating a sustainable business culture through our commitment to The 5% Club. This initiative, to which we fully subscribe, focuses on the development of greater skills and training through Earn and Learn programmes. Our 2025 objective is to achieve 5% of our workforce in Earn and Learn positions with our FY 2025 target set out below:

	Vesting (% of this element of the award)
Progress towards The 5% Club	
Below 4.6%	0%
4.6%	25%
5% or above	100%

Straight-line vesting will operate between these performance points.

The 2022 baseline from which the above targets were set is 3.5% and so the above targets are considered stretching.

## Annual Report on Remuneration continued

**Deferred Share Bonus Plan awards**

On 21 April 2023, the Executive Directors received an award of shares under the Deferred Share Bonus Plan relating to the 2022 annual bonus. The value of these shares was included in the annual bonus figure in the 2022 single total figure of remuneration. No further performance conditions apply to these shares.

	Type of award	Maximum number of shares	Face value (£)*	Vesting date
Joe Vorih	Deferred shares	11,367	£31,463	
Paul James**	Deferred shares	6,838	£18,927	50% vests in each of April 2025 and April 2026
Matt Pullen**	Deferred shares	6,836	£18,922	

\* The award was made in the form of a nil-cost option. The maximum number of shares awarded was calculated using the average closing share price for the three dealing days prior to grant of £2.768.

\*\* Paul James and Matt Pullen left the Company on 30 September 2023 and 30 June 2023, respectively, and therefore their 2023 awards will vest on the normal vesting date.

**Payments for loss of office and to past Directors**

Matt Pullen stepped down from the Board on 28 April 2023, and left the Company on 30 June 2023. Mr Pullen had mutually agreed with the Board that he would step down as a result of the restructuring that had been undertaken to simplify the business which effectively made the role of Chief Operating Officer redundant. Mr Pullen therefore received salary, pension and benefits during the period from 1 January 2023 to 30 June 2023 totalling £190,847. As outlined in the Remuneration Committee Chair's letter, the Committee determined that Mr Pullen should be treated as a good leaver for the purposes of his awards under the Long-Term Incentive Plan (LTIP). In addition, he will receive a pro-rated annual bonus for the period from 1 January 2023 to 30 June 2023, as set out in the table on page 140. His bonus will be payable on the normal payment date in 2024 and is subject to malus and clawback provisions. Mr Pullen remained eligible to receive Deferred Share Bonus Plan (DSBP) awards earned in relation to prior years' bonuses. With regards to outstanding LTIP awards, he was granted options over 92,632 ordinary shares on 22 April 2022. The award will remain eligible to vest in line with its normal vesting date subject to a pro-rated reduction for the period of time in employment and subject to the achievement of the relevant performance criteria. His awards granted under the DSBP on 22 April 2022 and 21 April 2023 over 4,648 and 6,836 shares, respectively, vest in two tranches on 22 April 2024 and 22 April 2025, and 21 April 2025 and 21 April 2026, respectively. In accordance with the DSBP rules, he will also receive the value of dividends paid in respect of the vested shares between grant and vesting. Mr Pullen received a payment in lieu of notice comprising salary plus benefits for the period from 30 June 2023 to 28 April 2024 of £328,191. Paul James stepped down from the Board on 30 September 2023 and ceased employment on this date. Mr James therefore received salary, pension and benefits during the period from 1 January 2023 to 30 September 2023 totalling £311,785. Mr James is not entitled to receive a pro-rated annual bonus in respect of this period. Mr James remained eligible to receive Deferred Share Bonus Plan (DSBP) awards earned in relation to prior years' bonuses. With regards to outstanding share awards granted under LTIP, he was granted options over 68,032, 92,659, and 189,753 ordinary shares on 20 May 2021, 22 April 2022 and 21 April 2023 respectively. These options lapsed on 30 September 2023. His awards granted under the DSBP on 22 April 2022 and 21 April 2023 over 25,852 and 6,838 shares, respectively, vest in two tranches on 22 April 2024 and 22 April 2025, and 21 April 2025 and 21 April 2026, respectively. In accordance with the DSBP rules, he will also receive the value of dividends paid in respect of the vested shares between grant and vesting. Paul James did not receive any payment in lieu of notice.

All payments that have or will be received will be made within the terms of the termination policy as set out in the Policy.

Under the Company's post-cessation of employment shareholding policy, Matt Pullen and Paul James are required to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary for two years post-employment. As a result, Matt Pullen and Paul James will be required to retain their current shareholding for the period.

Mark Hammond retired from the Board on 31 October 2023 and received fees for the period from 1 January 2023 to 31 October 2023 totalling £46,015. There were no other payments made in connection with Mr Hammond's retirement.

## Annual Report on Remuneration continued

**Statement of Directors' shareholdings and share interests**

Executive Directors are expected to achieve the shareholding requirement of 200% of salary within five years of becoming subject to the requirement. The Committee reviews ongoing individual performance against the shareholding requirement at the end of each financial year. Joe Vorih joined the Board in February 2022 and Tim Pullen joined the Board in November 2023, and both will build up their shareholding in line with the aforementioned five-year timescale. Matt Pullen and Paul James had not met the requirement at the date of cessation of their employment, therefore they are required to retain their current shareholding for two years post-employment in line with the Company's policy.

The number of shares held by Directors as at 31 December 2023 is set out in the table below:

	Shares owned outright <sup>(13)</sup>	Interests in share incentive schemes, subject to performance conditions	Interests in share incentive schemes, awarded without performance conditions		Vested but unexercised options
		LTIP <sup>(1)</sup>	DSBP <sup>(2)</sup>	Sharesave <sup>(3)</sup>	
Joe Vorih <sup>(4)(5)(11)</sup>	114,828 (80% of salary)	495,673	11,367	8,144	–
Tim Pullen <sup>(5)(6)</sup>	7,000 (8% of salary)	–	–	–	–
Kevin Boyd	60,825	–	–	–	–
Lisa Scenna	14,966	–	–	–	–
Louise Brooke-Smith	–	–	–	–	–
Shatish Dasani <sup>(7)</sup>	27,500	–	–	–	–
Bronagh Kennedy <sup>(8)</sup>	950	–	–	–	–
Mark Hammond <sup>(12)</sup>	17,247	–	–	–	–
Paul James <sup>(9)</sup>	72,832 (69% of salary)	–	32,690	–	–
Matt Pullen <sup>(10)</sup>	29,652 (25% of salary)	92,632	11,484	–	–

**Notes to the table**

- This relates to shares awarded under the LTIP.
- This relates to shares awarded under the DSBP.
- This relates to share options granted under the Sharesave Plan.
- Joe Vorih joined the Board on 28 February 2022.
- For the purposes of determining the value of Executive Director shareholdings for Joe Vorih and Tim Pullen, the annual salary for 2023 and the share price as at 29 December 2023 has been used (£4.04 per share).
- Tim Pullen joined the Board on 1 November 2023.
- Shatish Dasani joined the Board on 1 March 2023.
- Bronagh Kennedy joined the Board on 3 July 2023.
- The shareholding for Paul James is only considered until 30 September 2023, when he stepped down from the Board and the shareholding is calculated using the share price on that date (£3.30 per share). During the year, Paul James exercised nil-cost options over 34,781 LTIP shares and 11,724 DSBP shares. These were exercised in advance of his leave date of 30 September 2023, and therefore these shares are included in the 'Shares owned outright' column. The aggregate gain for Paul James in the year from the exercise of these options was £127,079, based on the market price on the relevant date of exercise.
- The shareholding for Matt Pullen is only considered until 30 June 2023, when he left the Company, and the shareholding is calculated using the share price on that date (£2.94 per share). During the year, Matt Pullen exercised nil-cost options over 44,012 buyout awards. These were exercised in advance of his leave date of 30 June 2023, and therefore these shares are included in the 'Shares owned outright' column. The aggregate gain for Matt Pullen in the year from the exercise of his buyout awards was £131,816, based on the market price on the date of exercise.
- During the year, Joe Vorih exercised nil-cost options relating to his 2020 Spectris replacement awards over 128,921 buyout awards. These shares are included in the 'Shares owned outright' column. The aggregate gain for Joe Vorih in the year from the exercise of his buyout awards was £374,516, based on the market price on the date of exercise.
- Mark Hammond retired from the Board on 31 October 2023.
- All shares within the 'Shares owned outright' column include those held by connected persons.
- Note – all outstanding scheme interests are in the form of nil-cost options.

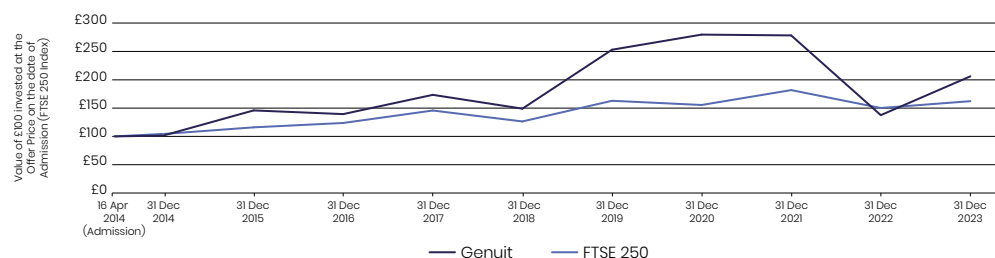
## Annual Report on Remuneration continued

## Unaudited information

The information provided in this section of the Directors' Remuneration Report is not subject to audit.

## Performance graph and CEO remuneration table

The chart below compares the Total Shareholder Return performance of the Company over the period from Admission to 31 December 2023 to the performance of the FTSE 250 Index. This index has been chosen because it is a recognised equity market index of which the Company is a member. The base point in the chart for the Company equates to the Offer Price of £2.45 per share. The table below summarises the CEO single figure for total remuneration, annual bonus payouts and long-term incentive vesting levels as a percentage of maximum opportunity over this period.



The table below summarises the CEO single figure total remuneration, annual bonus payouts and long-term incentive vesting levels as a percentage of maximum opportunity over this period.

	2014	2015	2016	2017 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018 <sup>(3)</sup>	2019 <sup>(3)</sup>	2020 <sup>(3)</sup>	2021 <sup>(3)</sup>	2022 <sup>(6)</sup>	2022 <sup>(4)(5)</sup>	2023
CEO single figure of remuneration £'000	955	919	948	717	218	1,014	944	717	1,390	666	135	<b>1,611</b>
Annual bonus payout (as a % of maximum opportunity)	88.7%	68.2%	69.4%	66.8%	66.8%	48.9%	24.8%	n/a	93%	13.36%	13.36%	<b>65.38%</b>
LTIP vesting outturn (as a % of maximum opportunity)	n/a	n/a	n/a	n/a	n/a	87.8%	54.5%	25%	25%	n/a	0%	<b>n/a</b>

- This reflects the remuneration received by David Hall, CEO for the period from 1 January 2017 to 1 October 2017.
- This reflects the remuneration received by Martin Payne who was appointed as CEO on 2 October 2017 following the retirement of David Hall.
- The first LTIP award was granted in 2014 and so no LTIPs were due to vest between 2014 and 2017.
- The LTIP vesting out-turn percentages show the payout as a percentage of maximum of the LTIP award for which the three financial years over which performance is measured ends on 31 December of the year being reported on. Therefore, the 2022 figure shows the payout for the 2020 LTIP award.
- This reflects the remuneration received by Martin Payne, CEO from 1 January 2022 to 28 February 2022.
- This reflects the remuneration received by Joe Vorih, CEO from 28 February 2022.
- Joe Vorih received his first grant under the LTIP in April 2022. Therefore, no LTIP awards were eligible to vest in 2022 and 2023.

## Average percentage change in the remuneration of the Directors (audited)

The table below sets out the percentage change in base salary, value of taxable benefits and bonus for all the Directors compared with the average percentage change for employees.

	Average percentage change 2022/23			Average percentage change 2021/22			Average percentage change 2020/21			Average percentage change 2019/20		
	Salary/fees	Taxable benefits	Annual bonus	Salary/fees	Taxable benefits	Annual bonus <sup>(2)</sup>	Salary/fees	Taxable benefits	Annual bonus <sup>(2)</sup>	Salary/fees	Taxable benefits	Annual bonus <sup>(2)</sup>
<b>Executive Directors</b>												
Joe Vorih	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Paul James	n/a	n/a	n/a	11.10% <sup>(4)</sup>	285% <sup>(4)</sup>	-84%	2.2% <sup>(1)</sup>	0%	100%	3.0% <sup>(1)</sup>	0%	-100%
Matt Pullen	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Non-Executive Directors</b>												
Kevin Boyd	135.3% <sup>(6)</sup>	n/a	n/a	49% <sup>(6)</sup>	n/a	n/a	2.2% <sup>(1)</sup>	n/a	n/a	n/a	n/a	n/a
Mark Hammond	n/a	n/a	n/a	5.10%	n/a	n/a	2.2% <sup>(1)</sup>	n/a	n/a	3.0% <sup>(1)</sup>	n/a	n/a
Lisa Scenna	31.5% <sup>(5)</sup>	n/a	n/a	10.2% <sup>(5)</sup>	n/a	n/a	2.2% <sup>(1)</sup>	n/a	n/a	3.0% <sup>(1)</sup>	n/a	n/a
Shatish Dasani	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bronagh Kennedy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Louise Brooke-Smith	2.2%	n/a	n/a	5.30%	n/a	n/a	2.2% <sup>(1)</sup>	n/a	n/a	3.0% <sup>(1)</sup>	n/a	n/a
<b>Employee average</b>	<b>5.7%</b>	<b>0%</b>	<b>100%</b>	<b>3.0%</b>	<b>0%</b>	<b>-4.4%</b>	<b>2.2%</b>	<b>0%</b>	<b>100%</b>	<b>3.0%</b>	<b>0%</b>	<b>2.4%<sup>(1)</sup></b>

## Notes:

- The 2.2% increase in 2020/2021 reflects the salary increase following the decrease after the response to the Covid-19 pandemic. The 3.0% figure in 2019/2020 excludes the impact of the voluntary salary reduction during the year.
- The Annual Bonus Plan for Executive Directors was not operated during 2020.
- Where an incumbent has not served a full year in 2022 or 2023, the change has not been included as it would not be representative.
- As disclosed in the 2021 Annual Report, Paul James received an increase of 10.56% in salary from 1 January 2022, consistent with the rate of increase detailed to institutional investors during the Policy review process. In addition, Paul James received benefits for his contractual entitlements to temporary accommodation and travel expenses (including reimbursement of tax) for a transitional period following a change in Genuit's corporate Head Office which relocated from Doncaster to Leeds.
- Lisa Scenna became Remuneration Committee Chair on 30 September 2022 and Senior Independent Director on 7 March 2023, resulting in an increase in fees received.
- In November 2022, Kevin Boyd was appointed as Chair resulting in an increase in fees received.



## Annual Report on Remuneration continued

## CEO pay ratio

The table below illustrates the ratio between CEO pay for 2023 (as shown in the single figure table on page 138) and the indicative full-time equivalent total remuneration for employees ranked at the lower quartile, median and upper quartile.

CEO pay ratio	2019	2020	2021	2022	2023
Method	A	B	B	B	B
Upper quartile	28:1	19:1	40:1	21:1	41:1
Median	37:1	24:1	54:1	29:1	55:1
Lower quartile	44:1	29:1	65:1	36:1	61:1

For 2023, in line with the relevant legislation, the analysis has been completed using Option B, given the availability of data and in order that a direct comparison can be shown against last year. Gender pay has been calculated in line with the guidance, and details can be found in the Gender Pay Gap Report published on our website.

In determining the quartile figures, the hourly rates were annualised using the same number of contracted hours as the CEO. One UK employee with the relevant annual salary was then chosen for each quartile and the single total remuneration figure was calculated to compare to the CEO. Using gender pay data ensures that these individuals are reasonably representative of pay levels at the 25th, 50th and 75th percentile as the single total remuneration figure for these individuals is similar to other employees with a similar annual salary. Pay has been calculated for the period 1 January 2023 to 31 December 2023.

In FY 2020, the CEO voluntarily waived 20% of salary between the months of April and August due to the impact of the Covid-19 pandemic. In addition, the Committee made the decision not to operate the annual bonus plan for the Executive Directors in 2020. This resulted in a drop in the CEO pay ratio. As the CEO received his full salary in FY 2021, the bonus was reinstated and the LTIP vested, this resulted in a subsequent increase in the CEO pay ratio. In FY 2022, no LTIP vested and the bonuses were lower than the prior year, resulting in a decrease in the ratio. For FY 2022 the ratio included the remuneration for Joe Vorih and Martin Payne during the periods that these individuals undertook the role of CEO. In FY 2023, the CEO received his full salary and the bonus was higher than in the prior year. In addition, Joe received buyout awards on joining the Company to compensate for awards forfeited on leaving employment at Spectris. As a result, the pay ratio increased.

The ratio is considered within the expected range for the Company and is consistent with the pay and reward policies for our UK employees overall.

The salary and total pay for the individuals identified at the Lower quartile, Median and Upper quartile positions in 2023 are set out below:

	Salary	Total Pay
CEO single figure	£576,800	£1,611,000
Upper quartile	£37,844	£39,712
Median	£28,225	£29,072
Lower quartile	£25,664	£26,434

## Relative importance of the spend on pay

The charts below illustrate the total expenditure on pay for all of the Company's employees compared to dividends payable to shareholders.

## Employee remuneration costs £m



## Dividends £m



## Shareholder voting on remuneration resolutions

Details of the votes cast in relation to our remuneration resolutions in 2021 and 2023 are summarised below:

	Votes for	Votes against	Votes withheld
Approval of the Remuneration Policy – 2021 AGM	198,146,521 (96.32%)	7,576,774 (3.68%)	5,526
Approval of the Annual Report on Remuneration – 2023 AGM	204,887,663 (95.51%)	9,631,778 (4.49%)	1,539

## External board appointments

Executive Directors are not normally entitled to accept a Non-Executive Director appointment outside the Company without the prior approval of the Board. Following Board approval, Joe Vorih was appointed as a Non-Executive Director of Senior plc on 1 January 2024, and retains the fees from that appointment.

## Annual General Meeting

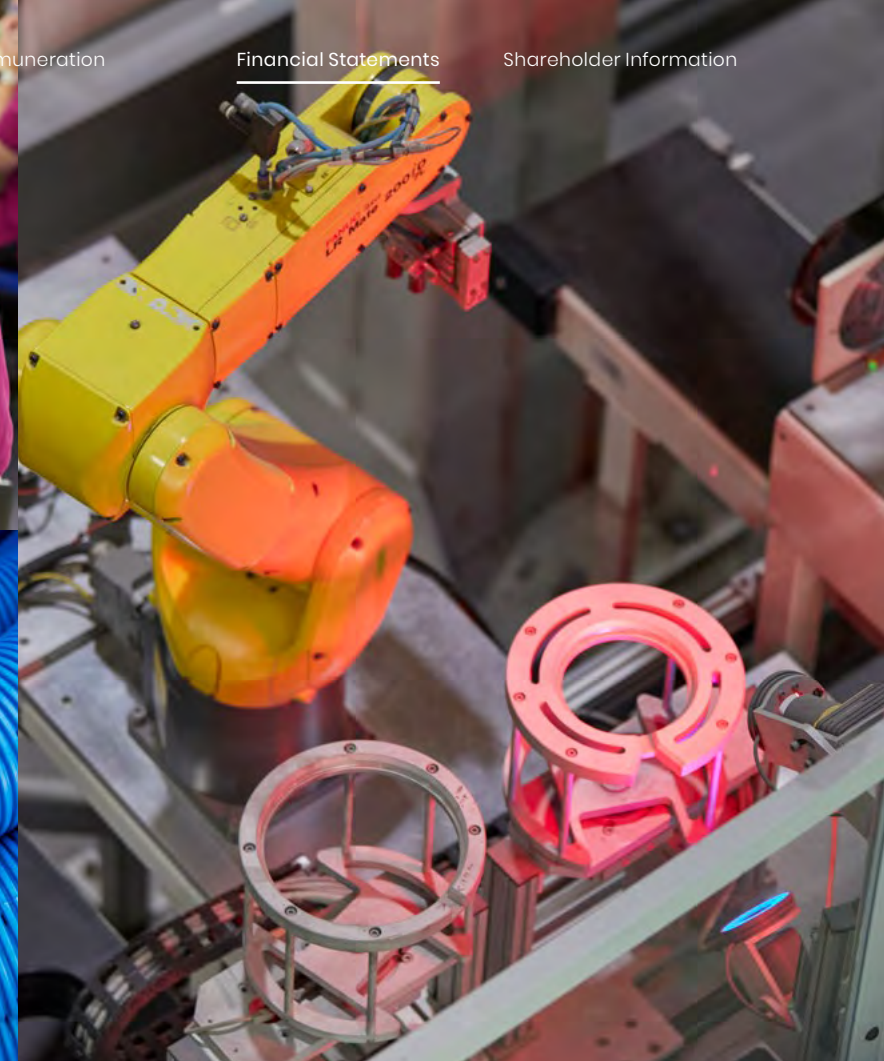
This Annual Report on Remuneration will be subject to an advisory shareholder vote at our AGM scheduled to be held on 28 May 2024.

By order of the Board.

**Lisa Scenna**  
Chair of the Remuneration Committee  
12 March 2024

# Financial statements

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# Independent Auditor's Report to the Members of Genuit Group plc

## Opinion

### In our opinion:

- Genuit Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Genuit Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise:

Group	Parent company
Group Balance Sheet as at 31 December 2023	Company Balance Sheet as at 31 December 2023
Group Income Statement for the year then ended	Company Statement of Changes in Equity for the year then ended
Group Statement of Comprehensive Income for the year then ended	Company Cash Flow Statement for the year then ended
Group Statement of Changes in Equity for the year then ended	Related notes 1 to 9 to the financial statements including material accounting policy information
Group Cash Flow Statement for the year then ended	
Related notes 1 to 29 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Performing a walkthrough of the Group's financial close process to confirm our understanding of management's going concern assessment process and engaging with management to ensure all key risk factors we identified were considered in their assessment.
- Obtaining management's going concern assessment including the cashflow forecasts and covenant calculations for the going concern period which covers the 21 month period to 31 December 2025 then performing procedures to confirm the clerical accuracy and appropriateness of the underlying model.
- Obtaining the Group's revolving credit facility and agreeing the level of facilities available, the applicable covenants, and the renewal date of August 2027 to management's assessment.
- Assessing the Group's base case scenario for consistency with budgets and cash flow forecasts approved by the Board of Directors and those used by the Group in other accounting estimates such as the goodwill impairment assessment.
- Challenging the appropriateness of the base case assumptions relating to future levels of demand, raw material availability and cost, and future energy prices, including the impact of climate change. Our procedures included analysis of external market data to consider any contradictory sector forecasts, considerations of the current macroeconomic climate and the disclosed climate change commitments of the group.



## Independent Auditor's Report to the Members of Genuit Group plc continued

- Reviewing and reperforming management's stress test of their cashflow forecasts and covenant calculations in order to quantify and then consider the plausibility of the downside scenarios required to exhaust the Group's forecast liquidity or breach the Group's covenant ratios. We specifically considered the quantum of revenue reduction and unrecovered cost inflation required to exhaust liquidity and breach the Group's covenant ratios.
- Considering the impact and feasibility of potential mitigating activities that are within control of management, such as reducing capital expenditure and dividend payments.
- Reviewing the Group's going concern disclosures included in the annual report in order to assess their completeness and conformity with the reporting standards.

### Our key observations:

- The directors' assessment forecasts that the Group will maintain sufficient liquidity throughout the going concern assessment period in the base case scenario.
- The directors have modelled several downside scenarios including a loss of production, loss of a major customer, product failure, recession, increases in interest rates and increases in raw material prices. In all scenarios, the Going Concern basis remains appropriate, with no breach of covenant or shortfall of liquidity in the Going Concern period.
- The Group has a significant undrawn committed borrowing facility (£120.0m) at the balance sheet date, which is available until August 2027.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern to 31 December 2025.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

## Overview of our audit approach

Audit scope	We performed an audit of the complete financial information of 8 components and audit procedures on specific balances for a further 5 components.  The components where we performed full or specific audit procedures accounted for 93% of adjusted Profit before tax, 92% of Revenue and 97% of Total assets.
Key audit matters	Risk of inappropriate revenue recognition arising from manual adjustments.  Risk of inappropriate revenue recognition arising through inaccurate accounting for customer rebates within Building Products.  Risk of an unrecognised impairment of goodwill within the Adey Cash Generating Unit.
Materiality	Overall group materiality of £3.3m which represents 5% of adjusted Profit before tax.

## An overview of the scope of the parent company and group audits

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 43 reporting components of the Group, we selected 13 components covering entities within the United Kingdom, which represent the principal Business Units within the Group.

Of the 13 components selected, we performed an audit of the complete financial information of 8 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 5 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

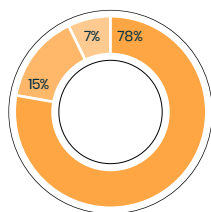
The reporting components where we performed audit procedures accounted for 93% (2022: 95%) of the Group's adjusted Profit before tax, 92% (2022: 90%) of the Group's Revenue and 97% (2022: 95%) of the Group's Total assets. For the current year, the full scope components contributed 78% (2022: 86%) of the Group's adjusted Profit before tax, 80% (2022: 80%) of the Group's Revenue and 94% (2022: 92%) of the Group's Total assets. The specific scope component contributed 15% (2022: 9%) of the Group's adjusted Profit before tax, 12% (2022: 10%) of the Group's Revenue and 3% (2022: 3%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.



## Independent Auditor's Report to the Members of Genuit Group plc continued

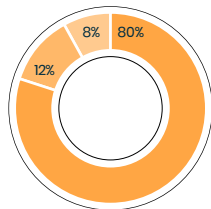
Of the remaining 30 components that together represent 7% of the Group's adjusted Profit before tax, none are individually greater than 2% of the Group's adjusted Profit before tax. For these components, we performed review scope procedures which primarily consist of analytical review. For certain locations with statutory audit requirements, we also performed incremental procedures. This included performing data analytics in respect of revenue transactions and manual accounting entries to identify unusual transactions, attendance at stock counts where inventory balances were significant and obtaining external confirmation of cash to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



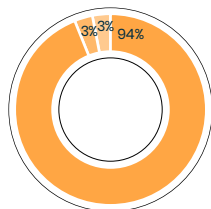
### Adjusted Profit before Tax

Full scope components	78.00%
Specific scope components	15.00%
Other procedures	7.00%



### Revenue

Full scope components	80.00%
Specific scope components	12.00%
Other procedures	8.00%



### Total assets

Full scope components	94.00%
Specific scope components	3.00%
Other procedures	3.00%

## Changes from the prior year

The approach to scoping the Group remains in line with prior year. Our approach is in line with EY's audit methodology and International Standards on Auditing (UK).

## Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

## Climate change

Stakeholders are increasingly interested in how climate change will impact Genuit Group plc. The Group has determined that the most significant future impacts from climate change on their operations relate to potential disruption to the supply chain, transition risks relating to carbon taxes and climate reporting obligations and also the market opportunities it presents through the development of low emission and climate resilient products and services. These are explained on pages 31 to 40 in the required Task Force On Climate Related Financial Disclosures and on pages 66 to 73 in the principal risks and uncertainties. They have also explained their climate commitments on pages 22 to 30. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained how climate change has been reflected in the financial statements in note 2.2 and note 17, stating that there is no material adverse impact of climate change in the short to medium-term. The 'Other Information' within the Annual Report includes management's assessment of how their long-term climate net-zero aspirations align with the Paris Agreement to achieve net-zero emissions by 2050. There are no significant judgements or estimates relating to climate change in the notes to the financial statements as management has not identified any material short-term impacts from climate change. Note 17 explains that the long-term impact of climate change risks and opportunities are uncertain and are still developing and as such the degree of certainty of all these changes means that they cannot be taken into account when assessing future cashflows under the requirements of UK adopted International Accounting Standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risks and opportunities, as described above, and as disclosed on pages 36 to 39 and whether these have been appropriately reflected in asset values where these are impacted by future cash flows. This was relevant for the impairment testing of goodwill following the requirements of UK adopted International Accounting Standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the following key audit matter: Risk of an unrecognised impairment in the Adey Cash Generating Unit. Details of the impact, our procedures and findings are included in our explanation of key audit matter below.

## Independent Auditor's Report to the Members of Genuit Group plc continued

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Inappropriate revenue recognition arising from manual adjustments.</b></p> <p><i>Refer to the Audit Committee Report (page 106); Accounting policies (page 163); and Note 3.1.2 of the Consolidated Financial Statements (page 169)</i></p> <p>The Group has reported revenue of £586.5m (2022: £622.2m). Revenue is stated net of rebates payable which are considered in the subsequent key audit matter.</p> <p>The timing of revenue recognition is relevant to the reported performance of the Group as a whole and also to the completeness of the rebate expense and related year end liabilities. Through manual adjustments, there is the opportunity to misstate revenue between periods in order to influence reported results.</p> <p>We consider the significant risk to be primarily associated with those components contributing more than 5% of the Group's revenue as any potential error could result in a material misstatement of the Group financial statements.</p> <p>For the remaining components whilst we consider there to be a risk of management override of controls to misstatement revenue, we do not consider any individual component to represent a significant risk of material misstatement.</p> <p>There has been no change in our assessment of this risk when compared to the prior year.</p>	<p>We obtained an understanding of the process and controls in place over the recognition of revenue including approval of manual adjustments recorded as part of the financial statement close process.</p> <p>We obtained an understanding of the IT systems and the role of IT in initiating, recording and reporting revenue transactions within the Group's accounting systems.</p> <p>Of the 8 full scope components, 7 components recorded revenue that was material to the Group and are specifically impacted by the identified fraud risk.</p> <p>For 6 of the 7 full scope components with significant revenue and all specific scope components, representing 89% of the Group's revenues, we used data analytics to analyse the full populations of revenue transactions by correlating sales postings with receivables and cash throughout the year to identify any unusual transactions.</p> <p>Through this, we identified revenue recognised through manual adjustments or manual journals for targeted testing.</p> <p>We performed analysis by month to identify unusual trends in revenue and gross margin that could indicate inappropriate revenue recognition.</p> <p>For the remaining full scope component covering 3% of revenue, we performed tests of detail over revenue recognised in the year by agreeing a representative sample of sales to supporting documentation including proof of delivery and testing related cash receipts throughout the year. We also performed procedures to identify and assess the appropriateness of manual adjustments.</p> <p>For all full scope components, we inspected a sample of pre and post year-end sales invoices to assess whether they relate to completed deliveries and have been recognised in the correct period.</p> <p>We performed subsequent review procedures to identify any post year end manual journals impacting the year-end.</p> <p>For the remaining revenue recorded within Components not subject to direct testing we have performed analytical review procedures and data analytics procedures.</p> <p>We have reviewed Genuit's Group revenue recognition policy against the requirements of IFRS 15 with a focus on ensuring the performance obligations are appropriately reflected in the Group's approach to recognising revenue.</p> <p>We assessed the adequacy of the disclosure of revenue within the annual report and accounts.</p>	<p>Through our procedures performed we have not identified any unsupported manual adjustments to revenue, or any unexplained anomalies from our revenue analytics.</p> <p>No significant manual adjustments or unusual accounting entries were identified through our testing.</p> <p>No material errors in the timing of revenue recognition were identified.</p> <p>We concluded that revenue recognised in the year is appropriate and found no evidence of management bias.</p>

## Independent Auditor's Report to the Members of Genuit Group plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Inappropriate revenue recognition arising through inaccurate accounting for customer rebates within Building Products.</b></p> <p><i>Refer to the Audit Committee Report (page 106); Accounting policies (page 163); and Note 3.1.2 of the Consolidated Financial Statements (page 169)</i></p> <p>The total value of customer rebates recognised in the year and accrued for at the balance sheet date is material.</p> <p>The Group's pricing structure includes rebate arrangements with customers. Many of these arrangements are relatively straightforward, being based on agreed percentages of sales made to direct customers during the period.</p> <p>A proportion of the Group's rebate agreements are with indirect customers and estimation is required when determining the rebate accrual at the balance sheet date. This is particularly the case for indirect rebates within the Sustainable Business Solutions operating segment (Building Products business) where the rebate is driven by claims which may not have been received or verified at the time when the liabilities are recognised. These claims are made on the basis of installations in line with specification rather than purchases from the Group.</p> <p>There has been no change in our assessment of this risk when compared to the prior year.</p>	<p>We obtained an understanding of management's process and controls in place over recognition and recording of rebates, including key assumptions such as volumes and related targets and claim compliance rates for Developers.</p> <p>We obtained an understanding of the IT systems and the role of IT in initiating, recording and reporting rebate transactions within the Group's accounting systems.</p> <p>We reviewed significant, new and existing rebate agreements and tested a sample of payments made during the year in order to validate the charges incurred and settled during the year.</p> <p>We utilised data analytics to identify unusual transactions recorded in rebate accounts that could indicate management override of controls.</p> <p>For Developer rebates, we reviewed external information to develop our own point estimate of the year-end rebate. We tested the accuracy of quarterly estimates made by management against actual claim amounts. We tested the compliance rates of actual claims received to understand the value of claims that were subsequently paid out during the year.</p> <p>For Merchant rebates, we developed an independent expectation of the annual rebate charge and year end liability, including any charge associated with targeted rebate clauses, and compared this to management's annual charge and year end liability.</p> <p>We performed completeness procedures on the year end rebate held by comparing a sample of customers who claimed during the year to the rebate charge and closing balance.</p> <p>We reviewed material post year end bank payments and claims received and compared these to management's year end estimates.</p> <p>For Merchant rebates, we compared the 2023 charge from the December 2023 schedule to the 2023 charge from the January 2024 schedule to understand changes to the rebate charge that were made subsequent to the year-end.</p> <p>We compared the prior year accrual to the actual claims verified and paid in the year to understand the historical accuracy of management's estimation.</p>	<p>We concluded that management's judgments were materially consistent with our expectations and recalculations based on external sources, post year end claim activity and historic settlement rates.</p> <p>We concluded that the rebate expense recognised during the year and the liability at the period end is appropriate.</p>

## Independent Auditor's Report to the Members of Genuit Group plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Risk of an unrecognised impairment of goodwill within the Adey Cash Generating Unit (CGU)</b></p> <p><i>Refer to the Audit Committee Report (page 106); Accounting policies (page 163); and Note 3.2.1 of the Consolidated Financial Statements (page 169)</i></p> <p>There is a risk that there is an unrecognised impairment against goodwill within the Adey CGU. The forecasts in the CGU are highly sensitive to key assumptions including the revenue growth rates, margin assumptions and discount rate.</p>	<p>We assessed the appropriateness of the individual CGU's identified in line with IAS 36.</p> <p>We walked through and understood management's approach to the goodwill impairment assessment and walked through the Groups budgeting process to understand the key assumptions made in the budget. This included confirming the underlying cash flows are consistent with the Board approved business plan and appropriately consider the effects of material climate risks as disclosed on pages 36 to 39.</p> <p>We obtained an understanding of the role of IT in the goodwill impairment assessment process, including the source of underlying data.</p> <p>We assessed whether the model is prepared in accordance with IAS 36 and we utilised out valuation specialists to support in our assessment of the appropriateness of Management's discount rate and methodology.</p> <p>We challenged the long-term growth rate within the discounted cashflow calculations.</p> <p>We understood and challenged Management's forecast future cashflows, to assess key inputs and to compare these against industry expectations. We challenged the assumptions underpinning the growth rates, including the expected recovery following recent market decline, considerations over economic uncertainty in the short-term and how the medium to longer-term risks and opportunities were factored in to future cashflows. This included assessment of how Management incorporated the opportunities presented by climate change in the long-term growth rates. We challenged the forecast cost assumptions, to assess that the forecasts were reasonable and in line with IAS 36.</p> <p>We audited the disclosures in accordance with IAS 36 and IAS 1, including the requirement for sensitivity disclosures.</p>	<p>We consider management's assessment appropriately reflects the requirements of IAS 36 and captures the risks to future cashflows.</p> <p>We concluded that the carrying value of the goodwill recognised in the Adey Cash Generating Unit was appropriate.</p>

In the prior year, our auditor's report included a key audit matter in relation to the risk of an unrecognised impairment in the Climate & Ventilation Cash Generating Unit. In the current year, no specific indicators of impairment have been identified in respect of this Cash Generating Unit.



## Independent Auditor's Report to the Members of Genuit Group plc continued

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £3.3 million (2022: £3.7 million), which is 5% (2022: 5%) of adjusted Profit before tax. We believe that adjusted Profit before tax provides us with a consistent basis for calculating materiality as it excludes the impact of one-off items that are not related to the underlying operations of the Group.

We determined materiality for the Parent Company to be £3.1 million (2022: £3.7 million), which is 1% (2022: 1%) of total equity.

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**Starting basis** – Group profit before tax – £48.4 million.

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**Adjustments** – Adjusted for non-underlying items excluding amortisation or acquired intangible assets

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**Materiality** – Totals £65.7m Group adjusted profit before tax

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– Materiality of £3.3m (5% of Group's adjusted profit before tax)

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During the course of our audit, we reassessed initial materiality with the only change in the final materiality from our original assessment, being to reflect the actual reported performance of the Group in the year.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £2.5m (2022: £2.8m). We have set performance materiality at this percentage due to our assessment of the control environment and assessment that there is a lower likelihood of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.5m to £2.2m (2022: £0.5m to £2.2m).

### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2022: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Other information

The other information comprises the information included in the annual report set out on pages 1 to 147, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

## Independent Auditor's Report to the Members of Genuit Group plc continued

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.25 and 7.26 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

### Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 113;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 113;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 113;
- Directors' statement on fair, balanced and understandable set out on page 109;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 66 to 73;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 90; and;
- The section describing the work of the audit committee set out on pages 106 to 112.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 116, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006 and UK Corporate Governance Code). In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements including the relevant tax compliance regulations in the UK and those laws and regulations relating to health and safety and employee matters.

## Independent Auditor's Report to the Members of Genuit Group plc continued

- We understood how Genuit Group plc is complying with those frameworks by making enquiries of Group and Component management, as well as those charged with governance. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee. Further, through our detailed audit procedures we have considered whether any evidence has been identified that indicates non-compliance with the relevant laws and regulations has occurred.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by understanding the Group's performance against market expectations; understanding the Group's performance against internal key performance indicators used when calculating management's variable remuneration; identifying key judgments and estimates including rebate accounting that can materially impact the financial statements; and understanding the controls and processes in place for the prevention and detection of fraudulent activity and financial reporting.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved those outlined in the revenue and rebate key audit matters above, as well as testing manual journals recorded at the component and consolidation level and understanding unusual and one-off transactions. Where relevant, we have corroborated the basis of accounting judgements and estimates with employees and specialists outside of the finance functions such as the Company Secretary, the Group IT function, the Group Legal function, commercial management and through reading any correspondence with regulatory bodies.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the company in 2012 to audit the Group's financial statements for the year ending 31 December 2012 and subsequent financial periods. In 2014, upon the Group's listing on the London Stock Exchange the Group became subject to the rotation requirements under the UK Corporate Governance Code, Competition and Markets Authority and the EU Audit Directive.
- The period of total uninterrupted engagement since the Group was subject to these rotation requirements is 10 years. In total the period of uninterrupted engagement including previous renewals and reappointments is 12 years, covering the years ending 31 December 2012 to 31 December 2023.
- Following a competitive tender process during 2023, we were reappointed as auditor of the Company for the period ending 31 December 2024 and subsequent financial periods. The audit opinion is consistent with the additional report to the audit committee.

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Mark Morrill (Senior statutory auditor)**  
for and on behalf of Ernst & Young LLP,  
Statutory Auditor  
Leeds  
12 March 2024

# Group Income Statement

For the year ended 31 December 2023

	Notes	2023			2022		
		Underlying £m	Non- underlying† £m	Total £m	Underlying £m	Non- underlying† £m	Total £m
<b>Revenue</b>	5	<b>586.5</b>	<b>–</b>	<b>586.5</b>	622.2	–	622.2
Cost of sales	6, 8	<b>(338.7)</b>	<b>(2.0)</b>	<b>(340.7)</b>	(372.1)	(2.5)	(374.6)
<b>Gross profit</b>		<b>247.8</b>	<b>(2.0)</b>	<b>245.8</b>	250.1	(2.5)	247.6
Selling and distribution costs		<b>(73.5)</b>	<b>(1.0)</b>	<b>(74.5)</b>	(81.5)	–	(81.5)
Administration expenses	8	<b>(79.4)</b>	<b>(11.8)</b>	<b>(91.2)</b>	(70.2)	(12.3)	(82.5)
Amortisation of intangible assets	8	<b>(0.8)</b>	<b>(14.8)</b>	<b>(15.6)</b>	(0.2)	(15.2)	(15.4)
Impairment of intangible assets	8	<b>–</b>	<b>(2.5)</b>	<b>(2.5)</b>	–	(2.8)	(2.8)
Impairment of goodwill	8	<b>–</b>	<b>–</b>	<b>–</b>	–	(12.0)	(12.0)
<b>Operating profit</b>	5, 6	<b>94.1</b>	<b>(32.1)</b>	<b>62.0</b>	98.2	(44.8)	53.4
Finance costs	8, 11	<b>(13.6)</b>	<b>–</b>	<b>(13.6)</b>	(7.6)	(0.4)	(8.0)
<b>Profit before tax</b>	5	<b>80.5</b>	<b>(32.1)</b>	<b>48.4</b>	90.6	(45.2)	45.4
Income tax	8, 12	<b>(17.9)</b>	<b>8.0</b>	<b>(9.9)</b>	(14.1)	5.2	(8.9)
<b>Profit for the year attributable to the owners of the parent company</b>		<b>62.6</b>	<b>(24.1)</b>	<b>38.5</b>	76.5	(40.0)	36.5
Basic earnings per share (pence)	13			<b>15.5</b>			14.7
Diluted earnings per share (pence)	13			<b>15.4</b>			14.6
Dividend per share (pence) – interim	14			<b>4.1</b>			4.1
Dividend per share (pence) – final	14			<b>8.3</b>			8.2
	14			<b>12.4</b>			12.3

† Non-underlying items are presented separately. The definition of non-underlying items is included in the Group Accounting Policies on page 168. Non-underlying items are detailed in Note 8 to the consolidated financial statements.



# Group Statement of Comprehensive Income

For the year ended 31 December 2023

	2023 £m	2022 £m
Profit for the year attributable to the owners of the parent company	<b>38.5</b>	36.5
Other comprehensive income:		
Items which may be reclassified subsequently to the income statement:		
Effective portion of changes in fair value of forward foreign currency derivatives	<b>0.1</b>	0.1
Exchange differences on translation of foreign operations	<b>(0.1)</b>	–
Other comprehensive income for the year net of tax	<b>–</b>	0.1
<b>Total comprehensive income for the year attributable to the owners of the parent company</b>	<b>38.5</b>	36.6

# Group Balance Sheet

At 31 December 2023

	Notes	2023 £m	2022 £m
<b>Non-current assets</b>			
Property, plant and equipment	15	176.4	169.9
Right-of-use assets	16	22.9	22.3
Intangible assets	17	596.8	615.1
<b>Total non-current assets</b>	5	796.1	807.3
<b>Current assets</b>			
Inventories	21	69.2	89.9
Trade and other receivables	22	73.9	68.1
Income tax receivable		5.4	2.2
Cash and cash equivalents	23	17.0	50.0
Derivative financial instruments	23	0.1	–
Assets held-for-sale	19	17.1	10.7
<b>Total current assets</b>		182.7	220.9
<b>Total assets</b>	5	978.8	1,028.2
<b>Current liabilities</b>			
Trade and other payables	26	(114.8)	(124.2)
Lease liabilities	16, 27	(5.0)	(5.8)
Liabilities held-for-sale	19	(2.8)	(2.6)
Deferred and contingent consideration	18	(8.2)	–
<b>Total current liabilities</b>		(130.8)	(132.6)

	Notes	2023 £m	2022 £m
<b>Non-current liabilities</b>			
Loans and borrowings	27	(142.9)	(193.1)
Lease liabilities	16, 27	(18.4)	(17.3)
Deferred and contingent consideration	18	–	(8.0)
Deferred income tax liabilities	12	(50.1)	(50.1)
<b>Total non-current liabilities</b>		(211.4)	(268.5)
<b>Total liabilities</b>	5	(342.2)	(401.1)
<b>Net assets</b>	5	636.6	627.1
<b>Capital and reserves</b>			
Equity share capital	24	0.2	0.2
Share premium	24	93.6	93.6
Capital redemption reserve	24	1.1	1.1
Hedging reserve	24	0.1	–
Foreign currency retranslation reserve	24	(0.1)	–
Other reserves	24	116.5	116.5
Retained earnings		425.2	415.7
<b>Total equity</b>		636.6	627.1

The consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:

**Joe Vorih**  
Director  
12 March 2024

**Tim Pullen**  
Director  
12 March 2024

Company Registration No. 06059130

# Group Statement of Changes in Equity

For the year ended 31 December 2023

	Equity share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Foreign currency retranslation reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
<b>At 31 December 2021</b>	0.2	93.6	1.1	–	(0.1)	–	116.5	406.4	617.7
<b>Profit for the year</b>	–	–	–	–	–	–	–	36.5	36.5
Other comprehensive income	–	–	–	–	0.1	–	–	–	0.1
<b>Total comprehensive income for the year</b>	–	–	–	–	0.1	–	–	36.5	36.6
Dividends paid	–	–	–	–	–	–	–	(30.5)	(30.5)
Share-based payments charge	–	–	–	–	–	–	–	2.9	2.9
Share-based payments settled	–	–	–	–	–	–	–	0.4	0.4
Share-based payments excess tax benefit	–	–	–	–	–	–	–	–	–
<b>At 31 December 2022</b>	0.2	93.6	1.1	–	–	–	116.5	415.7	627.1
<b>Profit for the year</b>	–	–	–	–	–	–	–	<b>38.5</b>	<b>38.5</b>
Other comprehensive income	–	–	–	–	<b>0.1</b>	<b>(0.1)</b>	–	–	–
<b>Total comprehensive income for the year</b>	–	–	–	–	<b>0.1</b>	<b>(0.1)</b>	–	<b>38.5</b>	<b>38.5</b>
Dividends paid	–	–	–	–	–	–	–	<b>(30.5)</b>	<b>(30.5)</b>
Share-based payments charge	–	–	–	–	–	–	–	<b>2.1</b>	<b>2.1</b>
Share-based payments settled	–	–	–	–	–	–	–	<b>0.3</b>	<b>0.3</b>
Share-based payments excess tax benefit	–	–	–	–	–	–	–	<b>(0.9)</b>	<b>(0.9)</b>
<b>At 31 December 2023</b>	<b>0.2</b>	<b>93.6</b>	<b>1.1</b>	–	<b>0.1</b>	<b>(0.1)</b>	<b>116.5</b>	<b>425.2</b>	<b>636.6</b>

# Group Cash Flow Statement

For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
<b>Operating activities</b>			
Profit before tax		<b>48.4</b>	45.4
Finance costs	11	<b>13.6</b>	8.0
<b>Operating profit</b>		<b>62.0</b>	53.4
Non-cash items:			
Profit on disposal of property, plant and equipment (underlying)	6	<b>(0.4)</b>	(0.7)
Research and development expenditure credit	6	<b>(1.5)</b>	(1.2)
Warranty provision release		<b>–</b>	(1.0)
Non-underlying items:			
– impairment of goodwill arising on business combinations	8,17	<b>–</b>	12.0
– impairment of intangible assets arising on business combinations	8,17	<b>2.5</b>	2.8
– amortisation of intangible assets arising on business combinations	8,17	<b>14.8</b>	15.2
– provision for acquisition costs	8	<b>2.2</b>	3.3
– provision for restructuring costs	8	<b>14.1</b>	9.3
– provision for restructuring costs – depreciation of property, plant and equipment	8	<b>1.2</b>	–
– Workday configuration (SaaS)	8	<b>1.2</b>	–
– employment matters	8	<b>2.0</b>	–
– provision for product liability claim	8	<b>(1.2)</b>	1.0
– profit on sale or property, plant and equipment	8	<b>(4.7)</b>	–
– isolated cyber incident	8	<b>–</b>	1.2
Depreciation of property, plant and equipment (underlying)	5,15	<b>19.1</b>	19.4
Depreciation of right-of-use assets	5,16	<b>5.6</b>	5.4
Amortisation of internally generated intangible assets	17	<b>0.8</b>	0.2
Share-based payments	25	<b>2.1</b>	2.9
Cash items:			
– Settlement of acquisition costs	18	<b>(0.4)</b>	(0.2)
– Settlement of restructuring costs		<b>(10.9)</b>	(8.2)
– Settlement of net product liability claim		<b>(1.7)</b>	–
– Settlement of Workday configuration (SaaS)		<b>(1.2)</b>	–
– Settlement of isolated cyber incident costs		<b>–</b>	(1.2)

	Notes	2023 £m	2022 £m
<b>Operating cash flows before movement in working capital</b>			
		<b>105.6</b>	113.6
Movement in working capital:			
Receivables		<b>(6.9)</b>	7.8
Payables		<b>(9.9)</b>	(10.4)
Inventories		<b>20.9</b>	(17.1)
<b>Cash generated from operations</b>		<b>109.7</b>	93.9
Income tax paid		<b>(12.1)</b>	(7.0)
<b>Net cash flows from operating activities</b>		<b>97.6</b>	86.9
<b>Investing activities</b>			
Acquisition of businesses net of cash at acquisition	18	<b>–</b>	(2.6)
Settlement of deferred and contingent consideration		<b>(1.6)</b>	(0.5)
Proceeds from disposal of property, plant and equipment		<b>7.6</b>	2.9
Purchase of property, plant and equipment		<b>(32.8)</b>	(41.1)
Development expenditure		<b>(1.7)</b>	(2.7)
<b>Net cash flows from investing activities</b>		<b>(28.5)</b>	(44.0)
<b>Financing activities</b>			
Debt issue costs		<b>–</b>	(3.1)
Drawdown of bank loan		<b>50.0</b>	266.2
Repayment of bank loan		<b>(100.9)</b>	(268.3)
Interest paid		<b>(13.4)</b>	(3.7)
Dividends paid	14	<b>(30.5)</b>	(30.5)
Proceeds from exercise of share options		<b>0.3</b>	0.4
Settlement of lease liabilities	16	<b>(7.6)</b>	(6.2)
<b>Net cash flows from financing activities</b>		<b>(102.1)</b>	(45.2)
<b>Net change in cash and cash equivalents</b>		<b>(33.0)</b>	(2.3)
Cash and cash equivalents at 1 January	23	<b>50.0</b>	52.3
Net foreign exchange difference		<b>–</b>	–
<b>Cash and cash equivalents at 31 December</b>	23	<b>17.0</b>	50.0



# Notes to the Group Financial Statements

For the year ended 31 December 2023

## 1. Authorisation of financial statements

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 12 March 2024 and the balance sheet was signed on the Board's behalf by Joe Vorih and Tim Pullen.

Genuit Group plc (previously known as Polypipe Group plc) is a public limited company incorporated and domiciled in England and Wales. The principal activity of the Group is the provision of sustainable water and climate management solutions for the built environment.

## 2. Summary of material accounting policies

The basis of preparation and accounting policies used in preparing the consolidated historical financial information for the year ended 31 December 2023 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented.

### 2.1 Basis of preparation and statement of compliance with IFRSs

The Group's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (UK-adopted-IAS).

The accounting policies which follow set out those policies which apply in preparing the consolidated financial statements for the year ended 31 December 2023.

The Group's consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and deferred and contingent consideration that have been measured at fair value. The consolidated financial statements are presented in Pounds Sterling and all values are rounded to one decimal place of a million (£m) unless otherwise indicated.

### 2.2 Going concern

The Directors have made enquiries into the adequacy of the Group's financial resources, through a review of the Group's budget and medium-term financial plan, including cash flow forecasts. The Group has modelled a range of scenarios, with the base forecast being one in which, over the 24 months ending 31 December 2025, sales volumes grow in line with or moderately above external construction industry forecasts.

In addition, the Directors have considered several downside scenarios, including adjustments to the base forecast, a period of significantly lower like-for-like sales, profitability and cash flows. Consistent with our Principal Risks and Uncertainties these downside scenarios included, but were not limited to, loss of production, loss of a major customer, product failure, recession, increases in interest rates and increases in raw material prices. Downside scenarios also included a combination of these risks, and reverse stress testing.

The financial impact of the climate-related risks disclosed within the Task Force on Climate-Related Financial Disclosures Report on pages 31 to 40 of the Strategic Report continue to be assessed. The Directors conclude that there is no material adverse impact of climate change in the short to medium-term, and hence have not included any impacts in either the base case or downside scenarios of the going concern assessment. The Group has not experienced material adverse disruption during periods of adverse or extreme weather in recent years and do not expect this to occur to a material level over the period of the going concern assessment.

At 31 December 2023, the Group had available £230.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities are available until at least August 2027, subject to covenant headroom. The Directors are satisfied that the Group has sufficient liquidity and covenant headroom to withstand reasonable variances to the base forecast, as well as the downside scenarios. In addition, the Directors have noted the range of possible additional liquidity options available to the Group, should they be required.

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

### 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The Group holds 100% of the equity and controls 100% of the voting rights in all subsidiaries, with the exception of Equaflo Ltd, Sustainable Water and Drainage Systems BV, Sustainable Water and Drainage Systems Limited and Water Management Solutions LLC (which has not traded since incorporation in Qatar in 2015).

In relation to the acquisition of Plura Composites Limited and related entities, under the terms of the acquisition, the group originally acquired 51% with an option to acquire the remaining 49% which was exercised during the year on 8 December 2023. Under the contractual arrangements, prior to exercising the option, the Group's approval is required for all major operational decisions. Based on this, the Group has accounted for Plura Composites Limited as a wholly owned subsidiary for the full year and prior year because the call option over the remaining shares gave the Group present access to returns over all the shares held by non-controlling shareholders.

The treatment of non-controlling interests or any other non-voting right factors in respect of control is not material to the consolidated financial statements.

## Notes to the Group Financial Statements continued

**2. Summary of material accounting policies continued****2.4 Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the total of the consideration transferred, measured at acquisition fair value. Acquisition costs incurred are expensed and included in administration expenses in the income statement.

Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill.

**2.4.1 Goodwill**

Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses (see Note 2.13).

Goodwill has specific characteristics for impairment and is tested annually (at 31 December) or when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (CGU) to which the goodwill relates. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment before aggregation. An impairment loss is recognised if the carrying amount of a CGU is determined to be greater than its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value-in-use. If an impairment is identified the carrying value of the goodwill is written down immediately through the income statement and this is not subsequently reversed.

**2.4.2 Other intangible assets**

Intangible assets arising on business combinations are initially measured at fair value. Following initial recognition, intangible assets are carried at cost or fair value less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over their expected useful life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation of intangible assets is provided over the following expected useful lives:

Patents and brand names	10 to 20 years
Customer relationships and customer order book	5 to 20 years
Licences	10 years
Development costs	4 to 10 years

**2.5 Foreign currency translation**

The Group's consolidated financial statements are presented in Pounds Sterling, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured in that functional currency.

Transactions in foreign currencies are initially recognised by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency spot rate of exchange at the balance sheet date. All differences arising on settlement or translation are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The assets and liabilities of foreign operations are translated into Pounds Sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at average exchange rates prevailing. The resulting exchange differences are recognised in other comprehensive income.

**2.6 Revenue from contracts with customers and interest income**

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods. The disclosure of significant accounting judgements and estimates relating to revenue from contracts with customers is provided in Note 3.

**2.6.1 Sale of goods****i) Performance obligations**

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Our most commonly used standard payment terms are 30 days net end of month.

The main source of variable consideration in our contracts with customers relates to volume rebates. More information is on the accounting for rebates is provided at (ii) and (iii) below. The Group's contracts do not typically include a significant financing component. Non-cash consideration is not a feature of the Group's contractual arrangements.

**ii) Variable consideration**

If the consideration in a sales contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some sales contracts provide customers with sales volume rebates. The sales volume rebates give rise to variable consideration.

**iii) Sales volume rebates**

The Group provides retrospective sales volume rebates to certain customers once, amongst other matters, the quantity of goods purchased during a predetermined period exceeds thresholds specified in the sales contract. To estimate the variable consideration for these expected future rebates, the Group applies the most likely amount method for sales contracts with a single-volume threshold and the expected value method for sales contracts with more

## Notes to the Group Financial Statements continued

**2. Summary of material accounting policies continued****iii) Sales volume rebates continued**

than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the sales contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates. Sales volume rebate liabilities, both estimated and actual, are netted off against the associated trade receivables to the extent of the individual customer trade receivable balance and where they are net settled. Any remaining credit balances are included in trade and other payables. Developer rebate liabilities are presented in trade and other payables.

**2.7 Interest income**

Interest income is recognised as interest accrues on cash balances using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

**2.8 Income taxes****Current income tax**

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities, based on income tax rates and laws enacted or substantively enacted at the balance sheet date.

**Deferred income tax**

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, with the following exceptions:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

For deductible temporary differences associated with investments in subsidiaries it must additionally be probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same tax authority and that authority permits the Group to make a single net payment.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the income tax rates that are expected to apply when the asset is realised or the liability is settled, based on income tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the income statement.

**2.9 Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on the cost less residual value of property, plant and equipment, and is on a straight-line basis over its expected useful life as follows:

Freehold land	Nil
Freehold buildings	Over expected useful life not exceeding 50 years
Plant and other equipment	4 to 20 years

The carrying amounts of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable, and are written down immediately to their recoverable amount. Useful lives, residual values and depreciation methods are reviewed at each financial year end, and where adjustments are required, these are made prospectively.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any profit or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

**2.10 Software as a Service (SaaS)**

Under Software as a Service arrangements the Group does not currently control the underlying software used in the agreement. These arrangements are accounted for as a service contract and expensed in the Group income statement over the contract term, unless the Group has both a contractual right to take possession of the software at any time, and the ability to run the software independently of the host vendor. In such cases, the licence agreement is capitalised as software within intangible assets.

The Group's policy in relation to costs incurred to configure or customise the software to specific requirements is as follows:

- where costs incurred result in the creation of a separately identifiable resource controlled by the Group, and where the Group has the power to obtain the future economic benefit flowing from the underlying resource, such costs are capitalised as software within intangible assets;

## Notes to the Group Financial Statements continued

**2. Summary of material accounting policies continued**

- where costs incurred do not result in the recognition of an intangible asset then the costs are expensed as incurred. Costs are included within non-underlying items in the income statement if they relate to significant strategic projects and are considered to meet the Group's definition of non-underlying items.

**2.11 Research and development costs**

Research costs are expensed as incurred. Development expenditures on individual projects are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Other internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

**2.12 Assets classified as held-for-sale**

Assets classified as held-for-sale are measured at the lower of carrying amount and fair value, less costs to sell. Assets are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, expected to be completed within one year from the date of classification and accordingly included in current assets with the associated liabilities being included in current liabilities, and the asset is available for immediate sale in its present condition.

**2.13 Impairment of non-financial assets**

The Group assesses at each balance sheet date whether there are any indicators that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value-in-use and it is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future pre-tax cash flows are mid-year discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculations on detailed budgets and industry forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and industry forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

**2.14 Leasing****Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its expected useful life and the lease term. Right-of-use assets are subject to impairment.

**Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment to purchase the underlying asset.

**Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**Determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



## Notes to the Group Financial Statements continued

**2. Summary of material accounting policies continued**

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group re-assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

**2.15 Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**i) Financial assets*****Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not recognised at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group's financial assets include cash and cash equivalents and trade and other receivables.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification. The Group does not currently hold any fair value through other comprehensive income financial assets.

***Financial assets at amortised cost***

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents and trade receivables.

***Impairment***

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each balance sheet date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

**ii) Financial liabilities*****Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, lease liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities, deferred and contingent consideration, loans and borrowings including bank overdrafts, and derivative financial instruments.

***Subsequent measurement***

The measurement of financial liabilities depends on their classification, as described below:

***Financial liabilities at fair value through profit or loss***

Derivative financial instruments are classified as FVTPL unless they are designated as effective hedging instruments. Gains and losses on such derivatives are recognised in the income statement. However, in the current and prior period all derivatives have been designated as hedging instruments in effective hedging relationships. Further information on their accounting is provided at 2.16 below. As such, the only financial liability at FVTPL is the deferred and contingent consideration (see Note 18).

***Loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Profits and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in finance revenues and finance costs, respectively.

***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts, together with any costs or fees incurred, is recognised in the income statement.

## Notes to the Group Financial Statements continued

**2. Summary of material accounting policies continued****iii) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**2.16 Derivative financial instruments and hedge accounting**

The Group uses derivative financial instruments to hedge its foreign currency risks. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

**Cash flow hedge**

Cash flow hedging matches the cash flows of hedged items against the corresponding cash flows of the derivative. The effective part of any profit or loss on the derivative is recognised directly in other comprehensive income and the hedged item is accounted for in accordance with the policy for that financial instrument. Any ineffective part of any profit or loss is recognised immediately in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative profit or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative profit or loss recognised in equity is transferred to the income statement for the period.

Note 29 sets out the details of the fair values of the derivative financial instruments used for hedging purposes.

**2.17 Fair values**

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of financial instruments that are traded in active markets at the balance sheet date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 29.

**2.18 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials – purchase cost on a first in, first out basis.
- Work in progress and finished goods – cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

**2.19 Cash and short-term deposits**

Cash and short-term deposits consist of cash at bank and in hand.

**2.20 Pensions**

The Group operates defined contribution pension plans. Contributions payable in the year are charged to the income statement. The assets are held separately from those of the Group in an independently administered fund. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**2.21 Non-underlying items**

The Group presents amortisation and impairment of intangible assets arising on business combinations, the un-wind of inventory fair value adjustments resulting from acquisitions, significant profit on disposal of property, plant and equipment, restructuring costs, non-recurring operating costs and tax, as non-underlying items on the face of the income statement. These are items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, the Directors consider merit separate presentation to provide a better and more consistent indication of the Group's underlying financial performance and a more meaningful comparison with prior and future periods to assess trends in financial performance. The tax effect of the above is also included.

## Notes to the Group Financial Statements continued

### 2. Summary of material accounting policies continued

#### 2.22 Share-based payments

In the case of equity-settled schemes, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The value of the options is measured using the Black-Scholes and Monte Carlo models, taking into account the terms and conditions (including market and non-vesting conditions) upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

#### 2.23 Cash dividend

The Group recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. Under UK company law a distribution is authorised when it is approved by the shareholders. A corresponding amount is then recognised directly in equity.

#### 2.24 Own shares

The Group operates an Employee Benefit Trust (EBT). The Group and/or the EBT, holds Genuit Group plc shares for the granting of Genuit Group plc shares to employees and Directors. These shares are recognised at cost and presented in the balance sheet as a deduction from equity. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of these shares. No dividends are earned on these shares, and they are ignored for the purposes of calculating the Group's earnings per share.

#### 2.25 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate time line, and the employees affected have been notified of the plan's main features.

### 3. Judgements and key sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions in applying the Group's accounting policies to determine the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

#### 3.1 Critical accounting judgements

Critical judgements, apart from those involving estimations, that are applied in the preparation of the consolidated Group financial statements in the years ended 31 December 2023 and 2022 are discussed below:

##### 3.1.1 Business combinations

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are the identification of which intangible assets meet the recognition criteria as set out in IAS 38, the fair values attributable to those intangible assets, and the useful lives of individual intangible assets. The Group has applied judgement in determining whether amounts contingently payable to previous owners of the businesses we have acquired should be recognised as a remuneration cost in the income statement, or within total consideration that is allocated to the fair value of assets and liabilities included in the balance sheet.

##### 3.1.2 Revenue recognition and customer rebates

The Group's pricing structure involves rebate arrangements with several of its direct and indirect customers. These can be complex in nature and involve estimation in determining the required level of provision for rebate liabilities, particularly where the Group is reliant on information from customers which may not be available at the time the liabilities are assessed.

#### 3.2 Key sources of estimation uncertainty

The key assumptions about the future, and other key sources of estimation uncertainty at the reporting period end, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

##### 3.2.1 Impairment of non-financial assets

Non-financial assets include goodwill, other intangible assets and property, plant and equipment. In accordance with IFRS, the Group considers whether there are any indicators of impairment of these assets. Where indicators of impairment are identified, the Group tests the asset for impairment. Goodwill is tested for impairment annually (at 31 December) or more frequently when circumstances indicate that the carrying amount may be impaired.

## Notes to the Group Financial Statements continued

## 3. Judgements and key sources of estimation uncertainty continued

The Group's impairment test for goodwill is based on a value-in-use calculation, using a cash flow model with mid-year discounting applied. The aim of the test is to ensure that goodwill is not carried at a value greater than the recoverable amount. The cash flows are derived from the budgets and forecasts for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the asset or the CGU. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are further explained in Note 17.

## 3.2.2 Contingent consideration

The Directors assess the likelihood that financial targets will be achieved in order to trigger the contingent consideration to the previous owners of the businesses we have acquired, to quantify the possible range of that contingent consideration, and to how that contingent consideration should be calculated and disclosed in the consolidated financial statements. Due to the inherent uncertainty in this process, actual liabilities may be different from those originally estimated.

## 3.3 Climate change

In preparing the consolidated financial statements The Group has considered the impact of both physical and transition climate change risks as well as its plans to mitigate against those risks on the current valuation of its assets and liabilities. The Group does not believe that there is a material impact on the financial reporting judgements and estimates arising from our considerations and as a result the valuations of our assets or liabilities have not been significantly impacted by these risks as at 31 December 2023.

In coming to this conclusion, the Group has reviewed the balance sheet and identified those line items that have the potential to be significantly impacted by climate-related risks and the plans to mitigate against these risks. The line items that have the potential to be significantly impacted have then been reviewed in detail to confirm:

- The growth rates and projected cash flows, used in assessing whether the goodwill and indefinite-life intangibles are impaired, are consistent with the climate-related risk assumptions and the actions being taken to mitigate against those risks.

## 4. New and amended accounting standards and interpretations

## Accounting standards or interpretations which have been adopted in the year

There were no accounting standards or interpretations that have become effective in the year which had an impact on disclosures, financial position or performance.

## Accounting standards or interpretations issued but not yet effective

There were no accounting standards or interpretations issued which have an effective date after the date of these consolidated financial statements that the Group reasonably expects to have an impact on disclosures, financial position or performance.

## 5. Segment information

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM is deemed to be the Board of Directors, which is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

From 1 January 2023, reporting segments have been aligned with the Group's Sustainable Solutions for Growth strategy and reorganised into three segments – Sustainable Building Solutions (SBS), Water Management Solutions (WMS) and Climate Management Solutions (CMS). Adey, Nuairé, Domus, Nu-Heat and Surestop have been reallocated from the Residential Systems segment into CMS, with the remainder of Residential Systems moving into SBS. The Commercial and Infrastructure segment is now reported as WMS without the commercial element of Nuairé which is now reported in CMS. The reporting segments are organised based on the nature of the end markets served. Inter-segment sales are on an arm's length basis in a manner similar to transactions with third parties. The prior year comparatives have been restated to the three divisions. Other segments relates to Polypipe Italia SRL which is currently held-for-sale and not reported as part of the Group's strategic business units.

	2023				
	Sustainable Building Solutions £m	Water Management Solutions £m	Climate Management Solutions £m	Other £m	Total £m
Segmental revenue	268.0	193.9	169.2	8.4	639.5
Inter-segment revenue	(25.2)	(23.5)	(3.3)	(1.0)	(53.0)
<b>Revenue</b>	<b>242.8</b>	<b>170.4</b>	<b>165.9</b>	<b>7.4</b>	<b>586.5</b>
<b>Underlying operating profit*</b>	<b>53.1</b>	<b>17.7</b>	<b>22.7</b>	<b>0.6</b>	<b>94.1</b>
Non-underlying items – segmental	(1.4)	(11.3)	(15.0)	(0.3)	(28.0)
Non-underlying items – group					(4.1)
<b>Segmental operating profit</b>	<b>51.7</b>	<b>6.4</b>	<b>7.7</b>	<b>0.3</b>	<b>62.0</b>
Finance costs					(13.6)
<b>Profit before tax</b>					<b>48.4</b>

\* Underlying operating profit is stated before non-underlying items as defined in the Group Accounting Policies on page 168 and is the measure of segment profit used by the Group's CODM. Details of the non-underlying items of £32.1m (2022: £45.2m) are set out below at non-underlying items before tax.



## Notes to the Group Financial Statements continued

## 5. Segment information continued

	2022					
	Sustainable Building Solutions £m	Water Management Solutions £m	Climate Management Solutions £m	Other £m	Total £m	
Segmental revenue	311.5	189.2	162.4	9.7	672.8	
Inter-segment revenue	(29.0)	(16.8)	(3.8)	(1.0)	(50.6)	
<b>Revenue</b>	<b>282.5</b>	<b>172.4</b>	<b>158.6</b>	<b>8.7</b>	<b>622.2</b>	
<b>Underlying operating profit*</b>	<b>59.3</b>	<b>14.1</b>	<b>25.2</b>	<b>(0.4)</b>	<b>98.2</b>	
Non-underlying items – segmental	(4.4)	(6.1)	(28.8)	(1.2)	(40.5)	
Non-underlying items – group					(4.3)	
<b>Segmental operating profit</b>	<b>54.9</b>	<b>8.0</b>	<b>(3.6)</b>	<b>(1.6)</b>	<b>53.4</b>	
Finance costs					(7.6)	
Non-underlying items – finance costs					(0.4)	
<b>Profit before tax</b>					<b>45.4</b>	

## Property, plant and equipment additions

	2023 £m	2022 £m
Sustainable Building Solutions	<b>17.6</b>	24.5
Water Management Solutions	<b>10.6</b>	11.9
Climate Management Solutions	<b>2.7</b>	2.8
Other	<b>1.9</b>	1.8
<b>Total – Group</b>	<b>32.8</b>	41.0

## Right-of-use asset additions

	2023 £m	2022 £m
Sustainable Building Solutions	<b>2.3</b>	2.6
Water Management Solutions	<b>2.1</b>	1.5
Climate Management Solutions	<b>2.1</b>	3.3
Other	<b>1.4</b>	0.7
<b>Total – Group</b>	<b>7.9</b>	8.1

## Depreciation of property, plant and equipment

	2023 £m	2022 £m
Sustainable Building Solutions	<b>10.6</b>	10.4
Water Management Solutions	<b>6.6</b>	5.2
Climate Management Solutions	<b>3.1</b>	3.5
<b>Total – Group</b>	<b>20.3</b>	19.4

## Depreciation of right-of-use assets

	2023 £m	2022 £m
Sustainable Building Solutions	<b>2.1</b>	1.7
Water Management Solutions	<b>1.4</b>	1.4
Climate Management Solutions	<b>1.2</b>	0.9
Other	<b>0.9</b>	1.4
<b>Total – Group</b>	<b>5.6</b>	5.4

## Notes to the Group Financial Statements continued

## 5. Segment information continued

## Non-underlying items before tax

	2023 £m	2022 £m
<b>Sustainable Building Solutions:</b>		
Amortisation of intangible assets	1.7	1.7
Restructuring costs	3.1	2.7
Employment matters	1.3	–
Profit on disposal of property, plant and equipment	(4.7)	–
<b>Water Management Solutions:</b>		
Impairment of intangible assets	2.5	–
Amortisation of intangible assets	0.9	0.9
Restructuring costs	7.3	0.9
Acquisition costs	1.8	3.3
Product Liability Claim	(1.2)	1.0
<b>Climate Management Solutions:</b>		
Impairment of goodwill	–	12.0
Impairment of intangible assets	–	2.8
Amortisation of intangible assets	12.2	12.6
Restructuring costs	1.7	0.2
Employment matters	0.7	–
Acquisition costs	0.4	–
Isolated cyber incident	–	1.2
<b>Total – segmental</b>	<b>27.7</b>	<b>39.1</b>
Other – restructuring costs	0.3	1.2
Group – restructuring costs	4.1	4.3
Group – unamortised deal fees	–	0.4
<b>Total – Group</b>	<b>32.1</b>	<b>45.2</b>

## Geographical analysis

	2023 £m	2022 £m
<b>Revenue by destination</b>		
UK	519.1	560.8
Rest of Europe	33.4	32.4
Rest of World	34.0	29.0
<b>Total – Group</b>	<b>586.5</b>	<b>622.2</b>
	31 December 2023 £m	31 December 2022 £m
<b>Non-current assets</b>		
UK	790.3	800.2
Rest of Europe	5.7	7.1
<b>Total – Group</b>	<b>796.0</b>	<b>807.3</b>

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, goodwill and other intangible assets.

The Group had no customers (2022: two) which individually accounted for more than 10% of the Group's total revenue during 2023. These customers accounted for 11.9% and 10.8% in 2022, respectively and are included in all three reporting segments.

## Notes to the Group Financial Statements continued

## 6. Operating profit

	2023 £m	2022 £m
<b>Income statement charges</b>		
Depreciation of property, plant and equipment (owned)	20.3	19.4
Depreciation of right-of-use assets	5.6	5.4
Cost of inventories recognised as an expense	287.9	318.3
Research and development costs expensed	9.0	8.8
<b>Income statement credits</b>		
Research and development expenditure credit	1.5	1.2
Profit on disposal of property, plant and equipment	0.4	0.7

## 7. Auditor's remuneration

The Group paid the following amounts to the Company's auditor in respect of the audit of the consolidated financial statements and for other services provided to the Group.

Auditor's remuneration for audit services:

	2023 £m	2022 £m
Audit of the Company's annual financial statements	–	–
Audit of the Company's subsidiaries	1.0	0.9
<b>Total audit fees</b>	<b>1.0</b>	<b>0.9</b>

The Group paid the Company's auditor £0.2m for audit related assurance services (2022: £0.2m).

## 8. Non-underlying items

Non-underlying items comprised:

	2023			2022		
	Gross £m	Tax £m	Net £m	Gross £m	Tax £m	Net £m
<b>Cost of sales:</b>						
Restructuring costs – inventory write down	1.5	(0.3)	1.2	1.5	(0.3)	1.2
Restructuring costs	0.4	(0.1)	0.3	–	–	–
Employment matters	1.3	(0.2)	1.1	–	–	–
Product liability claim	(1.2)	(0.1)	(1.3)	1.0	–	1.0
<b>Selling and distribution costs:</b>						
Restructuring costs	1.0	(0.2)	0.8	–	–	–
<b>Administration expenses:</b>						
Restructuring costs	12.4	(2.3)	10.1	7.8	(1.5)	6.3
Acquisition costs – acquisition and other M&A activity	2.2	(0.1)	2.1	3.3	–	3.3
Workday configuration (SaaS)	1.2	(0.3)	0.9	–	–	–
Employment matters	0.7	(0.1)	0.6	–	–	–
Profit on disposal of property, plant and equipment	(4.7)	–	(4.7)	–	–	–
Isolated cyber incident costs	–	–	–	1.2	(0.2)	1.0
<b>Amortisation of intangible assets</b>	<b>14.8</b>	<b>(3.7)</b>	<b>11.1</b>	15.2	(2.6)	12.6
<b>Impairment of intangible assets</b>	<b>2.5</b>	<b>(0.6)</b>	<b>1.9</b>	2.8	(0.5)	2.3
<b>Impairment of goodwill</b>	<b>–</b>	<b>–</b>	<b>–</b>	12.0	–	12.0
<b>Finance costs: unamortised deal fees</b>	<b>–</b>	<b>–</b>	<b>–</b>	0.4	(0.1)	0.3
<b>Total non-underlying items</b>	<b>32.1</b>	<b>(8.0)</b>	<b>24.1</b>	45.2	(5.2)	40.0

Restructuring costs incurred in both periods are in relation to the reorganisation of the Group, which concluded during 2023, with a cumulative cost over the two-year period of £24.6m. The Group reviewed its operating footprint which resulted in the closure of six sites. This included the sale of two properties which accounts for the profit on disposal, reorganisation costs in relation to the new operating structure of the segmental units (see Note 3) and costs incurred for consultancy fees for advisory support as part of the initial deployment and design of the Genuit Business System. Workday SaaS costs related to the design and configuration of Workday software that is a significant project to support the Group's medium-term strategy.

## Notes to the Group Financial Statements continued

## 8. Non-underlying items continued

The product liability claim is associated with a historic acquisition and comprised of an increase in the provision for remediation works which have been ongoing in 2023. The total amount recognised as a liability on the balance sheet for the remaining works at 31 December 2023 is £1.3m (2022: £3.3m). This is offset by a settlement being received, net of legal costs incurred, associated with the acquisition.

Acquisition costs in both years relate predominantly to a £1.8m (2022: £3.1m) charge arising in connection with contingent consideration treated as remuneration in respect of the acquisition of Plura.

Costs associated with employment matters are in relation to one-off regulatory claims.

During 2022, there was an isolated cyber incident at one of the Group's businesses, which resulted in temporary disruption to manufacturing and consequently sales in April and May 2022.

Impairment of intangible assets of £2.5m (2022: £2.8m) related to assets associated with the closure of a site within the year and in 2022 is in respect of a customer relationship agreement ending early and impairment of goodwill relates to a 2021 acquisition, (see Note 18).

Amortisation charged relates to intangible assets arising on business combinations.

## 9. Staff costs

Staff costs (including Directors) comprised:

	2023 £m	2022 £m
Wages and salaries	127.2	128.5
Social security costs	13.4	13.2
Other pension costs	5.4	6.5
	146.0	148.2

The average monthly number of persons employed by the Group by segment was as follows:

	2023	2022
Sustainable Building Solutions	1,500	1,739
Water Management Solutions	737	796
Climate Management Solutions	939	990
Other	120	115
<b>Total – Group</b>	<b>3,296</b>	<b>3,640</b>

## 10. Directors' remuneration

Details of the Directors' remuneration are set out below:

	2023 £m	2022 £m
Fees	0.5	0.5
Emoluments	2.9	3.1
	3.4	3.6

Further details of Directors' remuneration are provided in the Annual Report on Remuneration. The aggregate amount of gains made by the Directors on the exercise of share options during the year was £0.6m (2022: £0.2m).

## 11. Finance costs

	2023 £m	2022 £m
Interest on bank loan	11.6	6.2
Debt issue cost amortisation	0.8	0.5
Un-wind of discount on lease liabilities	1.2	0.8
Other finance costs	–	0.1
	13.6	7.6



## Notes to the Group Financial Statements continued

## 12. Income tax

## (a) Tax expense reported in the income statement

	2023 £m	2022 £m
<b>Current income tax:</b>		
UK income tax	11.0	7.7
Overseas income tax	0.2	0.1
Current income tax	11.2	7.8
Adjustment in respect of prior years	(0.4)	(0.5)
<b>Total current income tax</b>	<b>10.8</b>	7.3
<b>Deferred income tax:</b>		
Origination and reversal of temporary differences	(1.9)	0.4
Effects of changes in income tax rates	0.1	1.3
Deferred income tax	(1.8)	1.7
Adjustment in respect of prior years	0.9	(0.1)
<b>Total deferred income tax</b>	<b>(0.9)</b>	1.6
<b>Total tax expense reported in the income statement</b>	<b>9.9</b>	8.9

Details of the non-underlying tax credit of £8.0m (2022: £5.2m) are set out in Note 8.

## (b) Reconciliation of the total tax expense

A reconciliation between the tax expense and the product of accounting profit multiplied by the UK standard rate of income tax for the years ended 31 December 2023 and 2022 is as follows:

	2023 £m	2022 £m
Accounting profit before tax	48.4	45.4
Accounting profit multiplied by the UK standard rate of income tax of 23.52% (2022: 19.0%)	11.4	8.6
Expenses not deductible for income tax	1.6	3.4
Non-taxable income	(2.2)	(0.4)
Adjustment in respect of prior years	0.5	(0.6)
Effects of patent box	(1.1)	(1.6)
Effects of changes in income tax rates	0.1	1.3
Effects of super deduction	(0.1)	(1.8)
Effects of other tax rates/credits	(0.3)	–
<b>Total tax expense reported in the income statement</b>	<b>9.9</b>	8.9

The effective rate for the full year was 20.5% (2022: 19.6%). If the impact of non-underlying items is excluded, the underlying income tax rate would be 22.2% (2022: 15.6%).

## (c) Deferred income tax

The deferred income tax included in the Group balance sheet is as follows:

	2023 £m	2022 £m
<b>Deferred income tax liabilities/(assets)</b>		
Short-term timing differences:		
– DTL arising on acquired intangible assets	32.9	36.5
– Other short-term timing differences	(1.5)	1.3
Capital allowances in excess of depreciation	23.0	16.9
Share-based payments	(1.3)	(2.1)
Tax losses	(3.0)	(2.5)
	<b>50.1</b>	50.1

## Notes to the Group Financial Statements continued

**12. Income tax continued**

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current income tax assets and current income tax liabilities and the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority.

**(d) Change in corporation tax rate**

On 24 May 2021, legislation was passed which substantively enacted an increase in UK corporation tax rate from 19% to 25% from April 2023. Deferred income tax on the balance sheet at 31 December 2023 was measured at 25%.

**(e) Unrecognised tax losses**

No deferred income tax has been recognised on non-trading losses and other timing differences of £3.4m (2022: £1.3m) as the Directors do not consider that they will be utilised in the foreseeable future.

**13. Earnings per share**

Basic earnings per share amounts are calculated by dividing profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share amounts are calculated by dividing profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of potential ordinary shares that would be issued on the conversion of all the dilutive share options into ordinary shares.

The calculation of basic and diluted earnings per share is based on the following:

	2023	2022
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>248,182,934</b>	248,001,063
Effect of dilutive potential ordinary shares	<b>1,024,432</b>	2,414,364
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>249,207,366</b>	250,415,427

Underlying earnings per share is based on the result for the year after tax excluding the impact of non-underlying items of £24.1m (2022: £40.0m). The Directors consider that this measure provides a better and more consistent indication of the Group's underlying financial performance and more meaningful comparison with prior and future periods to assess trends in our financial performance. The underlying earnings per share is calculated as follows:

	2023	2022
Underlying profit for the year attributable to the owners of the parent company (£m)	<b>62.6</b>	76.5
Underlying basic earnings per share (pence)	<b>25.2</b>	30.8
Underlying diluted earnings per share (pence)	<b>25.1</b>	30.5

**14. Dividend per share**

	2023 £m	2022 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2022 of 8.2p per share (2021: 8.2p)	<b>20.3</b>	20.3
Interim dividend for the year ended 31 December 2023 of 4.1p per share (2022: 4.1p)	<b>10.2</b>	10.2
	<b>30.5</b>	30.5
Proposed final dividend for the year ended 31 December 2023 of 8.3p per share (2022: 8.2p)	<b>20.6</b>	20.3

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

## Notes to the Group Financial Statements continued

## 15. Property, plant and equipment

	Freehold land and buildings £m	Plant and other equipment £m	Total £m
<b>Cost</b>			
At 1 January 2022	58.4	183.5	241.9
Additions	4.9	36.1	41.0
Disposals	(0.1)	(10.6)	(10.7)
Acquisition of businesses	–	0.4	0.4
Transfer to assets held-for-sale	–	(6.4)	(6.4)
Exchange adjustment	–	0.4	0.4
<b>At 31 December 2022</b>	<b>63.2</b>	<b>203.4</b>	<b>266.6</b>
Additions	<b>6.2</b>	<b>26.6</b>	<b>32.8</b>
Disposals	<b>(4.6)</b>	<b>(10.6)</b>	<b>(15.2)</b>
Transfer to assets held-for-sale	<b>(3.6)</b>	<b>(0.3)</b>	<b>(3.9)</b>
Exchange adjustment	<b>–</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>At 31 December 2023</b>	<b>61.2</b>	<b>219.0</b>	<b>280.2</b>
<b>Depreciation and impairment losses</b>			
At 1 January 2022	9.1	81.1	90.2
Provided during the year	1.7	17.7	19.4
Disposals	–	(8.7)	(8.7)
Transfer to assets held-for-sale	–	(4.0)	(4.0)
Exchange adjustment	–	(0.2)	(0.2)
<b>At 31 December 2022</b>	<b>10.8</b>	<b>85.9</b>	<b>96.7</b>
Provided during the year	<b>2.0</b>	<b>18.3</b>	<b>20.3</b>
Disposals	<b>(2.6)</b>	<b>(10.1)</b>	<b>(12.7)</b>
Transfer to assets held-for-sale	<b>(0.3)</b>	<b>(0.4)</b>	<b>(0.7)</b>
Exchange adjustment	<b>–</b>	<b>0.2</b>	<b>0.2</b>
<b>At 31 December 2022</b>	<b>9.9</b>	<b>93.9</b>	<b>103.8</b>
<b>Net book value</b>			
<b>At 31 December 2023</b>	<b>51.3</b>	<b>125.1</b>	<b>176.4</b>
At 31 December 2022	52.4	117.5	169.9

Included in freehold land and buildings is non-depreciable land of £17.9m (2022: £18.2m).

During the year the Group revised its depreciation policy for Plant and other equipment. This reduced the depreciation charge by £0.6m. As part of the Group simplification to reduce its operational footprint it undertook the following actions:

- Sold the land and buildings of one of its operating warehouses, the net gain on disposal has been recognised in non-underlying items see (Note 4).
- Exited two freehold land and buildings during the year which have been reclassified to non-current assets held-for-sale at net book value, which is lower than fair value less cost to sell. The properties are marketed as for sale and completion is expected within 12 months of the reporting date.

**Capital commitments**

At 31 December 2023, the Group had commitments of £7.1m (2022: £2.8m) relating to plant and equipment purchases.

## Notes to the Group Financial Statements continued

## 16. Right-of-use assets and lease liabilities

	Right-of-use assets				Lease liabilities
	Freehold land and buildings £m	Plant and other equipment £m	Motor vehicles £m	Total £m	£m
At 1 January 2022	12.7	7.8	0.1	20.6	(20.6)
Additions	3.2	3.8	1.1	8.1	(8.2)
Disposals	(0.5)	(0.6)	–	(1.1)	–
Depreciation of right-of-use assets	(2.2)	(2.7)	(0.5)	(5.4)	–
Depreciation on disposal of right-of-use assets	0.1	0.4	–	0.5	–
Transfer to assets held-for-sale	(0.4)	–	–	(0.4)	0.3
Un-wind of discount on lease liabilities	–	–	–	–	(0.8)
Settlement of lease liabilities	–	–	–	–	6.2
<b>At 31 December 2022</b>	12.9	8.7	0.7	22.3	(23.1)
Additions	<b>1.8</b>	<b>2.2</b>	<b>3.9</b>	<b>7.9</b>	<b>(7.9)</b>
Disposals	<b>(1.2)</b>	<b>(1.5)</b>	<b>(0.6)</b>	<b>(3.3)</b>	<b>1.2</b>
Depreciation of right-of-use assets	<b>(1.9)</b>	<b>(2.5)</b>	<b>(1.2)</b>	<b>(5.6)</b>	–
Depreciation on disposal of right-of-use assets	–	<b>1.2</b>	<b>0.4</b>	<b>1.6</b>	–
Un-wind of discount on lease liabilities	–	–	–	–	<b>(1.2)</b>
Settlement of lease liabilities	–	–	–	–	<b>7.6</b>
<b>At 31 December 2023</b>	<b>11.6</b>	<b>8.1</b>	<b>3.2</b>	<b>22.9</b>	<b>(23.4)</b>

## 17. Intangible assets

	Goodwill £m	Patents £m	Brand names £m	Customer relationships £m	Licences £m	Customer order book £m	Development costs £m	Total £m
<b>Cost</b>								
At 1 January 2022	467.7	39.5	66.5	114.3	0.8	0.9	2.0	691.7
Additions	–	0.5	–	–	–	–	2.3	2.8
Acquisition of businesses	2.9	–	–	–	–	–	–	2.9
Transfer to assets held-for-sale	(3.2)	–	–	–	–	–	–	(3.2)
<b>At 31 December 2022</b>	467.4	40.0	66.5	114.3	0.8	0.9	4.3	694.2
Additions	–	<b>0.4</b>	–	–	–	–	<b>1.3</b>	<b>1.7</b>
Transfer to assets held-for-sale	<b>(1.3)</b>	–	–	–	–	–	–	<b>(1.3)</b>
Disposals	–	–	–	–	–	–	<b>(0.6)</b>	<b>(0.6)</b>
<b>At 31 December 2023</b>	<b>466.1</b>	<b>40.4</b>	<b>66.5</b>	<b>114.3</b>	<b>0.8</b>	<b>0.9</b>	<b>5.0</b>	<b>694.0</b>
<b>Amortisation and impairment losses</b>								
At 1 January 2022	–	15.4	19.2	13.4	0.3	0.4	0.2	48.9
Charge for the year	–	3.4	5.1	6.1	0.1	0.5	0.2	15.4
Impairment losses	12.0	–	–	2.8	–	–	–	14.8
<b>At 31 December 2022</b>	12.0	18.8	24.3	22.3	0.4	0.9	0.4	79.1
Charge for the year	–	<b>3.3</b>	<b>5.1</b>	<b>6.4</b>	<b>0.1</b>	–	<b>0.7</b>	<b>15.6</b>
Impairment losses	–	<b>1.0</b>	<b>0.9</b>	<b>0.6</b>	–	–	–	<b>2.5</b>
<b>At 31 December 2023</b>	<b>12.0</b>	<b>23.1</b>	<b>30.3</b>	<b>29.3</b>	<b>0.5</b>	<b>0.9</b>	<b>1.1</b>	<b>97.2</b>
<b>Net book value</b>								
<b>At 31 December 2023</b>	<b>454.1</b>	<b>17.3</b>	<b>36.2</b>	<b>85.0</b>	<b>0.3</b>	–	<b>3.9</b>	<b>596.8</b>
At 31 December 2022	455.4	21.2	42.2	92.0	0.4	–	3.9	615.1

Brand names and customer relationships which arise from business combinations are amortised over their estimated useful lives of five to twenty years. There are two existing brands that have a significant carrying value: Nuaire (£4.0m) and Adey (£23.2m) with an estimated useful life of five and eighteen years respectively. Customer relationships that have a significant carrying value are Adey's relationships with key customers (£73.5m) with an estimated useful life of between nine and eighteen years and Manthorpe (£5.9m) with an estimated useful life of ten years.



## Notes to the Group Financial Statements continued

## 17. Intangible assets continued

## Impairment testing of goodwill

## Cash Generating Units (CGUs)

Goodwill is not amortised but is subject to annual impairment testing. Goodwill has been allocated for impairment testing purposes to a number of CGUs which represent the lowest level in the Group at which goodwill is monitored for internal management purposes. The carrying amount of goodwill allocated to each of the CGUs is as follows:

CGU	31 December 2023 £m	31 December 2022 £m
Building Services & International	29.1	30.4
Infrastructure & Landscape	43.6	43.6
Residential Systems	169.6	169.6
Climate & Ventilation	93.7	93.7
Nu-Heat	17.3	17.3
Adey	95.5	92.8
Others	5.3	8.0
	<b>454.1</b>	455.4

At 31 December 2023, £4.5m (2022: £3.2m) of goodwill has been allocated to assets held-for-sale from the Building Services & International CGU, in relation to Polypipe Italia SRL as detailed in Note 19. During the year Surestop was hived up into Adey Innovation and as such the goodwill arising on the acquisition of Surestop was subsequently transferred to the Adey CGU.

From 1 January 2023, reporting segments have been aligned with the Group's Sustainable Solutions for Growth strategy and reorganised into three segments – Sustainable Building Solutions (SBS), Water Management Solutions (WMS) and Climate Management Solutions (CMS). Adey, Nu-Heat and Climate & Ventilation CGUs have been allocated into CMS, Residential Systems and Building Services & International CGUs are allocated into SBS and Infrastructure & Landscape and Ulster CGUs are now reported as WMS.

Key assumptions used for value-in-use calculations:

The recoverable amount of all CGUs are determined from value-in-use calculations, being the net present value of future pre-tax cash flows, discounted at a mid-year position, covering a five-year period. These pre-tax cash flows are based on budgeted cash flows information for a period of one year, construction industry forecasts of growth for the following year and management's forecast of growth between 1.6% to 7.3% for years 3 to 5 (2022: 2.0% to 5.0%). Terminal growth rates between 2.0% to 2.4% (2022: 2.0% to 2.4%) have been applied beyond this, based on historical macroeconomic performance and projections of the sector served by the CGUs.

A pre-tax discount rate of 13.9% (2022: 12.9%) has been applied in determining the recoverable amounts of CGUs. The pre-tax discount rate is estimated based on the Group's risk adjusted cost of capital.

When assessing for impairment of goodwill, management have considered the impact of climate change, particularly in the context of the risks and opportunities identified within the Task Force on Climate-Related Financial Disclosures Report on pages 36 to 39 of the Strategic Report and have not identified any material short-term impacts from climate change that would impact the carrying value of goodwill. Over the longer term, the risks and opportunities are more uncertain, and management will continue to assess the quantitative impact of risks at each balance sheet date.

Recoverable amounts and sensitivities:

The Group has applied sensitivities to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. The application of these sensitivities did not cause an impairment of goodwill.

At 31 December 2022, the Group recognised a £12.0m impairment charge in the Adey CGU, leaving the recoverable amount equal to that of the carrying value. The headroom resulting from the value-in-use calculations at 31 December 2023 indicates that the Adey CGU is sensitive to changes in the key assumptions and management considers that a reasonably possible change in any single assumption could give rise to an impairment of the corresponding carrying amount of goodwill. The detailed sensitivity analysis indicates that the following changes in each of these key assumptions would result in an impairment charge being recognised:

- The pre-tax discount rate increasing to 14.2% from that used in the value-in-use calculations of 13.9%. would give rise to an impairment charge of £4.2m.
- A reduction in the long-term growth rate to 2.0% from that used in the value-in-use calculations of 2.4% would give rise to an impairment charge of £3.8m.
- Average revenue growth rates declining by 0.5 percentage points from that used in the value-in-use calculations would give rise to an impairment charge of £7.5m.
- Gross margin efficiencies are not achieved by 2028 and margin declines by 3 percentage points from that used in the value-in-use calculations would give rise to an impairment charge of £16.1m.

Management has reviewed the forecasts associated with the CGU noting the assumptions used, the sensitivity analysis performed and the ability of the business to adapt to challenging economic environments in which they operate, and is satisfied that no further impairments are necessary at 31 December 2023.

## Notes to the Group Financial Statements continued

## 18. Acquisitions

Deferred and contingent consideration recognised on the balance sheet at 31 December in relation to past business combinations comprised:

	31 December 2023 £m	31 December 2022 £m
Deferred consideration on Keytec acquisition	–	0.6
Deferred and contingent consideration on Plura acquisition	8.2	7.4
	<b>8.2</b>	<b>8.0</b>

An amount of £1.8m has been recognised as a non-underlying expense in the Group Income Statement in the year ended 31 December 2023 in respect of the Plura contingent consideration arrangement. This takes the total amount recognised as a liability on the Group balance sheet at 31 December 2023 to £8.2m. A payment of £1.0m was made in relation to this arrangement in December 2023. Accordingly, the aggregate final total amount payable under the contingent consideration is expected to be approximately £9.2m. Contingent consideration was determined based upon the agreed purchase price of the remaining 49% of shares on 8 December 2023. There is no material difference between the cash consideration and the fair value and the final payment was subsequently paid in February 2024.

Acquisition-related cash flows comprised:

	2023 £m	2022 £m
<b>Operating cash flows – settlement of acquisition costs</b>		
Keytec	–	0.1
Plura	–	0.1
	–	0.2

	2023 £m	2022 £m
<b>Investing cash flows – Settlement of deferred and contingent consideration</b>		
Plura	1.0	–
Keytec	0.6	–
Permavoid	–	0.5
	<b>1.6</b>	<b>0.5</b>
<b>Investing cash flows – acquisition of businesses net of cash at acquisition</b>		
Keytec	–	2.6
	–	2.6

**Keytec**

On 31 March 2022, the Group acquired 100% of the voting rights and shares of Keytec Geomembranes Holding Company Limited (Keytec), for an initial cash consideration of £2.5m on a cash-free and debt-free basis plus a deferred consideration of £0.6m, which was paid in early 2023. The total cash consideration of £2.9m included a payment for net cash and working capital commitments on completion of £0.4m. Keytec is a supplier and installer of stormwater attenuation products, geomembranes and gas protection products.

No material intangible assets were identified. The goodwill arising on the acquisition primarily represented the technical expertise of the Keytec staff, synergies of companies offering both supply and install services and market share. The goodwill was initially allocated entirely to the Commercial and Infrastructure Systems segment, which is now the Water Management Solutions segment.

## Notes to the Group Financial Statements continued

## 19. Assets held-for-sale

The following major class of assets and liabilities that have been classified as held-for-sale at the balance sheet date are as follows:

	2023 Fair value £m	2022 Fair value £m
Property, plant and equipment	5.5	2.4
Right-of-use assets	0.3	0.3
Goodwill	4.5	3.2
Trade and other receivables	2.8	1.7
Inventories	4.0	3.1
<b>Assets held-for-sale</b>	<b>17.1</b>	<b>10.7</b>
Trade and other payables	2.6	2.3
Finance lease liabilities	0.2	0.3
<b>Liabilities held-for-sale</b>	<b>2.8</b>	<b>2.6</b>

During the year the Group announced its plan to exit two operational freehold properties (one within the CMS segment and one within the WMS segment). (Both properties have been listed for sale and the Group remains committed to the sale of both, which are expected to be sold within 12 months of the balance sheet date. The proceeds of the disposal are expected to exceed the carrying amount of £3.3m and, accordingly, no gain or loss was recognised on the classification of the property as held-for-sale. After the year end the property within the CMS segment sold, and completed in February 2024.

During 2022 the Group announced its intention to dispose of Polypipe Italia SRL following a strategic review and began marketing the company for sale and presented the net assets as held-for-sale. In 2023 The Group held discussions with several parties who had expressed interest in acquiring the business. However for various, and individually specific reasons, these discussions did not lead to a transaction but the Group continued to proactively market the company for sale. The Group are still in discussions with parties and remain confident that a sale will be achieved in 2024. The proceeds of disposal are expected to exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of Polypipe Italia SRL as held-for-sale.

## 20. Investments

## Details of Group undertakings

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital at 31 December 2023 are set out in Note 4 to the Parent Company financial statements.

## 21. Inventories

	31 December 2023 £m	31 December 2022 £m
Raw materials	22.5	25.3
Work in progress	7.9	9.2
Finished goods	38.8	55.4
	<b>69.2</b>	<b>89.9</b>

All inventories are carried at cost less a provision to take account of slow-moving and obsolete items. The provision at 31 December 2023 was £13.9m (2022: £14.9m).

## 22. Trade and other receivables

	31 December 2023 £m	31 December 2022 £m
Trade receivables	66.2	60.5
Prepayments	6.8	6.1
Other receivables	0.9	1.5
	<b>73.9</b>	<b>68.1</b>

Trade receivables are non-interest bearing and are generally settled on 30 days' credit.

## Notes to the Group Financial Statements continued

## 22. Trade and other receivables continued

## Expected credit losses

The Group maintains a substantial level of credit insurance covering a significant proportion of its trade receivables which mitigates against expected credit losses. Therefore, such credit losses are not significant.

The ageing of trade receivables at the balance sheet date was as follows:

	31 December 2023			31 December 2022		
	Gross £m	Allowance for expected credit losses £m	Net £m	Gross £m	Allowance for expected credit losses £m	Net £m
Not past due	25.8	–	25.8	22.3	–	22.3
Past due 1 to 30 days	34.5	–	34.5	35.3	–	35.3
Past due 31 to 90 days	5.1	(0.1)	5.0	2.0	(0.2)	1.8
Past due more than 90 days	1.5	(0.6)	0.9	1.5	(0.4)	1.1
	66.9	(0.7)	66.2	61.1	(0.6)	60.5

The movements in the allowance for expected credit losses of trade receivables comprised:

	£m
<b>At 31 December 2021</b>	1.4
Acquisition of businesses	0.2
Credited to the income statement during the year	(1.0)
<b>At 31 December 2022</b>	0.6
Charged to the income statement during the year	0.4
Utilised during the year	(0.3)
<b>At 31 December 2023</b>	0.7

## 23. Cash and cash equivalents

Cash and cash equivalents comprised:

	31 December 2023 £m	31 December 2022 £m
Cash at bank and in hand	17.0	50.0

Cash at bank earns interest at variable rates based on daily bank deposit rates. The Group only deposits cash surpluses with banks that have as a minimum a single A credit rating.

## 24. Share capital and reserves

## Share capital

	31 December 2023		31 December 2022	
	Number*	£	Number*	£
<b>Authorised, allotted, called up and fully paid share capital:</b>				
Ordinary shares of £0.001 each	249	249,170	249	249,170

\* Millions of shares.

The ordinary shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

## Share premium

On 11 February 2021, the Group conducted a non-pre-emptive placing of 18,704,085 new ordinary shares at £5.15 per share generating gross proceeds of £96.3m with issue costs of £2.7m. Net proceeds in excess of the nominal value of £93.6m have been credited to the share premium account. A further £0.1m of listing fees have been incurred and charged to the income statement in 2021.

## Capital redemption reserve

Following the consolidation and subdivision of shares in 2014 the Company's deferred shares were cancelled. In order to maintain the Company's capital, a transfer was made from retained earnings to a capital redemption reserve at that time.



## Notes to the Group Financial Statements continued

### 24. Share capital and reserves continued

#### Own shares

Own shares represent the cost of Genuit Group plc shares purchased in the market and held by the Company, and/or the Employee Benefit Trust (EBT), to satisfy the future exercise of options under the Group's share option schemes.

During the year the Group issued no shares (2022: 1,000,000 shares) to the EBT at the nominal value of £0.001.

At 31 December 2023, the Group held 375 (2022: 375) of its own shares at an average cost of £4.20 (2022: £4.20) per share. The market value of these shares at 31 December 2023 was less than £0.1m (2022: less than £0.1m). The nominal value of each share is £0.001.

The EBT held 921,482 shares at 31 December 2023 (2022: 1,071,188) at an average cost of 0.1p (2022: 0.1p) per share. The market value of these shares at 31 December 2023 was £3.7m (2022: £3.0m). The nominal value of each share is £0.001.

#### Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships entered into by the Group in respect of interest rate swaps and forward foreign currency derivatives as discussed in Note 29.

#### Foreign currency retranslation reserve

The foreign currency retranslation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

#### Other reserves

On 7 May 2020, the Group conducted a non-pre-emptive placing of 26,966,300 new ordinary shares at £4.45 per share generating gross proceeds of £120.0m. The placing was undertaken using a cashbox structure. As a result, the Group was able to take relief under Section 612 of the Companies Act 2006 from crediting share premium and instead transfer the net proceeds in excess of the nominal value to other reserves. Advisers' fees of £3.5m have been netted off against the gross proceeds.

#### Capital management

The primary objective of the Group's capital management is to ensure that it maintains an appropriate capital structure to support its business objectives and maximise shareholder value. The Group regards shareholders' equity and net debt as its capital. The Group's net debt is defined as cash and cash equivalents, loans and borrowings, and lease liabilities. At 31 December 2023, the Group had bank debt of £120.0m (2022: £170.9m), an undrawn committed revolving credit facility of £230.0m (2022: £179.1m), cash of £17.0m (2022: £50.0m), an uncommitted accordion facility of £50.0m (2022: £50.0m), private placement loan notes of £25.0m (2022: £25.0m) with a maturity date of August 2029 and lease liabilities of £23.5m (2022: £23.1m). A key objective of the Group is to maintain sufficient liquidity (cash and committed bank facilities) in order to meet its cash commitments including interest payments due on that debt. No changes were made to the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.



## Notes to the Group Financial Statements continued

## 25. Share-based payments continued

At 31 December 2023, 449,475 (2022: 889,345) share options were exercisable at a weighted average exercise price of £2.20 (2022: £2.34) per share.

## Sharesave Plan

Sharesave Plan options were granted to eligible employees on 10 October 2023 at an exercise price of £2.60 per share, a 20% discount to the average share price over the three business days preceding the offer. Participating employees can exercise their options to purchase the shares acquired through their savings plans at the option price after three years. These options have an exercise date of 2026 to 2027.

## Long-Term Incentive Plan (LTIP)

LTIP options were awarded to a number of senior managers on 21 April 2023, 18 May 2023 and 22 May 2023. These options have an exercise date of 2026 to 2033. The vesting of each award is subject to the satisfaction of certain performance criteria, of which 25% is based on total shareholder return (the TSR element), 25% is based on sustainability performance (the sustainability element) and 50% is based on earnings per share (the EPS element). Further details of the scheme are provided in the Annual Report on Remuneration.

## Deferred Share Bonus Plan (DSBP)

On 21 April 2023, the Executive Directors received an award of shares under the DSBP relating to the 2022 annual bonus.

All these equity-settled, share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of the equity-settled, share-based payments is expensed to the income statement on a straight-line basis over the vesting period, based on the Group's estimates of shares that will eventually vest, with a corresponding adjustment to equity. Fair value for the Sharesave Plan options is measured by use of a Black-Scholes model. Fair value of the LTIP options is measured by use of a Monte Carlo model. The expected life used in the models has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The assumptions used for each share-based payment were as follows:

	2014 LTIP options granted 21 April 2023	2014 LTIP options granted 18 May 2023	2014 LTIP options granted 22 May 2023	2014 Sharesave options granted 2023
Share price at the date of grant	<b>£2.76</b>	<b>£3.03</b>	<b>£3.21</b>	<b>£3.06</b>
Exercise price	<b>£Nil</b>	<b>£Nil</b>	<b>£Nil</b>	<b>2.60</b>
Shares under option	<b>1,288,711</b>	<b>15,173</b>	<b>21,795</b>	<b>1,092,575</b>
Vesting period (years)	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.25</b>
Expected volatility	<b>36.7%</b>	<b>36.7%</b>	<b>36.7%</b>	<b>39.3%</b>
Median volatility of the comparator group	<b>34.9%</b>	<b>34.9%</b>	<b>34.9%</b>	<b>n/a</b>
Expected life (years)	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.25</b>
Risk free rate	<b>3.8%</b>	<b>3.9%</b>	<b>4.0%</b>	<b>4.0%</b>
Dividend yield	<b>4.5%</b>	<b>3.6%</b>	<b>3.7%</b>	<b>4.0%</b>
TSR performance of the Company at the date of grant	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>n/a</b>
Median TSR performance of the comparator group at the date of grant	<b>5.05%</b>	<b>5.05%</b>	<b>5.05%</b>	<b>n/a</b>
Correlation (median)	<b>35.9%</b>	<b>35.9%</b>	<b>35.9%</b>	<b>n/a</b>
Fair value per option	<b>£2.15</b>	<b>£2.63</b>	<b>£2.55</b>	<b>£1.07</b>

## Notes to the Group Financial Statements continued

## 25. Share-based payments continued

	2014 LTIP options granted 22 April 2022	2014 LTIP options granted 13 July 2022	2014 Sharesave options granted 2022
Share price at the date of grant	£4.57	£3.82	£2.70
Exercise price	Nil	Nil	£2.21
Shares under option	809,192	11,973	4,521,667
Vesting period (years)	3.00	3.00	3.25
Expected volatility	37.3%	37.3%	41.3%
Median volatility of the comparator group	38.2%	38.2%	n/a
Expected life (years)	3.00	3.00	3.25
Risk free rate	1.82%	1.70%	3.64%
Dividend yield	2.69%	3.20%	4.26%
TSR performance of the Company at the date of grant	(21.2)%	(21.2)%	n/a
Median TSR performance of the comparator group at the date of grant	(24.4)%	(24.4)%	n/a
Correlation (median)	33.3%	33.3%	n/a
Fair value per option	£3.65	£3.11	£0.84

The expected volatility is based on historical share price movements. The Directors anticipate it is possible the performance criteria in relation to the LTIP options may not be met.

	2023 £m	2022 £m
Share-based payments charge for the year	2.1	2.9

## 26. Trade and other payables

	31 December 2023 £m	31 December 2022 £m
Trade payables	73.9	85.1
Other taxes and social security costs	13.6	7.9
Accruals	27.3	31.2
	114.8	124.2

Trade payables are non-interest bearing and generally settled on 30 to 60 day terms.

## 27. Financial liabilities

	31 December 2023 £m	31 December 2022 £m
<b>Non-current loans and borrowings:</b>		
Bank loan		
– principal	120.0	170.9
– unamortised debt issue costs	(2.1)	(2.8)
Private Placement Loan Notes	25.0	25.0
<b>Total non-current loans and borrowings</b>	<b>142.9</b>	<b>193.1</b>
Cash at bank and in hand	(17.0)	(50.0)
<b>Net debt excluding lease liabilities</b>	<b>125.9</b>	<b>143.1</b>
<b>Other financial liabilities:</b>		
Trade and other payables	114.8	124.2
Lease liabilities	23.4	23.1
Deferred and contingent consideration	8.2	8.0
	146.4	155.3



## Notes to the Group Financial Statements continued

## 27. Financial liabilities continued

## Bank loan

On 10 August 2022, the Group renewed its banking facilities and entered a Sustainability-Linked Loan revolving credit facility agreement for £350.0m with a £50.0m uncommitted accordion facility expiring in August 2027 and a separate agreement for private placement loan notes of £25.0m with an uncommitted £125.0m shelf facility repayable in August 2029. The Group incurred debt issue costs of £3.1m, in respect of entering into both agreements, which have been capitalised and are being amortised to the income statement over the whole term of each facility, respectively.

Interest is payable on the bank loan at SONIA plus an interest margin ranging from 0.90% to 2.75% which is dependent on the Group's ESG targets and the Group's leverage (net debt excluding lease liabilities as a multiple of pro-forma EBITDA) and reduces as the Group's leverage reduces. The interest margin at 31 December 2023 was 1.65% (2022: 1.60%). Pro-forma EBITDA for the year was £114.9m (2022: £120.3m) and is defined as pre-IFRS 16 underlying operating profit before depreciation, amortisation and share-based payment charges, for the 12 months preceding the Balance Sheet date adjusted where relevant to include a full year of EBITDA from acquisitions made during those 12 months.

Interest is payable semi-annually on the loan notes and is fixed at 4.44% per annum for the period of the loan term.

	2023 £m	2022 £m
<b>Pro-forma EBITDA (12 months preceding the Balance Sheet)</b>		
Underlying operating profit	94.1	98.2
Depreciation of property, plant and equipment	19.1	19.4
Amortisation of intangible assets arising on business combinations	0.8	0.2
Un-wind of discount on lease liabilities	(1.2)	(0.8)
Share-based payments charge	2.1	2.9
	114.9	119.9
EBITDA from acquisitions	–	0.2
	114.9	120.1

At 31 December 2023 the Group had available, subject to covenant headroom, £230.0m (2022: £179.1m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Group is subject to a number of covenants in relation to its bank loan which, if breached, would result in the bank loan becoming immediately repayable. These covenants specify certain maximum limits in terms of net debt, excluding lease liabilities, as a multiple of pro-forma EBITDA and interest cover. At 31 December 2023, the Group was not in breach of any bank covenants. The covenant position was as follows:

Covenant	Covenant Requirement	Position at 31 December 2023
<b>Interest cover</b> (Underlying operating profit: finance costs excluding debt issue cost amortisation)	>4.0:1	8.2:1
<b>Leverage</b> (Net debt excluding lease liabilities: pro-forma EBITDA)	<3.0:1	1.1:1

The interest cover and leverage covenants remain at 4.0:1 and 3.0:1 respectively, throughout the remaining term of the revolving credit facility to August 2027, though there exists the option to apply to extend the leverage covenant to 3.5:1 for a limited period of time if the Group makes an acquisition.

## Reconciliation of liabilities arising from financing activities

	2023 £m	2022 £m
At 1 January	193.1	197.4
Borrowings repaid	(100.9)	(268.3)
Borrowings drawn down	50.0	266.2
Debt issue costs	0.7	(2.2)
At 31 December	142.9	193.1

## 28. Related party transactions

Compensation of key management personnel (including Directors):

	2023 £m	2022 £m
Short-term employee benefits	4.4	3.3
Share-based payments	1.0	1.7
	5.4	5.0

Key management personnel comprise the Executive Directors, Non-Executive Directors and other key managers in the Group.

## Notes to the Group Financial Statements continued

**29. Financial risk management objectives and policies**

The Group's principal financial liabilities comprise loans and borrowings, deferred and contingent consideration, lease liabilities, derivative financial instruments and trade and other payables.

The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables and cash that are derived directly from its operations.

The Group is exposed to interest rate cash flow, foreign currency exchange, credit and liquidity risk.

The Group's senior management oversees the mitigation of these risks which are summarised as follows:

**Interest rate risk**

The interest rate on the Group's £350.0m Sustainability-Linked Loan is variable, being payable at SONIA plus a margin. The Group manages its long-term borrowings policy centrally and operates weekly cash flow forecasting to manage its net debt position to ensure exposure to changes in interest rates are minimised where possible.

**Interest rate sensitivity**

The table below demonstrates the sensitivity to a change in 100 basis point in interest rates on the Group's borrowings which at the relevant reporting dates are not hedged. The analysis assumes all other variables remain constant and the change in rates takes place at the beginning of the financial year and held constant throughout the reporting period, the Group's profit after tax is affected through the impact on interest rate borrowings as follows:

	Effect on profit after tax £m
<b>Change in interest rate</b>	
<b>2023</b>	
<b>Increase of 100 basis points</b>	<b>(0.8)</b>
<b>Decrease of 100 basis points</b>	<b>0.8</b>
2022	
Increase of 100 basis points	(1.6)
Decrease of 100 basis points	0.6

After the balance sheet date, the group entered into an interest rate swap fixed for two years on £25.0m of the Group RCF with a fixed interest rate of 4.154%.

**Foreign currency exchange risk**

Foreign currency exchange risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Group's operating activities where the revenue or expense is denominated in a currency other than the functional currency of the entity undertaking the transaction.

The Group enters into forward foreign currency exchange contracts for the purchase and sale of foreign currencies in order to manage its exposure to fluctuations in currency rates, primarily in respect of US Dollar and Euro receipts and payments.

**Foreign currency exchange sensitivity**

The table below demonstrates the sensitivity to a 10% change in the Euro exchange rate versus Pounds Sterling, the presentational currency of the Group used for translation purposes, on the net assets and profit after tax of the Group. The Group's exposure to foreign currency exchange rate changes for all other currencies is not material.

	Effect on net assets £m	Effect on profit after tax £m
<b>Change in exchange rate</b>		
<b>2023</b>		
<b>10% strengthening of Pounds Sterling: against Euro</b>	<b>(1.2)</b>	<b>-</b>
<b>10% weakening of Pounds Sterling: against Euro</b>	<b>1.4</b>	<b>-</b>
2022		
10% strengthening of Pounds Sterling: against Euro	(1.0)	-
10% weakening of Pounds Sterling: against Euro	1.3	-

## Notes to the Group Financial Statements continued

## 29. Financial risk management objectives and policies continued

## Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including cash deposits with banks.

## Trade receivables

Customer credit risk is managed by each subsidiary subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major export customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for impairment is analysed at each balance sheet date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data, adjusted for forward looking information. The maximum exposure to credit risk at the balance sheet date is the carrying amount of each class of financial assets as disclosed in Note 22.

The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low. At 31 December 2023, 44.3% (2022: 53.0%) of net trade receivables were covered by credit insurance which is subject to the normal policy deductibles.

## Financial instruments and cash deposits

The Group maintains strong liquidity through cash balances and deposits of £17.0m and its undrawn committed revolving credit facility £230.0m at 31 December 2023, which matures in August 2027 (with one further uncommitted annual renewal through to November 2028 possible).

Credit risk arising from cash deposits with banks is managed in accordance with the Group's established treasury policy, procedures and controls. Deposits of surplus funds are made only with banks that have as a minimum a single A credit rating. The Group's maximum exposure to credit risk for the components of the balance sheet at 31 December 2023 and 31 December 2022 is the carrying amounts as illustrated in Note 23.

## Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	< 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
<b>31 December 2023</b>					
Bank loan – principal	2.6	7.4	155.0	–	165.0
Private placement loan notes	–	1.1	4.4	25.0	30.5
Other financial liabilities:					
Trade and other payables	114.8	–	–	–	114.8
Deferred and contingent consideration	8.2	–	–	–	8.2
Forward foreign currency derivatives	1.4	–	–	–	1.4
Lease liabilities	1.7	4.7	17.8	6.4	30.6
	<b>128.7</b>	<b>13.2</b>	<b>177.2</b>	<b>31.4</b>	<b>350.5</b>

The interest payments on the Sustainability-Linked Loan would be £8.2m per year if the interest rate plus margin remained at 6.8% and the level of debt did not change from the balance sheet date.

	< 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
<b>31 December 2022</b>					
Bank loan – principal	2.4	5.7	214.7	–	222.8
Private placement loan notes	–	1.1	4.4	27.2	32.7
Other financial liabilities:					
Trade and other payables	124.2	–	–	–	124.2
Deferred and contingent consideration	–	–	8.0	–	8.0
Forward foreign currency derivatives	0.9	–	–	–	0.9
Lease liabilities	1.3	3.7	14.9	10.4	30.3
	<b>128.8</b>	<b>10.5</b>	<b>242.0</b>	<b>37.6</b>	<b>418.9</b>

## Notes to the Group Financial Statements continued

## 29. Financial risk management objectives and policies continued

## Fair values of financial assets and financial liabilities

The book value of trade and other receivables, trade and other payables, cash balances, bank loan and other liabilities equates to fair value.

The table below sets out the Group's accounting classification of its other financial liabilities and their carrying amounts and fair values:

	Carrying value £m	Fair value £m
Forward foreign currency derivatives (designated as hedging instruments)	–	–
Interest-bearing loans and borrowings due after more than one year (designated as financial liabilities measured at amortised cost)	142.9	142.9
Deferred and contingent consideration (designated as financial liabilities at FVTPL)	8.2	8.2
Lease liabilities (designated as financial liabilities measured at amortised cost)	23.4	23.4
<b>Total at 31 December 2023</b>	<b>174.5</b>	<b>174.5</b>

	Carrying value £m	Fair value £m
Forward foreign currency derivatives (designated as hedging instruments)	–	–
Interest-bearing loans and borrowings due after more than one year (designated as financial liabilities measured at amortised cost)	193.1	193.1
Deferred and contingent consideration (designated as financial liabilities at FVTPL)	8.0	8.0
Lease liabilities (designated as financial liabilities measured at amortised cost)	23.1	23.1
<b>Total at 31 December 2022</b>	<b>224.2</b>	<b>224.2</b>

The fair values were determined as follows by reference to:

- Forward foreign currency derivatives: quoted exchange rates.
- Deferred and contingent consideration: Directors' assessment of the likelihood that financial targets will be achieved (see Note 18).
- Lease liabilities: present value of lease payments to be made over the lease terms.

## Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2:** other techniques for which all inputs which have a significant effect on the recognised fair value are observable, either directly or indirectly; and
- Level 3:** techniques which use inputs which have a significant effect on the recognised fair value that are not based on observable market data.

The fair values disclosed above, with the exception of deferred and contingent consideration which is categorised as Level 3, all relate to items categorised as Level 2.

There have been no transfers in any direction between Levels 1, 2 or 3 in the years ended 31 December 2022 and 2021.



# Directors' Responsibilities Statement

In relation to the parent company financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK law and regulations.

UK Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK-Adopted International Accounting Standards (IFRSs).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance
- state whether IASs in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Company Balance Sheet

At 31 December 2023

	Notes	31 December 2023 £m	31 December 2022 £m
<b>Non-current assets</b>			
Investments	4	<b>248.1</b>	246.9
Amounts owed by subsidiary undertakings and other receivables	5	<b>190.5</b>	–
<b>Current assets</b>			
Amounts owed by subsidiary undertakings and other receivables	5	<b>1.2</b>	190.6
<b>Total assets</b>		<b>439.8</b>	437.5
<b>Current liabilities</b>			
Amounts owed to subsidiary undertakings and other payables	6	<b>(122.9)</b>	(86.3)
<b>Net assets</b>		<b>316.9</b>	351.2
<b>Capital and reserves</b>			
Equity share capital	7	<b>0.2</b>	0.2
Share premium	7	<b>93.6</b>	93.6
Capital redemption reserve	7	<b>1.1</b>	1.1
Own shares	7	<b>–</b>	–
Other reserves	7	<b>116.5</b>	116.5
Retained earnings		<b>105.5</b>	139.8
<b>Total equity</b>		<b>316.9</b>	351.2

Included in retained earnings is a loss for the year of £6.1m (2022: £6.6m loss).

The financial statements were approved for issue by the Board of Directors and signed on its behalf by:

**Joe Vorih**  
Director  
12 March 2024

**Tim Pullen**  
Director  
12 March 2024

Company Registration No. 06059130

# Company Statement of Changes in Equity

For the year ended 31 December 2023

	Equity share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Total equity £m
<b>At 31 December 2021</b>	0.2	93.6	1.1	–	116.5	173.6	385.0
Loss for the year	–	–	–	–	–	(6.6)	(6.6)
<b>Total comprehensive income for the year</b>	–	–	–	–	–	(6.6)	(6.6)
Dividends paid	–	–	–	–	–	(30.5)	(30.5)
Share-based payments charge	–	–	–	–	–	2.9	2.9
Share-based payments settled	–	–	–	–	–	0.4	0.4
<b>At 31 December 2022</b>	0.2	93.6	1.1	–	116.5	139.8	351.2
Loss for the year	–	–	–	–	–	<b>(6.1)</b>	<b>(6.1)</b>
<b>Total comprehensive income for the year</b>	–	–	–	–	–	<b>(6.1)</b>	<b>(6.1)</b>
Dividends paid	–	–	–	–	–	<b>(30.5)</b>	<b>(30.5)</b>
Share-based payments charge	–	–	–	–	–	<b>2.1</b>	<b>2.1</b>
Share-based payments settled	–	–	–	–	–	<b>0.3</b>	<b>0.3</b>
Share-based payments excess tax benefit	–	–	–	–	–	<b>(0.1)</b>	<b>(0.1)</b>
<b>At 31 December 2023</b>	<b>0.2</b>	<b>93.6</b>	<b>1.1</b>	<b>–</b>	<b>116.5</b>	<b>105.5</b>	<b>316.9</b>

# Company Cash Flow Statement

For the year ended 31 December 2023

	31 December 2023 £m	31 December 2022 £m
<b>Operating activities</b>		
Operating loss	(6.1)	(6.6)
Non-cash items: Share-based payments	0.9	1.5
<b>Operating cash flows before movement in working capital</b>	<b>(5.2)</b>	<b>(5.1)</b>
Movement in working capital:		
Receivables	(1.1)	0.3
Payables	0.1	0.1
Inter-group balances	36.4	34.8
<b>Net cash flows from operating activities</b>	<b>30.2</b>	<b>30.1</b>
<b>Financing activities</b>		
Dividends paid	(30.5)	(30.5)
Proceeds from exercise of share options	0.3	0.4
<b>Net cash flows from financing activities</b>	<b>(30.2)</b>	<b>(30.1)</b>
<b>Net change in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at 1 January	-	-
<b>Cash and cash equivalents at 31 December</b>	<b>-</b>	<b>-</b>



# Notes to the Company Financial Statements

For the year ended 31 December 2023

## 1. Authorisation of financial statements

The parent company financial statements of Genuit Group plc (formerly Polypipe Group plc) (the 'Company') for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 12 March 2024 and the balance sheet was signed on the Board's behalf by Joe Vorih and Tim Pullen.

Genuit Group plc is a public limited company incorporated and domiciled in England and Wales. The principal activity of the Company is that of a holding company.

## 2. Summary of significant accounting policies

The basis of preparation and accounting policies used in preparing the historical financial information for the year ended 31 December 2023 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented.

### 2.1 Basis of preparation and statement of compliance with IFRSs

The Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards (UK-adopted-IAS).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2023.

The Company's financial statements have been prepared on a historical cost basis. The financial statements are presented in Pounds Sterling and all values are rounded to one decimal place of a million (£m) unless otherwise indicated. No income statement or statement of comprehensive income is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of Genuit Group plc are included in the consolidated financial statements of Genuit Group plc.

### 2.2 Going concern

The accounting policy for going concern is consistent with that of the Group as detailed on page 163 in Note 2.2.

### 2.3 Investments

Investments in subsidiary undertakings are held at historical cost less any applicable provision for impairment.

### 2.4 Share-based payments

The accounting policy for share based payments is consistent with that of the Group as detailed on page 169 in Note 2.22.

Where the Company is settling an equity settled share based payment transaction in which one of its subsidiaries is the entity receiving the goods or service, the parent company accounts for the cost as an addition to the cost of its investment in the employing subsidiary.

### 2.5 Cash dividend

The accounting policy for cash dividend is consistent with that of the Group as detailed on page 169 in Note 2.23.

## 2.6 Own shares

The Company operates an employee benefit trust (EBT). The Company, and/or the EBT, holds Genuit Group plc shares for the granting of Genuit Group plc shares to employees and Directors. These shares are recognised at cost and presented in the balance sheet as a deduction from equity. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of these shares. No dividends are earned on these shares.

## 2.7 Financial instruments

The accounting policy for financial instruments is consistent with that of the Group as detailed on page 167 in Note 2.15. Expected credit loss (ECL) calculations are considered annually for amounts owed by subsidiary undertakings, using the general approach required under IFRS 9. ECLs are a probability weighted estimate of credit losses based on the Company's historical credit loss experience adjusted for debt specific and forward looking factors. Under the general approach ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk, 12 month ECLs are recognised. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life (lifetime ECLs).

## 3. Dividend per share

Please refer to Note 14 on page 176 of the Group financial statements for reference to the Dividend per share.

## 4. Investments

	Shares in subsidiary undertakings £m
<b>Cost</b>	
At 1 January 2022	245.5
Additions – share-based payments	1.4
At 31 December 2022	246.9
<b>Additions – share-based payments</b>	<b>1.2</b>
<b>At 31 December 2023</b>	<b>248.1</b>
<b>Net book value</b>	
<b>At 31 December 2023</b>	<b>248.1</b>
At 31 December 2022	246.9
At 1 January 2022	245.5

In 2023, an adjustment in respect of share-based payments of £1.2m (2022: £1.4m) was made to shares in subsidiary undertakings, representing the financial effects of awards by the Company of options over its equity shares to employees of subsidiary undertakings. The total contribution to date was £8.9m (2022: £7.7m).

## Notes to the Company Financial Statements continued

## 4. Investments continued

The companies in which the Company had an interest at 31 December 2023 are shown below:

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
AAA Holdings Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*
Adey Commercial Limited <sup>2†</sup>	England & Wales	Ordinary £1	100%*
Adey Holdings (2008) Limited <sup>2†</sup>	England & Wales	Ordinary £1	100%*
Adey Innovation Limited <sup>2</sup>	England & Wales	Ordinary £1	100%*
Adey Innovation LLC <sup>3</sup>	United States of America	n/a	100%*
Adey Innovation SAS <sup>4</sup>	France	Ordinary €1	100%*
Adey Innovation (Shanghai) Water Treatment Technology Co. Ltd <sup>5</sup>	China	Ordinary £1	100%*
Alderburgh Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*
Alderburgh Ireland Limited <sup>6</sup>	Republic of Ireland	Ordinary €1	100%*
Alpha Scientific Ltd <sup>2†</sup>	England & Wales	Ordinary £0.01	100%*
Environmental Sustainable Solutions Ltd <sup>1</sup>	England & Wales	Ordinary £1	100%*
Equaflo Ltd <sup>1</sup>	England & Wales	Ordinary £1	50%*
Ferrob Ventilation Ltd <sup>17</sup>	England & Wales	Ordinary £1	100%*
Genuit Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Hayes Pipes (Ulster) Limited <sup>18</sup>	Northern Ireland	Ordinary £1	100%*
Home Ventilation (Ireland) Limited <sup>18</sup>	Northern Ireland	Ordinary £1	100%*
Infra Green Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*
Insulated Damp-Proof Course Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Keytec Installation Services Limited (formerly Keytec Geomembranes Holding Company Limited) <sup>1</sup>	England & Wales	Ordinary £1	100%*
Keytec Geomembranes Limited <sup>1†</sup>	England & Wales	Ordinary £1	100%*
London Bidco Limited <sup>2†</sup>	England & Wales	Ordinary £1	100%*
London Finco Limited <sup>2</sup>	England & Wales	Ordinary £1	100%*
London Topco Limited <sup>2†</sup>	England & Wales	Ordinary £0.01 – £1	100%*

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
Manthorpe Building Products Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*
Manthorpe Building Products Holdings Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*
Mason Pinder (Toolmakers) Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
New Urban Standard B.V. (formerly Tree Ground Solutions B.V.) <sup>7</sup>	The Netherlands	Ordinary €10	100%*
Nuaire Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*
Nu-Heat (Holdings) Limited <sup>1</sup>	England & Wales	Ordinary £0.01	100%*
Nu-Heat UK Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*
Nuhold Limited <sup>17</sup>	England & Wales	Ordinary £0.1	100%*
Nu-Oval Acquisitions 1 Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Nu-Oval Acquisitions 2 Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Nu-Oval Acquisitions 3 Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Oracstar Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Permavoid B.V. (formerly Drain Products Europe B.V.) <sup>7</sup>	The Netherlands	Ordinary €100	100%*
Permavoid Limited <sup>1†</sup>	England & Wales	Ordinary £1	100%*
Permavoid Technologies Limited <sup>1†</sup>	England & Wales	Ordinary £1	100%*
Permavoid Technologies (USA) Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*
Permavoid Technologies (USA) LLC <sup>9</sup>	United States of America	Ordinary \$1	100%*
Pipe Holdings plc <sup>1</sup>	England & Wales	Ordinary £1	100%*
Pipe Holdings 1 plc <sup>1</sup>	England & Wales	Ordinary £1	100%*
Pipe Holdings 2 Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*
Pipe Luxembourg Sarl <sup>10</sup>	Luxembourg	Ordinary £1	100%*
Plumbexpress Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Plura Composites Ltd <sup>11</sup>	England & Wales	Ordinary £1	100%*
Polydeck Limited <sup>12</sup>	England & Wales	Ordinary £1	100%*
Polypipe Limited <sup>1</sup>	England & Wales	Ordinary £0.1	100%*
Polypipe Building Products Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*

## Notes to the Company Financial Statements continued

## 4. Investments continued

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
Polypipe Civils Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*
Polypipe Commercial Building Systems Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Polypipe Group 1 Limited (formerly Genuit Group Limited) <sup>17</sup>	England & Wales	Ordinary £0.01	100%*
Polypipe (Ireland) Ltd <sup>18</sup>	Northern Ireland	Ordinary £1	100%*
Polypipe Italia SRL <sup>13</sup>	Italy	Ordinary €0.52	100%*
Polypipe Middle East FZE <sup>14</sup>	United Arab Emirates	Ordinary 1m UAE Dirhams	100%*
Polypipe Middle East Water Technology LLC <sup>15</sup>	United Arab Emirates	Ordinary 1,000 UAE Dirhams	100%*
Polypipe T.D.I. Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Polypipe Terrain Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Polypipe Terrain Holdings Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Polypipe Trading Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Polypipe (Ulster) Limited <sup>8</sup>	Northern Ireland	Ordinary £1	100%*
Polypipe Ventilation Limited <sup>17</sup>	England & Wales	Ordinary £1	100%*
Robimatic Limited <sup>1</sup> †	England & Wales	Ordinary £1	100%*
Solutek Environmental Limited <sup>1</sup>	England & Wales	Ordinary £1	100%*
Surestop Limited <sup>1</sup> †	England & Wales	Ordinary £1	100%*
Sustainable Water and Drainage Systems B.V. <sup>7</sup>	The Netherlands	Ordinary €1	50%*
Sustainable Water and Drainage Systems Limited <sup>1</sup>	England & Wales	Ordinary £1	50%*
Water Management Solutions LLC <sup>16</sup>	Qatar	Ordinary 1,000 Qatari Riyals	49%*

All the companies operate principally in their country of registration and in the same class of business as the Group.

Registered offices of subsidiaries:

- 4 Victoria Place, Holbeck, Leeds, LS11 5AE.
- Unit 2 St Modwen Park, Haresfield, Stonehouse, Gloucestershire, GL10 3EZ.
- c/o CT Corporation, 1209 Orange Street, Wilmington, Newcastle 19801, Delaware, United States of America.
- 119B Rue de Colombes, 92600 Asnieres Sur Seine, France.
- Room 308-18, No. 998, South Shen Bin Road, Min Hang District, Shanghai, China.
- Ballybrack, Kilmacthomas, Co. Waterford.
- Kattenburgerstraat 5, 1018, JA, Amsterdam, The Netherlands.
- Dromore Road, Lurgan, Co. Armagh, BT66 7HL.
- 251 Little Falls Drive, Wilmington, Delaware, 19808-1674, United States of America.
- 15 Boulevard F.W. Raiffeisen, L-2411 Luxembourg.
- Unit 5 Johnsons Estate, Tarran Way South, Tarran Industrial Estate, Moreton, Wirral, Merseyside, CH46 4TP.
- Unit 14 Burnett Industrial Estate, Cox's Green, Wrington, Bristol, Somerset, BS40 5QP.
- Localita Pianmercato 5C-D-H, 16044 Cicagna, Genova, Italy.
- PO Box 18679, Showroom A2 SR 07, First Al Khalil Street, Jebel Ali Free Zone, Dubai, United Arab Emirates.
- Arenco Tower – Office 908, Dubai Media City, Dubai, United Arab Emirates.
- Level 15, Commercial Bank Plaza, West Bay, Doha, Qatar.
- C/O Teneo Financial Advisory Limited The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT (companies in liquidation).
- C/O Teneo Financial Advisory Limited C/O A&L Goodbody Northern Ireland Llp, 42-46 Fountain Street, Belfast, BT1 5EB (companies in liquidation).

\* The shares in the undertakings marked with an asterisk are held by subsidiary undertakings.

† These companies are excluded from the obligation to carry out the audit required under Section 479A of the Companies Act 2006 because data in the accounts of these companies shall be guaranteed by Genuit Group plc under Section 479C of the Companies Act 2006.

## Notes to the Company Financial Statements continued

## 5. Amounts owed by subsidiary undertakings and other receivables

	<b>31 December 2023 £m</b>	31 December 2022 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	–	189.9
Deferred income tax assets	–	0.7
Prepayments	<b>1.2</b>	–
	<b>1.2</b>	190.6
Amounts falling due after one year:		
Deferred income tax assets	<b>0.6</b>	–
Amounts owed by subsidiary undertakings	<b>189.9</b>	–
	<b>190.5</b>	–

No material allowance for expected credit losses is deemed necessary in respect of amounts owed by subsidiary undertakings. These have been reclassified as long-term receivables for the current year as there is no intent to settle within 12 months of the balance sheet date. It is considered that this reclassification does not give rise to any further credit risk in relation to the amounts owed by subsidiary undertakings.

## 6. Amounts owed to subsidiary undertakings and other payables

	<b>31 December 2023 £m</b>	31 December 2022 £m
Amounts owed to subsidiary undertakings	<b>121.5</b>	85.0
Other payables	<b>1.4</b>	1.3
	<b>122.9</b>	86.3

## 7. Share capital and reserves

Please refer to Note 24 of on page 182 of the Group Financial statements for reference to Share capital and reserves.

## 8. Profit for the financial year

Genuit Group plc has not presented its own Income Statement as permitted by Section 408 of the Companies Act 2006. The loss for the year dealt with in the financial statements of the Company was £6.1m (2022: £6.6m loss for the year).

The only employees remunerated by the Company were the Directors of the Company. Remuneration paid to the Directors is disclosed in Note 10 to the Group's consolidated financial statements.

Amounts paid to the Company's auditor in respect of the audit of the financial statements of the Company are disclosed in Note 7 to the Group's consolidated financial statements.

Fees paid to the auditor for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Group's consolidated financial statements are required to disclose such fees on a consolidated basis. These are disclosed in Note 7 to the Group's consolidated financial statements.



## Notes to the Company Financial Statements continued

## 9. Related party transactions

The following table provides the analysis of transactions that have been entered into with related parties:

	31 December 2023		31 December 2022	
	Recharges from related parties £m	Amounts owed to related parties £m	Recharges to related parties £m	Amounts owed to related parties £m
<b>Polypipe Limited</b>	<b>36.5</b>	<b>(121.5)</b>	34.8	(85.0)
	Loan advanced £m	Amounts owed by related parties £m	Loan advanced £m	Amounts owed by related parties £m
Pipe Holdings 1 plc:				
Eurobonds	–	<b>64.9</b>	–	64.9
Preference shares	–	<b>18.3</b>	–	18.3
Other	–	<b>0.9</b>	–	0.9
Pipe Holdings 2 Limited	–	<b>6.4</b>	–	6.4
Pipe Holdings plc	–	<b>99.4</b>	–	99.4
	–	<b>189.9</b>	–	189.9

Other related party transactions are disclosed in Note 28 to the Group's consolidated financial statements.

# Five-Year Summary

(Unaudited)

	2023	2022	2021	2020	2019
	£m	£m	£m	£m	£m
<b>Underlying performance<sup>1</sup></b>					
<b>Revenue</b>	<b>586.5</b>	622.2	594.3	398.6	447.6
<b>Operating profit</b>					
Reported	<b>62.0</b>	53.4	67.1	30.4	67.6
Underlying	<b>94.1</b>	98.2	95.3	42.2	78.1
<b>Operating margin</b>					
Reported	<b>10.6%</b>	8.6%	11.3%	7.6%	15.1%
Underlying	<b>16.0%</b>	15.8%	16.0%	10.6%	17.5%
<b>Profit after tax</b>					
Reported	<b>38.5</b>	36.6	41.0	18.5	49.6
Underlying	<b>62.6</b>	76.5	75.1	29.4	58.9
<b>Non underlying items</b>					
Reported	<b>(32.1)</b>	(45.5)	(28.2)	(11.9)	(10.7)
Tax	<b>8.0</b>	5.2	(5.9)	1.0	1.4
<b>Non-underlying profit after tax</b>	<b>(24.1)</b>	(40.3)	(34.1)	(10.9)	(9.3)
<b>Basic EPS (pence)</b>					
Reported	<b>15.5</b>	14.7	16.7	8.5	24.9
Underlying	<b>25.2</b>	30.8	30.6	13.5	29.6
<b>Diluted EPS (pence)</b>					
Reported	<b>15.4</b>	14.6	16.5	8.4	24.6
Underlying	<b>25.1</b>	30.5	30.2	13.3	29.2
<b>Cash flow from operations<sup>2</sup></b>					
Reported cash generated from operations	<b>109.7</b>	93.9	84.4	61.5	89.4
Adjusted for:					
• Non-underlying cash items	<b>14.2</b>	9.6	6.9	2.3	1.4
• Capital expenditure net of underlying disposal proceeds	<b>(33.8)</b>	(40.9)	(34.1)	(24.5)	(21.4)
• Lease payments	<b>(7.6)</b>	(6.2)	(5.1)	(4.0)	(3.5)
Underlying cash generated from operations	<b>82.5</b>	56.4	52.1	35.3	65.9
<b>Underlying cash conversion (%)</b>	<b>87.7%</b>	57.4%	54.6%	83.6%	84.3%

## Alternative Performance Measures

### 1. Underlying performance

Underlying profit and earnings measures exclude certain non-underlying items (which are detailed in Note 4) and, where relevant, the tax effect of these items. The Directors consider that these measures provide 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 the Group's financial performance.

### 2. Underlying cash conversion

Underlying operating cash conversion is defined as cash generated from operations, adjusted for non-underlying cash items, after movement in net working capital and capital expenditure net of underlying proceeds from disposals of property, plant and equipment and leases divided by underlying operating profit.

	2023	2022	2021	2020	2019
	£m	£m	£m	£m	£m
<b>Leverage<sup>3</sup></b>					
<b>Net debt</b>					
Loans and borrowings	<b>145.0</b>	195.9	198.0	60.0	199.0
Unamortised Deal Costs	<b>(2.1)</b>	(2.8)	(0.6)	(1.1)	(1.3)
IFRS 16	<b>23.4</b>	23.1	20.6	12.9	14.8
Cash	<b>(17.0)</b>	(50.0)	(52.3)	(44.1)	(47.7)
<b>Reported net debt</b>	<b>149.3</b>	166.2	165.7	27.7	164.8
<b>Underlying net debt (excluding effect of IFRS 16)</b>	<b>125.9</b>	143.1	145.1	14.8	150.0
<b>Pro-forma EBITDA<sup>4</sup></b>					
Underlying operating profit:	<b>94.1</b>	98.2	95.3	42.2	78.1
Adjusted for:					
• Depreciation of owned assets (underlying)	<b>19.5</b>	19.4	18.3	16.4	16.6
• Amortisation (underlying)	<b>0.8</b>	0.2	0.1	–	–
• Un-wind of discount on IFRS 16	<b>(1.2)</b>	(0.8)	(0.7)	(0.5)	(0.3)
• Share based payments charge	<b>2.1</b>	2.9	2.5	1.6	1.2
<b>115.3</b>	119.9	115.5	59.7	95.6	
EBITDA from acquisitions (full 12 months)	<b>–</b>	0.2	2.3	–	0.7
<b>Pro-forma EBITDA</b>	<b>115.3</b>	120.1	117.8	59.7	96.3
<b>Leverage</b>	<b>1.1</b>	1.2	1.2	0.2	1.6
<b>Key Performance Indicators<sup>5</sup></b>					
<b>Return on Capital Employed (ROCE)</b>					
Underlying operating profit	<b>94.1</b>	98.2	95.3	42.2	78.1
Adjusted-for-acquisitions (full 12 months)	<b>–</b>	0.2	2.3	–	0.7
<b>Underlying operating profit</b>	<b>94.1</b>	98.4	97.6	42.2	78.8
Net assets	<b>636.6</b>	627.1	617.7	500.9	361.4
Add back:					
• Underlying net debt	<b>125.9</b>	143.2	145.1	14.8	150.0
• Net tax	<b>44.7</b>	47.9	47.4	10.2	14.3
• Net assets held-for-sale	<b>(14.3)</b>	(8.1)	–	–	–
<b>792.9</b>	810.1	810.2	525.9	525.7	
<b>Return on Capital Employed (ROCE)</b>	<b>11.9%</b>	12.1%	12.0%	8.0%	15.0%

### 3. Leverage

Leverage is defined as net debt divided by pro forma EBITDA (both are reconciled in Note 11). Net debt within the leverage calculation is defined as loans and borrowings net of unamortised issue costs less cash and cash equivalents, excluding the effects of IFRS 16.

### 4. Pro-forma EBITDA

Pro-forma EBITDA is defined as pre-IFRS 16 underlying operating profit before depreciation, amortisation and share-based payment charges, for the 12 months preceding the balance sheet date, adjusted where relevant, to include a full year of EBITDA from acquisitions made during those 12 months.

### Key Performance Indicators

#### 5. Return on Capital Employed

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 net assets excluding loans and borrowings, cash and cash equivalents and taxation.

# Shareholder Information

## Financial calendar

Preliminary Announcement of Results for the year ended 31 December 2023	12 March 2024
Annual General Meeting	28 May 2024
<b>Final dividend for the year ended 31 December 2023:</b>	
– Ex-dividend date	02 May 2024
– Record date	03 May 2024
– Payment date	05 June 2024
Half yearly results for the six months ending 30 June 2024	13 August 2024
<b>Half yearly dividend for the six months ending 30 June 2024:</b>	
– Ex-dividend date	29 August 2024
– Record date	30 August 2024
– Payment date	02 October 2024



## Shareholder Information continued

## Registrar services

Our shareholder register is managed and administered by Link Group.

Link Group should be able to help you with most questions you have in relation to your holding in Genuit Group plc shares.

Link Group can be contacted at:

Link Group  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

[www.linkgroup.eu](http://www.linkgroup.eu)

Shareholder helpline for information relating to your shares call:  
**+44 (0) 371 664 0300**

Website helpline for information on using this website call:  
**+44 (0) 371 664 0391**

Calls to 0371 are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate.

We are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales.

**e-mail: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)**

In addition, Link offers a range of other services to shareholders including a share dealing service and a share portal to manage your holdings.

## Share dealing service

A share dealing service is available to existing shareholders to buy or sell the Company's shares via Link Market Services.

Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please go to [www.linksharedeal.com](http://www.linksharedeal.com) for online dealing, call **+44 (0) 371 664 0445** for telephone dealing, or email [info@linksharedeal.com](mailto:info@linksharedeal.com)

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell their shares. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

## Electronic communications

The Company is committed to reducing its environmental impact, and continually improving environmental performance is an integral part of its strategy. We therefore encourage shareholders to consider receiving their communications from the Company electronically. This will enable you to receive such communications more quickly and securely, whilst supporting our sustainability commitment by communicating in a more environmentally friendly and cost-effective manner. Registration for electronic communications is available via the shareholder portal at [www.signalshares.com](http://www.signalshares.com) or by contacting Link Group as detailed above.

## Dividends

As previously notified, the Company no longer pays dividends by cheque, so it is important that shareholders complete a dividend mandate, otherwise there will be a delay in payment of dividends until such time as bank account details are provided. To register your bank account details, visit [www.signalshares.com](http://www.signalshares.com), or contact Link Group as detailed above. Details of the historic dividend payments made by the Company are set out below for information.

	2023	2022	2021	2020	2019
Interim	<b>4.1p</b>	4.1p	4.0p	No dividend (Covid)	4.0p
Final	<b>8.3p</b>	8.2p	8.2p	4.8p	Cancelled (Covid)
Total	<b>12.4p</b>	12.3p	12.2p	4.8p	4.0p





Shareholder Information continued

## Principal Group businesses

### UK

#### Polypipe Building Products

Broomhouse Lane  
Edlington  
Doncaster  
South Yorkshire  
DN12 1ES

Neale Road  
Doncaster  
South Yorkshire  
DN2 4PG

Edlington Lane  
Warmsworth  
Doncaster  
South Yorkshire  
DN4 9LS

#### Polypipe Ulster

Dromore Road  
Lurgan  
Co. Armagh  
BT66 7HL

#### Polypipe Civils and Green Urbanisation

Charnwood Business Park  
North Road  
Loughborough  
LE11 1LE

Holmes Way  
Horncastle  
LN9 6JW

#### Polypipe Building Services

New Hythe Business Park  
College Road  
Aylesford  
Kent  
ME20 7PJ

### Nuairé

Western Industrial Estate  
Caerphilly  
CF83 1NA

Unit 5  
Pantglas Industrial Estate  
Bedwas  
CF83 8DR

#### Manthorpe Building Products

Brittain Drive  
Codnor Gate Business Park  
Ripley  
DE5 3ND

#### Alderburgh

Royle House  
Unit 1  
Cowm Top Business Park  
Rochdale  
OL11 2PU

#### Nu-Heat

Heathpark House  
Devonshire Road  
Heathpark Industrial Estate  
Honiton  
Devon  
EX14 1SD

#### Adey Innovation

Unit 2  
St Modwen Park  
Haresfield  
Stonehouse  
Gloucestershire  
GL10 3EZ

#### Plura Composites

Unit 5 Johnsons Estate  
Tarran Way South  
Tarran Way Industrial Estate  
Moreton  
Wirral  
CH46 4TP

### Polydeck

Unit 14  
Burnett Industrial Estate  
Cox's Green  
Wrington  
Bristol  
BS40 5QP

#### Keytec Installation Services

Unit 6  
Plover Close  
Interchange Park  
Newport Pagnell  
Ripley  
Milton Keynes  
MK16 9PS

### Mainland Europe

#### Polypipe Italia

Localita Pianmercato 5C-D-H  
16044 Cicagna, Genova  
Italy

#### Permavoid

Kattenburgerstraat 5  
1018, JA  
Amsterdam  
The Netherlands

### Middle East

#### Polypipe Middle East Water Technology LLC

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Office 908  
Dubai Media City  
Dubai  
United Arab Emirates



Shareholder Information continued

## Contact details and advisers

Company registration number  
and registered office

06059130

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Leeds  
LS11 5AE

**Independent auditor**

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1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR

**Principal bankers**

**Lloyds**  
Sheffield

**RBS**

Leeds

**NatWest**

Leeds

**Santander**

Leeds

**Citibank**

London

**Danske Bank**

Belfast

**Bank of Ireland**

Manchester

**Registrar and transfer office**

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Central Square  
29 Wellington Street  
Leeds  
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**Corporate brokers**

Deutsche Numis



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