KEEPING BRITAIN BUILDING

FORTERRA PLC ANNUAL REPORT AND ACCOUNTS 2022

OUR PURPOSE IS CLEAR. KEEPING BRITAIN BUILDING. WHETHER IT BE SUPPLYING THE BRICKS AND BLOCKS ESSENTIAL FOR THE HOUSING INDUSTRY, DESIGNING BESPOKE SOLUTIONS FOR OUR DIVERSE RANGE OF CUSTOMERS, OR CREATING JOBS THAT HELP OUR COMMUNITIES PROSPER, WE ARE KEEPING BRITAIN BUILDING.

In this report

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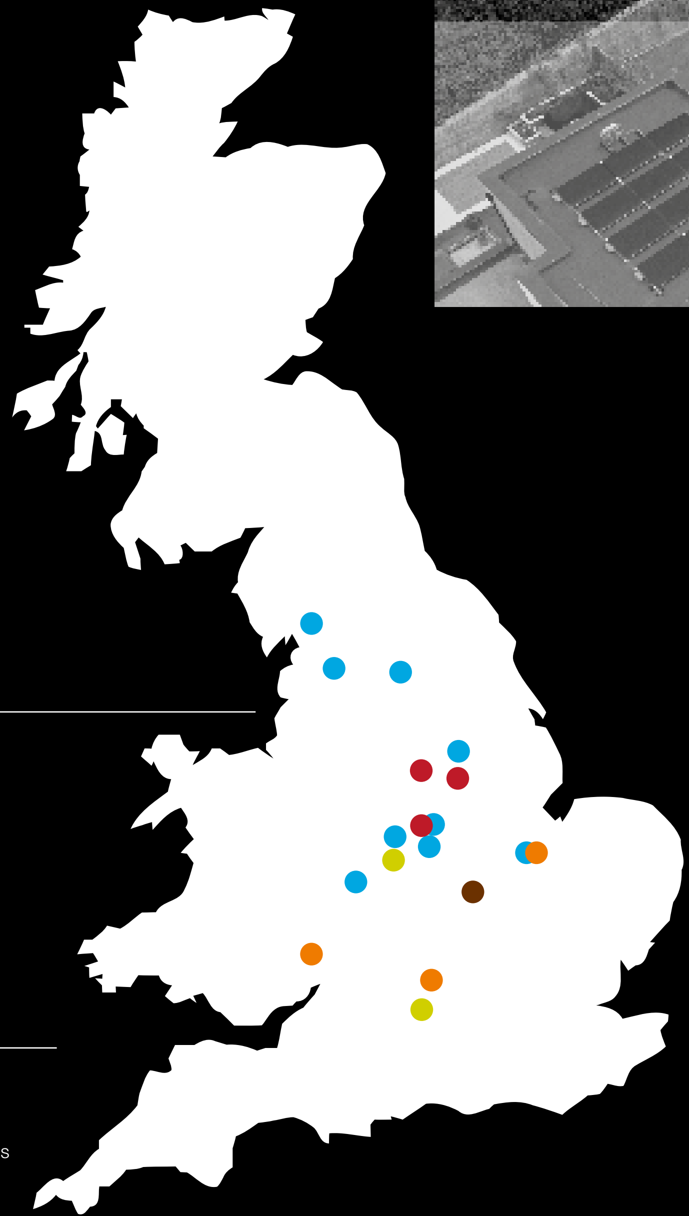
FORTERRA AT A GLANCE

We are Keeping Britain Building

From our 17 manufacturing facilities our 1,800 employees create the bricks, blocks, precast concrete, paving and many other vital products that are Keeping Britain Building, enabling the development of thriving communities and infrastructure.

Our expertise lies in building products made from clay and concrete, and our portfolio contains some of the most recognised and respected names in the construction industry. Some of them, such as London Brick and Butterley, date back to the 19th century while others, such as Ecostock and Thermalite, are far more recent; but whether historic or modern, traditional or cutting edge, they all have the needs of the 21st century at their core.

OUR LOCATIONS



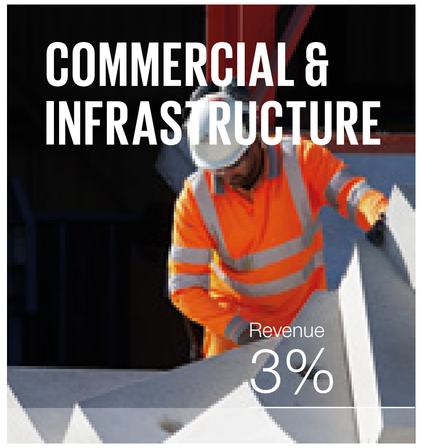
Map key

- Head office
- Aircrete Blocks (2)
- Aggregate Blocks/ Concrete Pavers (3)
- Bricks (9)
- Bespoke Products (3)

1,800
Employees

17
Manufacturing facilities

OUR MARKETS



Residential is at our core and the new build sector of this market is a significant portion of our business. There remains a long-term shortage of housing in the UK and through our bricks, blocks and flooring product lines we provide essential products to the majority of the country's housebuilders, builders' merchants and distributors; Keeping Britain Building.

The repair, maintenance and improvement (RM&I) market forms an additional segment of the residential market, through sales to distributors, and we offer a range of RM&I products in support of this area, most notably our London Brick range used in extensions across the country, reduces our reliance on new build construction.

The commercial and specification market focuses on architecturally driven projects such as schools, hospitals, stadia, offices, universities and other public buildings. We supply a wide range of products into this sector through our Bison Precast business, and the redevelopment of our Wilnecote brick factory will see an enhanced range of bricks also supplying this market.

OUR PRODUCTS

Bricks
Our clay brick range includes the iconic London Brick, and is complemented by a comprehensive range of wire-cut, pressed, thrown and special shaped products to satisfy a variety of end-use markets.

Blocks
Our inner leaf walling products include Thermalite, a leading lightweight, thermally efficient block used within residential construction, and the Conbloc range of dense and lightweight aggregate blocks. Landscaping solutions are provided by our Formpave concrete block paving range.

Bespoke Products
Bison Precast spearheads our bespoke products offering, providing a range of offsite manufactured concrete walling, flooring and ancillary products. Jetfloor, our insulated ground floor system leads our offering in the new build residential market.

LONDON | BUTTERLEY | THERMALITE | FORMPAVE | BISON PRECAST | RED BANK | ECOSTOCK | CRADLEY | CONBLOC

INVESTMENT CASE

DELIVERING LONG-TERM SHAREHOLDER VALUE

WELL-POSITIONED TO DELIVER PROFITABLE GROWTH

MARKET

Longstanding shortage of quality housing

Structural undersupply of domestically produced bricks offsets historical cyclicality

Structurally attractive market structure

COMPANY

Secure long-term mineral reserves

Efficient well-invested manufacturing base with large factory size

Established market position and customer relationships

Resilience provided through exposure to RM&I market

Synergy driven by complementary products

Established and recognisable brands

Strong and experienced leadership team

STRATEGY AND INVESTMENT

Large scale investment in new capacity

KEY PERFORMANCE INDICATORS

	Revenue	EBITDA	Margin	Total Shareholder Return (TSR)
> Strengthen the core	✓	✓	✓	
> Range expansion	✓	✓	✓	
> Product innovation and development	✓	✓	✓	
Sustainability at the heart of everything we do		✓	✓	
Opportunistic bolt-on M&A in complementary markets	✓	✓	✓	

Short-term earnings growth supports greater investment enabling greater still earnings growth	Sustained earnings growth	✓
	Strong free cash flow conversion	✓
Attractive dividend		✓
Shareholder returns		✓

LONG-TERM SHAREHOLDER VALUE

Established leading market positions in core products

- Broad, complementary product range comprising clay bricks, aircrete and aggregate blocks, flooring products and more
- Unique, trusted and respected heritage brands including London Brick and Thermalite
- High barriers to entry supported by secure long-term mineral reserves
- Well-invested, efficient and profitable asset base
- Strong customer relationships enhancing order-book visibility

Long-term structural demand and supply factors underpins market growth

- Market demand driven by structural, through-cycle new housing shortage and resilient RM&I markets
- Undersupply of domestically produced bricks and other key building products provides opportunity for growth and insulate from short-term market cyclicality
- Resilience through exposure to RM&I market
- Consolidated brick and block market structures
- Industry leading cost of brick production

Investment pipeline to deliver capacity growth, efficiency and decarbonisation

- Three large scale projects commissioning in the next two years will start to progressively deliver significant profit and cash returns from 2023
- £200m pipeline of attractive projects to leverage asset base being invested over the next decade
- Proven delivery of innovation, manufacturing excellence and productivity improvement underpins profit growth

Commitment to sustainability leadership

- Inherently sustainable and durable products
- Ambitious ESG targets to 2030 and beyond under the 'Planet Product People' framework
- 22% reduction in carbon emissions between 2010 and 2019
- Commitment to commercially robust ESG agenda, including a further 32% carbon emissions reduction target between 2019 and 2030

Strong profitable growth, cash generation and disciplined capital allocation

- Strong cash conversion supports organic investment model
- Attractive dividend policy with pay-out ratio of 55% of earnings
- Balance sheet strength allows selective bolt-on acquisitions even with pipeline of investment projects
- Leverage expected to remain at or below 1x EBITDA
- Supplementary returns to shareholders as appropriate. £40m share buyback completed in 2022

CHAIRMAN'S STATEMENT

A CLEAR STRATEGY FOR GROWTH

JUSTIN ATKINSON

We were very pleased to announce that Neil Ash will join Forterra as our next CEO at the beginning of April."

In 2022 we delivered a strong financial result notwithstanding headwinds of growing economic uncertainty and rapidly rising costs. We maintained strict cost control and where necessary have successfully passed on cost inflation to our customers allowing us to deliver a result that is ahead of our 2019 pre-pandemic performance.

We have made continued progress against our strategic goals with the new Desford brick factory now operational. Delivering this transformational project in line with expectations and within the original £95m budget, against a backdrop of considerable supply chain disruption and inflationary pressure, is a credit to everyone involved in the project.

Our People

As always, it is important to recognise that our success is driven by the ongoing commitment and enthusiasm of our colleagues, underpinned by the strength of both our supplier and customer relationships.

The result we have delivered this year has only been possible due to the hard work and devotion of our employees across the business whether in our factories or in our sales and back-office functions. With all of the recent macro events it is beginning to feel as if there are no longer any routine years and the Board have been impressed by how our workforce are able to continually adapt to the ever-changing challenges that they are required to face.

We appreciate the impact that the current cost of living crisis is having on our employees and that this impact disproportionately falls on the lowest paid. We continue to be a Living Wage Employer and alongside this we have taken a number of steps to assist our employees through these challenging times. We paid the majority of our workforce a one-off cost of living payment of £500 which was received just before Christmas and we also provided our entire workforce with a grocery voucher during the year.

Results

Group revenue for the year increased by 23.0% from the prior year to £455.5m (2021: £370.4m) driven primarily by necessary selling price increases with volumes in line with the prior year. Profit before tax (stated before exceptional items) increased by almost 40% from £50.7m to £70.6m. After exceptional items profit before tax increased to £72.9m (2021: £56.8m).

Earnings per share (EPS), again stated before exceptional items, increased by over 50% to 26.4p (2021: 17.5p). Basic EPS after exceptional items was 27.2p (2021: 19.9p).

The results for the year again highlight the strength of our cash generation having delivered an operating cash flow before exceptional items of £89.0m (2021: £81.2m). The Group ended the year with a strong balance sheet with net debt (stated before leases) of £5.9m (2021: net cash of £40.9m).

Board changes

Following the announcement made ahead of our 2022 AGM of Stephen Harrison's decision to stand down as Chief Executive Officer after 10 years in the role, the Board's Nomination Committee commenced a comprehensive selection process to identify a replacement.

We were therefore very pleased last November to announce Neil Ash as our next CEO who will join the Company as Chief Executive Officer Designate at the beginning of April. Neil has almost three decades' experience in the building materials sector and an impressive track record of improving performance and delivering growth at Etex, the Belgian lightweight building materials manufacturer, where he led the €2bn revenue Building Performance division. Neil's business leadership and extensive building materials sector knowledge will be invaluable in the next stages of our development and the Board looks forward to working alongside him.

The Board and I are grateful to Stephen Harrison for the significant contribution he has made to the business during his tenure as CEO and wish him all the best for the future after he leaves Forterra.

We have today announced that Gina Jardine will be appointed to the Board on 3 April 2023 as an Independent Non-Executive Director. Gina is an experienced HR professional with an extensive career within global building materials and mining companies. Most recently Gina held the position of Chief Human Resources Officer at FTSE 100 building materials business CRH plc, prior to this she was Chief Human Resources Officer at Canadian listed Kinross Gold Corporation and held a number of senior HR roles at FTSE 100 listed mining group, Rio Tinto plc.

Through her experience and significant knowledge, obtained in some of the largest global corporates, Gina will complement the existing skillsets of our Board. Her addition will also help with succession planning for the Non-Executive Directors, given that several are expected to step down in 2025-26.

The Board is committed to furthering diversity at all levels and it acknowledges the recommendations of the Hampton-Alexander Review which recommends that 33% of the Board should be female. In addition, the Financial Conduct Authority guidance is that at least 40% of the Board be female. As a company currently outside the FTSE 250, these recommendations do not directly apply to Forterra although we retain our consistently held aspiration to adhere to best practice governance requirements as if the Company were a member of the FTSE 250.

Following Gina's appointment our Board composition will be 38% female. In addition, one of the senior Board members is a female and one of the Board is from a non-white ethnic minority background. In totality I believe that the skills, knowledge, experience, educational background and upbringing of individual Board members bring a diverse contribution to the debate and discussion around the Board table.

Strategy

We have a strategy for growth which together with our clear capital allocation priorities positions the Group to deliver long-term shareholder value.

Our strategy, outlined further on pages 26 and 27, is to capitalise on the United Kingdom's long-term shortage of housing supply, along with a structural shortfall in the supply of the domestically manufactured building products necessary to address the housing shortage, leveraging our extensive mineral reserves and strong market positions.

Investing for future growth we will:

- strengthen our core business, investing in new capacity to deliver growth in sales volumes along with enhanced efficiency and sustainability;
- expand our product range beyond our traditional focus of mainstream residential construction; and
- expand our product innovation and development activities.

These three pillars for growth are each supported by a current investment project. Firstly, the new Desford brick factory which is now operational, strengthens our core, ultimately increasing our effective brick production capacity by 22% whilst also delivering market-leading levels of efficiency and sustainability. We are proud to be delivering the factory not only in line with our planned timescales but also the original £95m budget.

Revenue
£455.5m
2021: £370.4m

Profit before tax before exceptional items
£70.6m
2021: £50.7m

Net (debt)/cash before leases
£(5.9)m
2021: £40.9m

EPS before exceptional items
26.4p
2021: 17.5p

CHAIRMAN'S STATEMENT
CONTINUED

Our £30m investment in the redevelopment of our Wilnecote brick factory will afford us greater access to the attractive commercial and specification market providing a degree of diversification, with the factory re-commissioning in the final quarter of 2023. Finally, an investment of approximately £12m in brick slip manufacture at our Accrington factory will allow us to capitalise on the growing opportunities presented by the high-rise and modular construction markets, with the manufacture of slips expected to commence in the first half of 2024.

In addition, we continue to progress a pipeline of, as yet unannounced, projects that will allow us to continue investing for growth after the completion of the current projects.

Capital allocation

Our capital allocation policies are clearly stated and designed to maximise shareholder value:

- strategic organic capital investment to deliver attractive returns;
- attractive ordinary dividend with a pay-out ratio of 55% of earnings;
- bolt-on acquisitions as suitable opportunities arise in adjacent or complementary markets; and
- supplementary shareholder returns as appropriate.

We expect to invest in excess of £200m over the next decade in attractive organic investment projects, offering compelling returns alongside providing enhanced shareholder returns through the distribution of 55% of our earnings. The balance of capital will be available for either acquisitions or supplementary returns to shareholders as appropriate.

During 2022 we completed a £40m share buyback, returning capital that we did not immediately have a use for to our shareholders. Having done this, alongside having spent £44.1m on capital expenditure in the year we finished the year with net debt (before leases) of just £5.9m, leaving us with a strong balance sheet as we enter a period of heightened economic uncertainty.

Dividends

In line with the capital allocation policy laid out previously, the Board are proposing a final 2022 dividend of 10.1p per share to be paid on 7 July 2023 to shareholders on our register at 16 June 2023. This will take the total dividend for 2022, including the interim dividend of 4.6p paid on 14 October 2022, to 14.7p (2021: 9.9p) representing 55% of earnings before exceptional items (2021: 55%).

Sustainability

We have made continued progress towards our sustainability goals during the year. We have clear targets including a reduction in our carbon emissions of 32% (from a 2019 baseline) by the end of the decade. In the longer term we are committed to reaching net zero and having identified the measures required to meet our medium-term targets, we have also developed an implementation roadmap to ensure that we deliver on our commitments – The Forterra Carbon Management Plan. Central to this Plan and the achievement of these reductions is our investment in new production capacity and technologies, even if our carbon emission intensity per tonne of output did increase marginally in 2022, relative to the prior year, as a result of changes in the mix of products we produced.

Our new Desford brick factory will emit 25% less carbon per brick than the old factory it replaces, and we have recently commenced the installation of roof mounted solar panels at an additional cost of around £2.5m which will provide approximately 16% of the factory's electricity requirement going forward.

During the year we also entered into a wider electricity Power Purchase Agreement that will see us secure around 70% of our electricity from a dedicated solar farm at competitive prices from 2025. It is pleasing that construction of this facility is now underway and we subsequently exercised an option to take power from this facility from April 2024.

As we strive for a lower carbon future, we are committing more time and resources to researching the innovative technologies that will ultimately help us reach our goal of becoming a net zero business by 2050. It is important to appreciate that at this stage, our decarbonisation plans beyond 2030 are not yet clearly defined and that not every initiative we pursue will ultimately be successful. Although we recognise that only through innovation, exploration and investment, will we be able to take a sector-leading approach to decarbonisation.

During the year we partnered with a company offering innovative carbon capture technology and are already exploring the deployment of this technology at one of our brick factories. We are also progressing the trials of hydrogen and biomass as

alternative fuels for use in our kilns. Our hydrogen trials were delayed by shortages of hydrogen in the UK but have now commenced and we believe these are some of the first trials in the UK brick industry under industrial rather than laboratory conditions.

As part of our commitment to reducing our consumption of plastic packaging by 50% by 2025 we are also now rolling out new packaging equipment across our brick factories to reduce the average amount of plastic packaging used on each pack of bricks by almost 50%.

Corporate governance

The Board remains committed to the highest standards of Corporate Governance, not only at Board level but throughout the Group. The Group continues to comply in full with the requirements of the UK Corporate Governance Code as if it were a constituent of the FTSE 250.

The Corporate Governance section of this Annual Report outlines the Board's approach to corporate governance arrangements and includes reports from each of the Committee Chairs, providing details on key matters addressed by each of the Committees during the year.

With the exception of Stephen Harrison who intends to retire before the AGM, all of the Directors will be standing for re-election at the forthcoming AGM. Our s172(1) statement as required by the Companies Act is included in the Strategic Report on page 24, and further referenced in the Corporate Governance Statement on pages 100 and 101.

During the year we undertook an internal evaluation of the Board and its Committees following the external evaluation undertaken last year, the summarised results of which can be found in the Governance section on page 102.

The Board also requested that the Group's co-sourced Internal Audit provider, carry out a review of the effectiveness of the Group's risk management and internal control processes to provide the Board with additional confidence in making the required declarations that the Company continues to comply with relevant provisions of the UK Corporate Governance Code 2018.

Corporate culture

The Board is aware of its responsibility to foster a corporate culture based upon strong leadership and transparency, ensuring we do business responsibly, adhering to the highest ethical standards, whilst minimising the impact our business has on the environment.

Our purpose is to manufacture and supply the building products required to Keep Britain Building. Our culture is underpinned by our values which are laid out on page 21. Adherence to these values is fundamental to the success of the business.

Health and safety remains our number one priority and the Board is determined to lead by example in ensuring that everyone in our business is under no doubt as to our commitment to zero harm. To this end, the Board continued to ensure it remains highly visible in the business, with each Director completing two factory health and safety walks alongside full Board visits to four of our factories during the year.

Summary and outlook

The short-term outlook for the UK housing market remains uncertain. We saw signs of softening demand towards the end of 2022, and this has continued into early 2023, partly driven by customer inventory reduction.

Whilst we are currently planning for underlying demand for our products to fall by 20% in 2023 relative to 2022, we are encouraged by falling mortgage rates and recent reports of improving reservation rates. We wait to see how our customers' spring new house selling season develops with the outcome of this likely to be a key determinant of demand for our products in the current year.

Against the continuing inflationary environment, we have been able to implement further selling price increases at the beginning of 2023 and we have also secured at least 80% of this year's energy requirement.

We remain confident that Forterra is well positioned to face these uncertain times. With our new Desford brick factory now operational, we also expect to benefit from the industry-leading efficiency this will offer, manufacturing a range of products ideally suited to displace imported bricks. We begin the year with minimal inventory, and are well practised in managing our capacity utilisation and cost base. Alongside this, we retain a strong balance sheet with minimal debt and have recently extended our credit facility.

Based on our assumption of an underlying 20% fall in demand relative to 2022 the Board's expectations for the Group's 2023 performance remain unchanged. Customer inventory reduction is expected to disproportionately impact performance in the first half, resulting in full year revenue and earnings being second half weighted. In the medium-term we continue to expect to benefit from the attractive UK market fundamentals of population growth, housing undersupply, lack of domestic brick production capacity and an increasing focus on the quality of housing stock.

Justin Atkinson
Non-Executive Chairman
9 March 2023

CHIEF EXECUTIVE'S STATEMENT

A YEAR OF STRATEGIC PROGRESS

STEPHEN HARRISON

> We delivered a strong result in 2022 and are proud to have constructed what we believe to be the largest and most efficient brick factory in Europe."

In 2022 we delivered tangible progress towards our strategic and sustainability goals alongside a strong financial result in the face of severe cost inflation and increasing economic uncertainty.

The new Desford brick factory is now operational, with the first despatches to customers expected shortly. We are delighted to be delivering this state of the art factory, providing an increase in production capacity and market leading efficiency, within our stated timescales and inside the original £95m budget. This is particularly commendable given the level of cost inflation since we first announced the project in 2018.

Turning to sustainability, aside from the obvious sustainability benefits provided by the new Desford factory, we have also made further progress toward our wider sustainability goals. During 2022 we entered into a 15-year Power Purchase Agreement (PPA) which will see us receive, from 2024, approximately 70% of our electricity from a dedicated solar farm. The large-scale 150 acre solar farm that this commitment will facilitate, is now under construction, helping decarbonise the UK's electricity supply. Alongside this, in accordance with our energy strategy, we have also invested in our own on-site solar generation capability. Approximately 16% of the electricity required by the new Desford factory will be provided by cost-effective roof mounted solar.

We are pleased with our financial performance in 2022 which has been delivered against a headwind of continuous cost inflation. Whilst we have maintained strict cost discipline, including an effective energy procurement strategy, we have been steadfast in raising our selling prices to recover what felt like constantly increasing input costs. We do need to be mindful however, that our margins remain below 2019 pre-pandemic levels, highlighting the importance of continuing to raise prices in the face of a rising cost base. I should also mention the performance of our Bison Flooring business, which comprises the majority of our Bespoke Products segment. This business has had arguably its best ever year, delivering a contribution to EBITDA of approximately £10m before overhead allocations, rewarding the hard work and dedication of that team.

It would be remiss of me at this stage not to acknowledge that this is my final Chief Executive's Statement at Forterra. Having been Chief Executive for the last 10 years, leading the business through a carve-out from our former parent, through private equity ownership, and an IPO to become an established listed company, personally I now feel it is time for a change, and I will step down ahead of the AGM in May. I would like to take this opportunity to personally thank everyone across the business for their constant hard work and dedication, our success is only possible due to the efforts of our employees and I am most grateful for all the support I have received during my time as Chief Executive. I firmly believe that I leave the business in a strong position with a clear strategy and well-placed to face any future challenges.

Following a thorough recruitment and selection process led by the Nomination Committee, the Board have appointed Neil Ash as my successor and I have no doubt that, alongside a strong Executive Committee, he has the personality, skills and experience required to lead the Group to further success.

2022 results

Revenue for the year ended 31 December 2022 was £455.5m (2021: £370.4m) an increase of 23.0%. Earnings before interest, tax, depreciation and amortisation (EBITDA) as stated before exceptional items were £89.2m (2021: £70.4m). Profit before tax before exceptional items increased to £70.6m (2021: £50.7m), an increase of 39.3%.

Earnings per share (EPS) as stated before exceptional items were 26.4p (2021: 17.5p). Basic EPS after exceptional items was 27.2p (2021: 19.9p).

2022 Business review

Bricks and Blocks

We have a unique combination of strong market positions in both clay brick and concrete blocks.

We are also the only manufacturer of the iconic and original Fletton brick sold under the London Brick brand. Fletton bricks were used in the original construction of nearly a quarter of England's existing housing stock and are today used to match existing brickwork by homeowners carrying out extension or improvement work. We operate nine brick manufacturing facilities across the country with a total installed production capacity which will increase to approximately 675 million bricks per annum once the new Desford brick factory reaches full output. We are also a leader nationally in the aircrete block market, operating two Thermalite block facilities in the Midlands and South of England. In addition, our aggregate block business has a leading position in the important Southeast and East of England markets with two well located manufacturing facilities in this geography. This segment also includes Formpave, the Group's concrete block paving business.

£30m
Investment in redeveloping our Wilnecote brick factory

c.70%
of our electricity needs to be sourced from a solar farm in central England from 2024

CHIEF EXECUTIVE'S STATEMENT
CONTINUED

Trading and results

The performance of the Bricks and Blocks segment is characterised by resilient demand, meaning that our sales were generally limited by production capacity, whilst rapidly increasing costs required us to adopt a dynamic approach to pricing our products.

Bricks and Blocks sales revenues were £370.2m, an increase of 24.2% on the prior year comparative (2021: £298.1m). Sales volumes were generally in line with 2021, limited by production capacity and low inventories as opposed to market demand.

Segmental EBITDA stated before exceptional items, totalled £85.5m (2021: £70.5m), an increase of 21.3%. EBITDA margin was 23.1% (2021: 23.6%) with selling price increases generally following cost increases and production challenges at the old Desford brick factory and the aircrete block business also weighing on margins.

Bricks and Blocks

Before exceptional items	2022 £m	2021 £m
Revenue	**370.2**	298.1
EBITDA before overhead allocations	**109.5**	90.5
Overhead allocations	**(24.0)**	(20.0)
EBITDA	**85.5**	70.5
EBITDA margin before overhead allocations	**29.6%**	30.4%
EBITDA margin after overhead allocations	**23.1%**	23.6%

Pricing

Whilst the elevated levels of cost inflation experienced through 2022 have been unwelcome, we have demonstrated our ability to raise our own selling prices in response.

At the end of 2021 we informed our customers that we would no longer be able to offer annual pricing agreements and instead we would take a dynamic approach to pricing, we also amended our trading terms to require a single month's notice of price increases as opposed to the previous three.

We increased our brick prices on three occasions in 2022. We started the year with a brick price increase of c.16% effective 1 January 2022 but it was soon clear that this would be insufficient and we announced a further c.12% price increase effective 1 April. Cost inflation abated somewhat during the spring although, by the summer, a further increase in energy costs triggered another run of input cost inflation, necessitating an additional 15% increase in the majority of our brick selling prices, which was delivered at the beginning of October. Cumulatively, we increased our brick prices by over 50% in the year, although 2022 revenue does not reflect the full benefit of this. This was delivered alongside significant price increases on our other products during the year.

Towards the end of 2022, we again entered into pricing discussions with our customers as we sought to recover a further increase in energy costs that will feed through in 2023, with our forward purchasing strategy successfully deferring a degree of energy cost inflation from 2022 into 2023. Additionally, in common with many other companies, we anticipate further staff cost inflation in 2023.

Bespoke Products

Our Bespoke Products segment focuses on specification-led, made-to-order products comprising both precast concrete and chimney and roofing solutions, much of which is customised to meet the customer's specific needs.

Precast concrete products are designed, manufactured and shipped nationwide under the Bison Precast brand from two facilities situated in the Midlands. Our Red Bank range of terracotta and concrete chimney and roofing products are made at a single facility in the Midlands. Our products include: beam and block flooring including Jetfloor, which was the UK's first suspended ground floor system to use expanded polystyrene blocks combined with a structural concrete topping to provide high levels of thermal insulation; hollowcore floors alongside associated staircases and landings which are used for upper floors of multi-family and commercial developments, structural precast components including precast concrete walls used in applications such as hotels and prisons, and concrete beams used in the construction of building frames as well as stadia components; architectural precast concrete façades, in a variety of finishes including brick facings; and Red Bank chimney pots, flue systems, ridge tiles and air bricks.

Trading and results

Precast concrete flooring products represent by far the largest component of this segment by revenue and profitability. Demand for these products remained strong for most of the year although there was a noticeable softening towards the end of the year. Segmental turnover in the year was £90.1m (2021: £76.1m).

The strong segmental result was driven by the performance of the Bison flooring business, operating from the Hoveringham factory in Nottinghamshire, with this factory delivering what we believe is a record result.

Floor beam sales volumes increased 9% relative to 2021 as we maximised output from the single flooring factory. We implemented a dynamic pricing model, regularly adjusting selling prices on account of rising input costs. Segmental EBITDA stated before allocation of Group overheads was £9.7m (2021: £4.8m). After an allocation of Group overheads totalling £6.0m (2021: £4.9m) the segment reports an EBITDA of £3.7m (2021: loss of £0.1m) before exceptional items.

Our markets

Our markets remained resilient throughout 2022 in the face of growing economic pessimism, although we did see signs of a softening in market conditions at the end of the year, particularly in demand for our precast concrete floor beams.

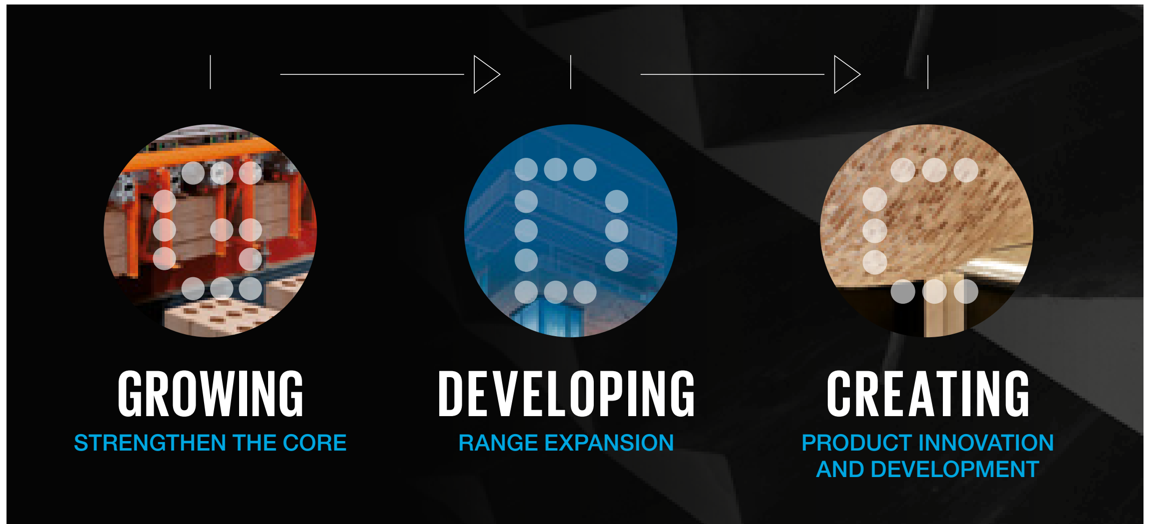
Total UK brick consumption in 2022 is estimated at 2.5bn bricks of which a record 570m (representing 23% of total market demand) were satisfied by imports due to a continuing shortfall in domestic production capacity.

UK housebuilding continues to fall short of Government targets with 204,061 new build homes estimated to have been completed in Great Britain during 2022, a slight increase on the 2021 total of 201,251 compared to the recently reiterated Government target of 300,000 new homes annually across the UK.

Bespoke Products

Before exceptional items	2022 £m	2021 £m
Revenue	**90.1**	76.1
EBITDA before overhead allocations	**9.7**	4.8
Overhead allocations	**(6.0)**	(4.9)
EBITDA	**3.7**	(0.1)
EBITDA margin before overhead allocations	**10.8%**	6.3%
EBITDA margin after overhead allocations	**4.1%**	–

STRATEGY MODEL



— READ MORE ON PAGES 26 AND 27

CHIEF EXECUTIVE'S STATEMENT
CONTINUED

Despite current and announced capacity investments, the UK brick industry still lacks the capacity required to meet demand. Current domestic production capacity of c.2.1 billion clay bricks per annum, remains lower than the pre-financial crisis figure of 2.6 billion, supporting the increase in brick imports seen in the year, with the number of imported bricks increasing by 35% relative to 2021.

We know that our customers would rather buy British wherever possible because we can ensure provenance and quality supplied directly from stock, for prompt delivery with lower transportation costs. These market dynamics leave us ideally placed to substitute imports with production from our new brick factory at Desford. Whilst it is likely that deteriorating economic conditions will reduce demand for our products in the near term, the ability to displace imported bricks will insulate ourselves and other UK brick manufacturers from some of the fall in demand as our customers switch from imports to domestically manufactured products which are expected to become more freely available.

Many analysts and commentators following the housebuilding sector expect demand for new housing to fall in 2023. As such, we are planning and resourcing our business accordingly, for a 20% fall in underlying demand relative to 2022. This decrease is mitigated to some extent by substitution of imported bricks although, in the shorter-term, the effects of customer inventory reduction will further exacerbate the fall in demand for our products. The outlook beyond 2023 is uncertain, although with customer inventory reduction primarily impacting the first half of 2023, mortgage rates now reducing and the major housebuilders reporting a steady recovery in reservation rates, we are optimistic that demand for our products will increase through 2023 and into 2024.

In the medium-term, we believe that our markets will continue to benefit from attractive market fundamentals driven not only by a longstanding compounding shortage of housing in the UK but also continued population growth and increasing concern about the poor quality of much of the UK's housing stock. The recent increases in energy costs also increase the desirability of new energy efficient homes.

– READ MORE ON PAGES 22 AND 23

Strategy and capital allocation

Our strategy is laid out in more detail on pages 26 and 27 and is easily articulated as three pillars designed to provide sustained earnings and cash flow growth through:

- expansion of capacity, enhanced efficiency and sustainability;
- range expansion; and
- new product innovation.

This, along with our capital allocation policy, which is centred on delivering compelling returns to shareholders, leaves the Group well-placed to deliver long-term shareholder value.

The Group's capital allocation priorities are summarised as follows:

- strategic organic capital investment to deliver attractive returns;
- attractive ordinary dividend policy with pay-out ratio of 55% of earnings;
- bolt-on acquisitions as suitable opportunities arise in adjacent or complementary markets; and
- supplementary shareholder returns as appropriate.

In addition to dividends of £24.2m, during 2022 we returned a further £40.0m of surplus capital to our shareholders through a share buyback programme. This was delivered alongside total capital expenditure of £44.1m, which includes spend of £33.6m on our strategic projects at Desford and Wilnecote, and an investment in further clay reserves at our strategic site at Swillington, where in due course we expect to construct a new brick factory. Despite these cash outflows we ended 2022 with a net debt (before leases) of only £5.9m (2021: net cash (before leases) £40.9m), demonstrating the ongoing strength of our operating cash generation.

NEIL ASH

This balance sheet strength provides us with assurance that we are well positioned to weather any deterioration in economic conditions that we may face in the near future, whilst also giving us confidence that we can continue with our programme of capital investment. We have indicated our intention to invest over £200m (in addition to Desford) in organic growth projects offering attractive returns on invested capital over the next decade, taking advantage of unsatisfied demand for our products whilst at the same time increasing our efficiency and reducing greenhouse gas emissions. We also retain the balance sheet flexibility to add bolt-on acquisitions should appropriate opportunities arise and we continue to monitor potential opportunities. We will pursue acquisitions only where there is a clear strategic rationale and where the value aspirations of sellers are realistic.

The Board continues to keep returns of capital to shareholders under review. Near-term trading performance, driven by market demand, committed capital expenditure on strategic projects, working capital impact of inventory build and the timing of future strategic capital projects to support growth are all key to this decision-making.

OUR NEW CHIEF EXECUTIVE

Our new Chief Executive

Following the announcement on 24 May 2022 that Stephen Harrison was to step down as Chief Executive, the Nomination Committee led the search on behalf of the Board to identify and recruit a replacement. Details of this process can be found on page 106.

Neil Ash will join the Company on 3 April 2023 as Chief Executive Officer Designate. Neil will be formally appointed to the Board ahead of the AGM in May with Stephen Harrison standing down at the same time. Stephen will remain an employee until 24 May 2023. Neil joins Forterra from Etex, the Belgian headquartered international lightweight building materials manufacturer where he most recently led the €2bn revenue Building Performance division. Neil has almost three decades of experience in the building materials sector where prior to Etex he spent 15 years with Lafarge.

> Forterra is an exciting and successful business with opportunities for further growth."

Neil Ash
Chief Executive Officer Designate

CHIEF EXECUTIVE'S STATEMENT
CONTINUED

Organic capital investment

Construction of the new Desford brick factory is now virtually complete with bricks being manufactured and the first despatches to customers expected in the near future. We are extremely proud to be delivering what we believe is the largest, most efficient brick factory in Europe and expect to complete the factory within its original £95m budget during a period of significant supply chain disruption and cost inflation. We would like to take this opportunity to pass on our thanks to everyone who has worked tirelessly over the last four years to deliver this project in the face of a variety of challenges, not least a global pandemic and the failure of the initially selected equipment supplier. This factory will be a fantastic asset to the business going forward providing attractive returns for many years to come.

The new factory will increase our effective brick production capacity by 22% and, with supportive market conditions, is expected to increase our EBITDA by £25m in 2025. With greater market uncertainty for the next few years, it is harder to predict the exact increase in EBITDA that the factory will deliver in the shorter-term. Should demand for our products decline for a period of time we will look to rationalise our production such that we maximise the efficiency benefits associated with the new factory and its lower cost of production. With its industry-leading efficiency, we still expect the factory to materially benefit our results in the coming year and in the medium-term we remain confident that the strong fundamentals of the UK housing market, coupled with the undersupply of domestically manufactured bricks, will enable the factory to at least deliver the previously communicated expected returns.

Alongside our investment at Desford, we have commenced the complete redevelopment of our smaller Wilnecote brick factory at a cost of approximately £30m, which has increased from our previous estimate of £27m. This investment will strengthen our position in the architect-led commercial and specification market which includes residential, commercial, school and hospital developments in a sizeable market of around 400 million bricks per annum (approximately 18% of the UK brick demand).

This investment will expand the product range manufactured at the factory providing a degree of diversification reducing our reliance on mainstream housebuilding whilst increasing our total brick production capacity by around 1%. The factory closed at the end of September 2022 and will begin recommissioning in the final quarter of 2023.

During 2022 we also announced an innovative investment in the manufacture of brick slips, or 'thin bricks' as they are sometimes known. An investment of approximately £12m at our Accrington brick factory will facilitate the manufacture of up to 48 million brick slips per annum, minimising our investment through utilising an existing kiln with only a small reduction in the number of bricks that will continue to be manufactured alongside the new slips. The UK market for brick slips is currently estimated at around 120 million units annually with significant growth expected to be driven through growth of the modular construction market along with growing demand for firesafe façade solutions suitable for use in high-rise construction.

Brick slips also offer several sustainability benefits, reducing raw material and energy usage relative to the manufacture of traditional bricks, and with many slips currently being cut from traditional bricks, they can significantly reduce wastage. We recently signed contracts with the equipment supplier and we expect to be manufacturing brick slips in the first half of 2024, although the ramp up to full production could take a number of years as we increase our share of a growing market.

Health, safety and wellbeing

The continuous improvement of our health and safety performance remains our number one priority, working towards our goal of zero harm. We recognise that our workforce is our greatest asset, and we aim to provide a working environment that is free of accidents and ill health. We are committed to a four-year zero harm strategy with our 2022 focus on health and safety behaviours and safety culture. In 2023 our attention and messaging will continue to focus on our Golden Rules and zero harm, with key topics being the responsibilities of supervisors and emphasising the importance of colleagues taking time to stop and think, not rushing and cutting corners.

Sustainability

Sustainability has always been important for us, however, in recent years it is become embedded at the heart of everything we do. Today, sustainability sits at the core of every investment decision we make. We are focused on achieving challenging 2030 carbon reduction targets whilst increasing our focus on the game-changing technologies which will allow our business to become net zero by 2050.

During 2022 we have made demonstrable progress towards our sustainability goals. Firstly, the new Desford brick factory brings a significant sustainability improvement in comparison to the old factory it replaces, with the new factory having a 25% lower carbon footprint per brick. We have also further added to the new factory's sustainability credentials by spending approximately £2.5m to equip the new factory with roof mounted solar panels, that will supply around 16% of the factory's electricity demand, whilst also saving on the costs of transmission associated with grid supplied electricity. Each of our major investments going forward will enhance our sustainability credentials meaning that our strategy for growth sits hand-in-hand with sustainability, with every capital project assessed against sustainability criteria to ensure we maximise opportunities to enhance sustainability each time we deploy capital in our business.

It is important to recognise that our products are inherently sustainable, they last for well over a century and require no maintenance throughout their lifetime. The bricks used to build an average family home have the same carbon footprint as a single passenger ticket flying from London to Singapore, however unlike this 13 hour flight, will last for around 150 years and provide family housing for generations to come.

During 2022 we entered into a 15-year Power Purchase Agreement (PPA) with Lightsource bp, a leading international developer of large-scale solar projects which will see us receive around 70% of our electricity from 2025 from a dedicated solar farm. This represents a c.£50m commitment to renewable energy over the period of the agreement which will also provide us with price security and stability, with construction of this facility now underway. Subsequent to this, we exercised an option to receive power from this facility a year earlier than initially contracted such that we now expect to be benefiting from this green electricity from 2024.

For us to reach our net zero commitment we need to identify alternative fuels to fire our kilns and we remain committed to a programme of hydrogen trials. Supply chain challenges resulting in delays to the equipment needed to safely control the supply of hydrogen to the kiln, alongside shortages of the hydrogen itself, meant these trials weren't able to start as intended in 2022, however these have since commenced at the beginning of 2023.

We have made faster progress with our trials of biomass as an alternative fuel. Our Kings Dyke London Brick factory and its Hoffman kilns were originally fired by coal, switching to gas in the 1990s, and we have identified the opportunity to replace a percentage of our gas usage with biomass whilst also reducing wastage through improving product quality by having a more evenly distributed heat throughout the kiln.

We recognise that there is unlikely to be a single solution to decarbonising our business so alongside alternative fuels, we are also actively pursuing carbon capture solutions. This technology remains in its infancy and therefore focused on high concentrations of carbon dioxide, as such the emissions from many of our brick factories are actually insufficient for many carbon capture technologies in their current form. We have, however, partnered with a company with access to innovative carbon capture technology developed in the US and are working on a proposal to equip one of our factories with this technology. We are realistic as to the challenges of deploying carbon capture and it's usage on an industrial scale and will continue to engage with a variety of partners.

– READ MORE ON PAGES 50 TO 57

Stephen Harrison
Chief Executive Officer
9 March 2023

Bosworth MP returns to see the new Desford brick factory redevelopment progress. Dr Luke Evans on site with Chief Executive, Stephen Harrison and Strategic Projects Director, George Stewart.

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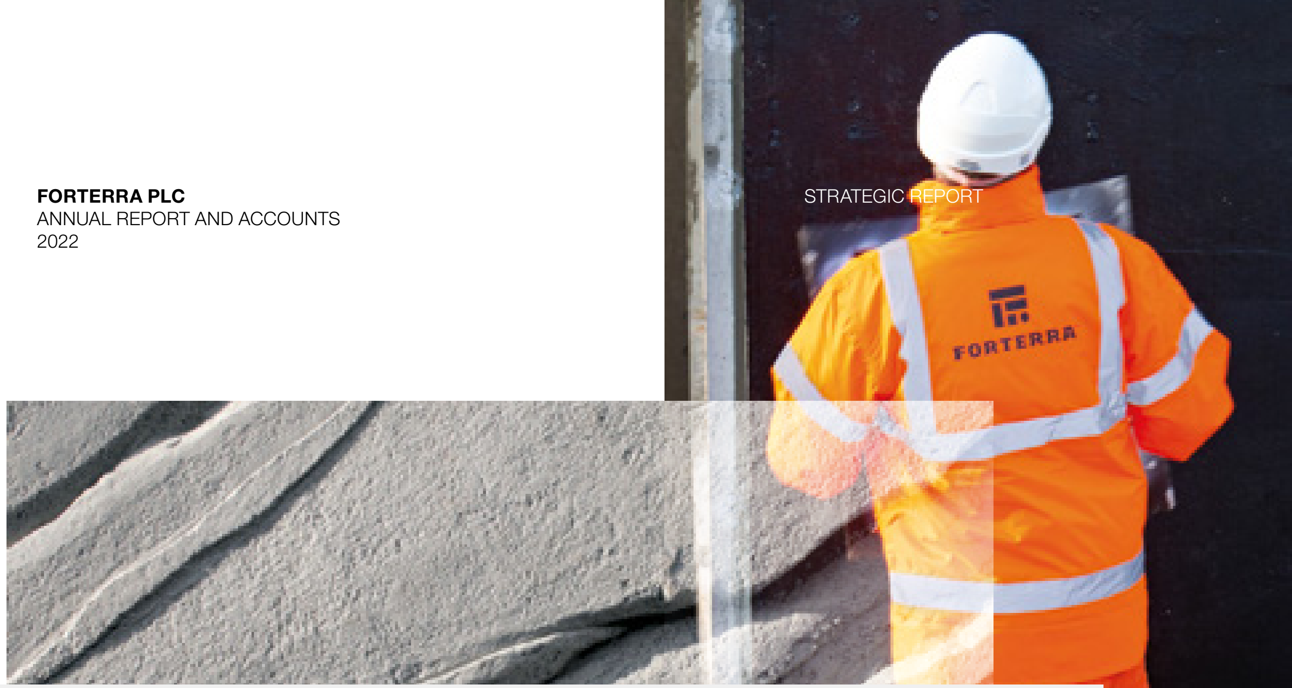
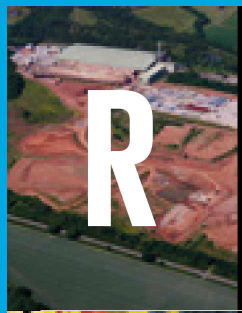


WHAT WE DO AND OUR IMPACTS

WHAT WE DO



OUR RESOURCES

Security from the ground

Our brick business is built upon our clay reserves. We have access to over 90m tonnes of clay which on average will sustain our manufacturing operations for 50 years. Our mainstream brick factories are each adjacent to a quarry ensuring the raw material travels the shortest possible distance to the factory.

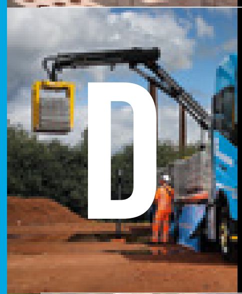
Our mineral reserves also act as a barrier to entry, with there being extensive hurdles to any new entrant gaining the necessary permissions to extract mineral. Our mineral reserves represent our future and we employ a highly skilled team to oversee their continued management and development. We are investing to ensure we have the clay reserves to sustain and grow our business into the future. During 2022 we spent £1.8m securing 2.5m tonnes of reserves which we expect to support development of a new brick factory at our Swillington site. In recent years, alongside the construction of our new brick factory at Desford we spent £2.6m on 5.7m tonnes of clay reserves ensuring the new factory has a reserve life beyond 30 years.

MANUFACTURING

Efficiency and scale

Our manufacturing facilities are the heart of our business, providing both scale and efficiency of output to support our leading market positions. Our factories are well invested and we plan to spend c.£14m each year (on average) to ensure this remains the case, and that we continue to modernise and update our manufacturing footprint.

We are also committed to a large-scale capital investment programme and expect to invest in excess of £200m on new production capacity over the next decade. The £95m investment in our new brick factory at Desford underlines our commitment to Keeping Britain Building, adding an additional 22% to Group brick production capacity.



DISTRIBUTION AND SERVICE

Dedicated support

Distribution of our products on a national scale is enabled through our own fleet of c.180 specialist delivery vehicles. Operating our own vehicle fleet differentiates us from our competition and gives full end-to-end control of our distribution and customer service function. Our field-based commercial teams provide account management to customers, supported by a centralised support function and technical service team equipped to advise on appropriate applications of our products.

End-to-end service

With many of our products, we offer further service enhancements in the form of design, specification and installation services, especially where products are of a more bespoke nature, including our offsite manufactured range of precast concrete products. This comprehensive, end-to-end service ensures we remain easy to do business with and are a trusted delivery partner.

BUILDING SUSTAINABLE COMMUNITIES

Residential at our core

Our products service a wide range of markets, however, the majority of our output is directed towards the residential new build, and residential repair, maintenance and improvement (RM&I) markets. Our complementary range of flooring and walling products coupled with the scale to supply on a national basis sets us apart from many other manufacturers. We enjoy strong, longstanding relationships with our customers, including major housebuilders, distributors and builders' merchants. Being agile to our customers' needs and the demands of the market are key contributors to our success.

S

A SUSTAINABLE APPROACH

Sustainability is embedded at the heart of our business. Our goal is to Keep Britain Building and our strategy focuses on doing so in a sustainable manner.

Our sustainability framework guides our approach to sustainability with three pillars: Planet, Product and People.

OUR IMPACTS

Our resources

- Quarrying has a lasting impact on the landscape. All of our quarries are carefully managed in accordance with our operating permits.
- We are only able to quarry clay and other minerals once the appropriate planning consents are obtained, a process that can take many years. Our planning constraints define restoration plans for our quarries, defining how we must leave the site when our extraction obligations have ceased. Restoration schemes may include bodies of water, wetlands, and woodland which all benefit biodiversity along with, in some instances, a return to agricultural use.
- By extracting clay from quarries next to the factories where it is turned into bricks we minimise the impact of transporting our raw material.
- We are committed to biodiversity and will increase our tree planting utilising surplus space around our quarries and factories.

90m tonnes of clay reserves

50 years of production

Manufacturing

- Our factories and especially our kilns do emit greenhouse gases. We are investing in our business to enhance efficiency and reduce these emissions. Our strategy focuses on efficient manufacturing, allowing us to reduce our energy usage making our business more sustainable.
- We limit our mains water usage through rainwater harvesting and recycling systems.
- Almost all of our manufacturing process waste is recycled back into our products.
- We are making large reductions in our use of plastic packaging.
- We purchase raw materials from suppliers, supporting jobs in our supply chain. The vast majority of our raw materials are either obtained from our adjacent quarries or are purchased from UK suppliers.
- We aim to invest further in electric powered mobile plant where current technology allows.

£200m Investment over the next decade

25% reduction in carbon per brick from the new Desford factory

Distribution and service

- We are constantly investing in delivery vehicles and cars with the latest emission-reducing engine technology. Currently 90% of our fleet is the latest Euro VI compliant and we expect the fleet to achieve full compliance in early 2024. Our latest vehicles also have significantly reduced fuel consumption relative to their older equivalents.
- We continued to explore the use of biodiesel and other alternative fuels where cost and availability allow.
- We use state-of-the-art vehicle optimisation and scheduling software to ensure we maximise the efficiency of our delivery fleet reducing unladen mileage as far as we can.

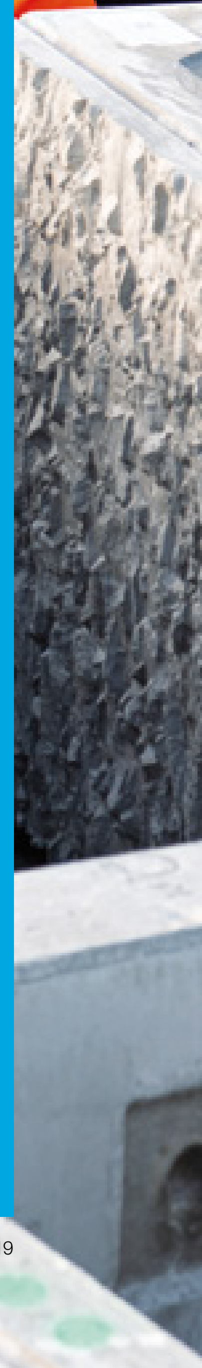
90% Euro VI compliant delivery fleet

Building sustainable communities

- Our products help build high-quality energy-efficient homes that last for generations.
- With a shortage of domestically manufactured bricks in the UK, our products are essential in building the houses the country needs.
- We provide employment for approximately 1,800 people, often in rural areas with few employers, playing an integral role in our local communities.

A sustainable approach

- We have set stretching decarbonisation and plastic reduction targets with these now embedded in our long-term incentive plan as well as our credit facility which is now sustainability linked.
- 100% of our electricity came from renewable sources in 2022. We are investing in adding our own dedicated renewable generation capacity to the grid.
- At the end of their life our products are recyclable. We are committed to training and developing both our current workforce and our workforce of tomorrow.
- We seek to limit waste, recycling wherever possible and are now effectively a zero waste to landfill business.



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OUR BUSINESS MODEL

INPUTS/STRENGTHS

OUR PEOPLE

Their commitment, expertise and diversity are key to our success

OUR RESERVES

In 2022 over 90% of the clay we used in our manufacturing processes was sourced from our own reserves

OUR FINANCIAL STRENGTH

We have a strong balance sheet and are focused on growing our cash flow over the long-term

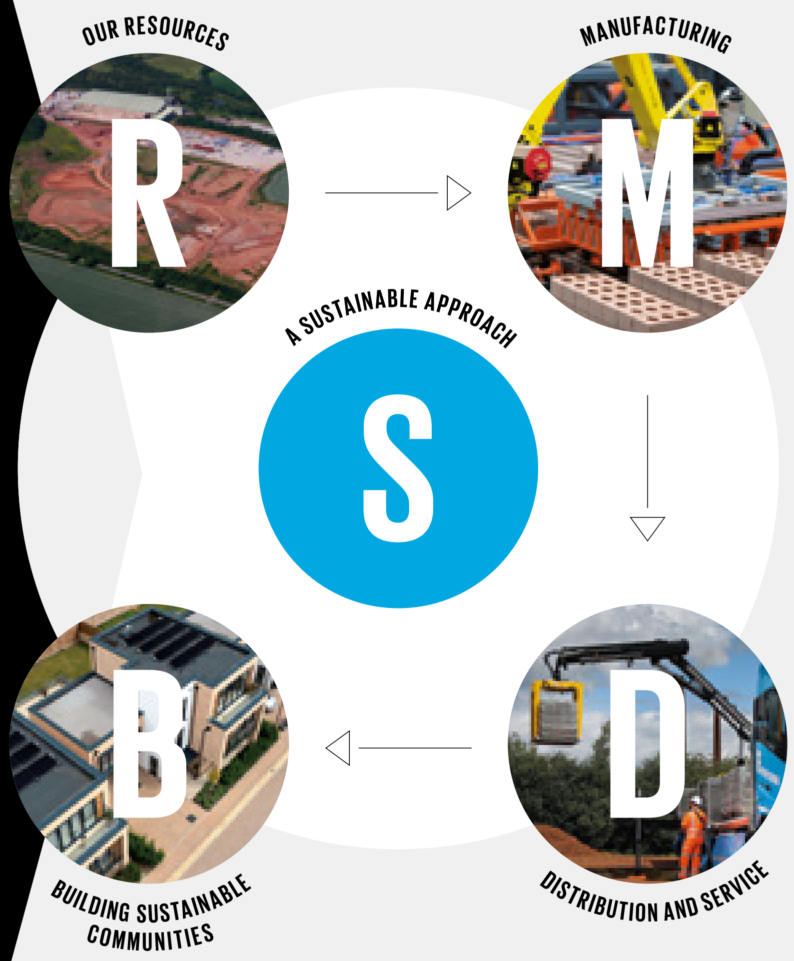
OUR PARTNERS

We have longstanding relationships with our supply chain partners and our customers

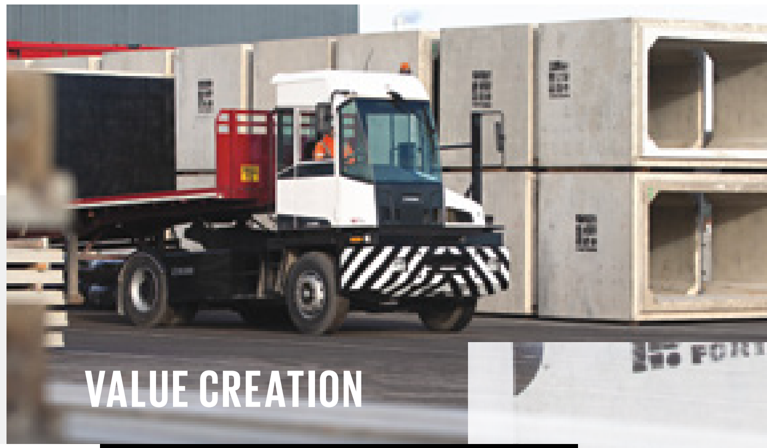
OUR BRANDS

Our strong portfolio of brands is a key asset

WHAT WE DO



READ MORE ABOUT WHAT WE DO
AND OUR IMPACTS ON PAGES 18 AND 19



VALUE CREATION

OUR VALUES

Safety first
Safety is our number one priority, and our ambition is a zero-harm workplace where everyone feels safe. We are each responsible for our own safety, health, and wellbeing, and for creating an environment where everyone feels confident to challenge unsafe practices.

People matter
We treat everyone fairly, involve them in decision-making and have open communication channels. Our commitment to inclusion and equality ensures the business has a diverse workforce. Supported by our training and development programmes this creates an engaging workplace that attracts and retains successful people.

Customer focus
Our business values depend on our customers. We work hard to develop strong, mutually beneficial relationships that ensure we are always a preferred supplier. We are focused on supporting our customers by improving the sustainability of our products.

Trusted to deliver
Working to the highest standards of compliance and environmental management – and mindful of our responsibility as a good neighbour – we manufacture and supply industry-leading products, delivering them when and where our customers need them.

Driving improvement
We embrace change and are open to new initiatives that bring better ways of working which benefit the environment. Whether through developing new products, reducing our use of plastics and cutting carbon emissions, we endeavour to continually improve all aspects of our business and performance.

SHAREHOLDERS

An attractive dividend policy, supported by strong cash generation and a robust balance sheet.

EMPLOYEES

Through equity ownership, and committed investment in career and personal development we ensure our people prosper.

SUPPLIERS

We work collaboratively with our supply partners to ensure value is delivered throughout our supply chain.

COMMUNITIES

We supply the materials to build sustainable communities, creating local employment and ensuring we do business in a sustainable way.

CUSTOMERS

By continuously engaging with our longstanding, loyal customer base, we offer industry-leading customer service.

MARKET OVERVIEW

Robust longer-term market fundamentals remain, driven by structural undersupply of new homes in the UK.

25%
New build segment of UK construction market

37%
RM&I segment of UK construction market

38%
Commercial & Specification segment of UK construction market

Despite the wider economic uncertainty that became increasingly prevalent towards the end of 2022, with increasing interest rates and the corresponding reduction in mortgage affordability affecting short-term demand for new homes, we remain confident that in the medium-term, demand for housing in the UK will continue to benefit from not only the compounding shortage in supply, but also from a growing focus on the energy efficiency that new homes provide.

Our markets

Our products are used almost exclusively in construction within the UK. Demand for these products is therefore directly related to levels of UK construction activity. Levels of, and growth in, construction activity are influenced by macroeconomic factors, including general economic prosperity, consumer confidence, Government policy, house prices, interest rates and mortgage availability. The UK construction market can be segmented between new build and repair, maintenance & improvement (RM&I), as well as residential or non-residential; with our products predominantly being used within the residential construction sector.

In 2022, approximately 97% of the Group's revenue was derived from sales to residential construction applications, of this we believe c.66% of our revenue was driven by new build residential construction with c.31% directed to RM&I. In addition to large-scale housebuilders, the Group's customers also include builders' merchants and distributors who sell our products to a broad range of end-users, so a degree of estimation is inherent within these end-use figures.

On this basis, the performance of the UK housing market is of key importance to the prosperity of our business, however the range of RM&I products that the business offers, most notably our London Brick range widely used in home extensions across the South of England and Midlands, assists in mitigating exposure to housing market cycles.

UK housing market

The residential construction sector in the UK consists of private and public (social) housing and includes both new build and RM&I of existing properties. New build activity is generally measured by the number of housing starts and the number of housing completions, which remained relatively flat in 2022 with a 1% increase in completions year on year according to CPA estimates.

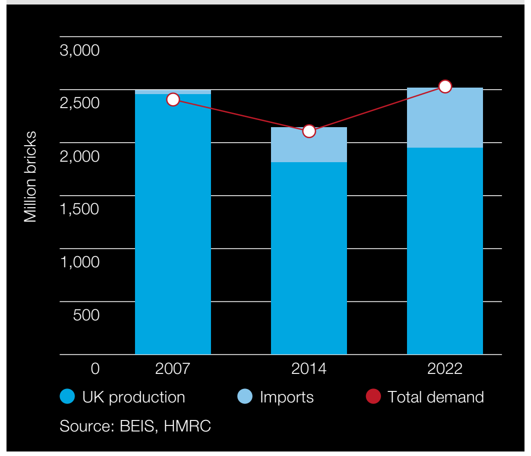
After a positive first half, the housing market softened in the second half of 2022 although demand for our products remained resilient with customers continuing to purchase products that were, until recently in short supply.

Following the September mini-budget and subsequent sharp increases to mortgage rates, the demand for new housing dropped rapidly with the large-scale housebuilders reporting a significant fall in their reservation rates.

In 2023 however, whilst demand for our products has in the short-term reduced as our customer base seek to reduce both their work in progress and inventories of construction products, there are green shoots emerging as the major housebuilders report robust customer interest and recovering reservation rates as we head into the spring. The economic environment remains challenging, but is notably different from the 2008 global financial crisis. Under the CPA's most recent January 2023 forecast, housing starts are forecast to fall by 13% in 2023; in 2008 and 2009 the relative fall was 39% and 21% respectively. Unlike in 2008, unemployment remains very low and mortgages are freely available with rates dropping significantly since the sudden increases in the autumn of 2022.

Many analysts and commentators following the housebuilding sector expect demand to fall further than the CPA have forecast. As such, we are planning for, and resourcing our business accordingly, for a 20% fall in underlying demand relative to 2022, with this decrease being mitigated to some extent by substitution of imported bricks although in the shorter-term, the effects of customer inventory reduction will further exacerbate the fall in demand for our products. The outlook beyond 2023 is uncertain, although with customer inventory reduction working through in the first half of 2023 and with mortgage rates now reducing and the major housebuilders reporting a steady recovery in reservation rates, we are optimistic that demand for our products will increase in 2024.

UK demand vs. domestic capacity (million)



The c.204,000 new homes completed in 2022 remains well short of the recently reiterated Government target of 300,000 new homes annually across the UK. This continues to underline the compounding supply shortage of housing in the UK.

Longer-term demand is further intensified by continued population growth and a growing concern about the poor quality and energy efficiency of much of the UK's housing stock. These attractive market fundamentals remain relevant as we enter 2023 and leave us confident in the medium-term future of the new build housing market in the UK.

UK demand versus domestic capacity

Due to the weight of our products, transport costs are high and penetration of imported bricks into the UK is driven by shortage of domestic supply, and reached 23% of total consumption in 2022. Imported bricks fall into two categories: a core element of specialist, often architecturally driven products not available in the UK, and additional imports that serve demand that cannot be met due to capacity constraints of the UK brick manufacturing industry, where domestic production capacity remains, despite ongoing investment, below the pre-financial crisis levels of c.2.6 billion bricks per annum. This second category fluctuates depending on availability of domestically produced bricks and as such, in line with the supply chain challenges seen across the wider construction industry since the pandemic, increased further in 2022. This dynamic supports the opening of our new Desford brick factory, as despite the present slowdown in our end markets, our customers value the ensured provenance and quality of a domestically produced brick, supplied directly from stock, for prompt delivery with lower transportation costs.

Commercial market

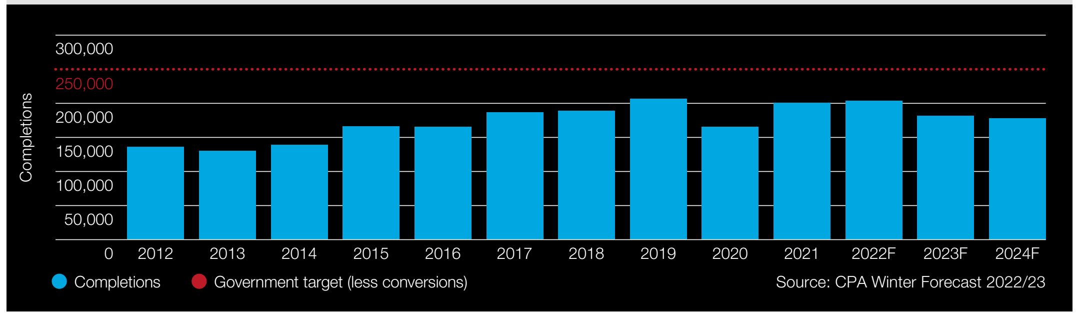
The commercial and specification segment of the UK brick market accounts for an estimated 400 million bricks per annum, compared to a total clay brick market of c.2.5 billion. This sector focuses on architecturally driven projects such as hospitals, schools, offices, universities, and other public buildings; and is an area of the market in which Forterra are historically under-represented.

Our redeveloped Wilnecote brick factory, scheduled to be recommissioned in 2023, will allow further penetration into this market that currently utilises a significant level of imports, broadening our offering and diversifying the end-use markets that we serve.

Sustainable buildings

Whilst it is important to recognise that our products are inherently sustainable, lasting for well over a century and requiring no maintenance throughout their lifetime; we can always do more. Facilitating the move to sustainable buildings through support of offsite, and modern methods of construction is key to our strategy, enabling improved construction efficiency and less wastage. These products can facilitate ambitious accelerated build targets for UK construction, whilst also recognising the role of our products in supporting the transition to a lower carbon economy. Our TCFD disclosure shown on pages 68 to 75 details the perceived opportunities as well as risks relevant to this transition, and whilst offsite construction may demand fewer traditional products such as bricks and blocks, we continue to innovate and develop new products to serve this growing market and have further increased our resource in this area. Our £12m investment at our Accrington factory to enable the manufacture of brick slips is a prime example of seizing these opportunities, with the significant sustainability benefits that this project brings relative to current brick slip production which often involves cutting the face from a traditional brick and discarding the rest of the brick.

Housing completions vs. Government target



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SECTION 172 STATEMENT

ENGAGING WITH OUR STAKEHOLDERS

We are committed to engaging with all of our stakeholders, ensuring that strong relationships are built and maintained. These relationships are essential to our ongoing success.

Our key stakeholders are at the core of everything we do. The Board remain fully appreciative of the impact of our strategy and business model across our stakeholder group and recognise that different stakeholders may have opposing views.

More information about our strategy can be found on pages 26 and 27, and the business model can be found on pages 20 and 21. The following details engagement across our stakeholder group, both throughout the business and at Board level.

Our values

- Safety first
- People matter
- Customer focus
- Trusted to deliver
- Driving improvement

DIRECTORS' RESPONSIBILITIES IN ACCORDANCE WITH S172(1) OF THE COMPANIES ACT 2006

The Board consider, both individually and collectively, that they have acted in good faith to promote the success of the Company for the benefit of the Company's members as a whole in their decision-making throughout 2022.

In making a declaration that they have fulfilled their responsibilities in this matter the Board have considered the matters detailed in s172(1) paras (a-f). The table opposite highlights examples of how the Directors have satisfied their duty under s172 during the year.

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PEOPLE

We aim to create an engaging workplace, attracting and retaining talented people

Aligning with our values

Business engagement
- Provision of regular employee updates across a number of channels including social media, featuring regular podcasts from the CEO and other members of the Executive Committee
- CEO, Stephen Harrison undertook an annual tour of the business conducting face to face 'town hall talks' at each location
- Our Employee Forum gives employees the opportunity to engage directly with senior leadership, including members of the Board
- Monthly 'town hall talk' management briefings equip local management to disseminate information to the wider workforce on a face-to-face basis
- 'HearMe' employee engagement survey conducted

Board engagement
- Board members undertake regular health and safety walks at factory sites presenting the opportunity for 1-1 engagement
- Martin Sutherland (Non-Executive Director) attends the Employee Forum held up to four times per year
- Defining culture and leading from the top is a key Board priority

Outcomes
- The Employee Forum met on a quarterly basis, discussing a range of topics including health and wellbeing, pay, inflation and cost of living challenges along with charitable giving
- To support our workforce with the cost of living challenges a £50 supermarket voucher was given to all employees followed by a one-off £500 cost of living award for those employees not paying the higher rate of income tax

CUSTOMERS

Our customers are essential to our business, and evolving to meet their changing needs is core to our success

Aligning with our values

Business engagement
- Our commercial team continually engaged directly with customers and our sales office form the first point of customer contact
- Regular, often weekly, structured meetings with customer procurement teams to review forward orders, availability and any service issues
- Clear communication of our input cost inflation pressures facilitated constructive discussions around necessary selling price increases

Board engagement
- Executive Directors regularly meet with customers
- Corporate event held where Non-Executive Directors meet with key customers gaining insight into their perspectives

Outcomes
- Ability to supply our customers with the product they need is core to our new Desford brick factory which is now operational
- Necessary selling price increases were delivered on multiple occasions throughout the year

SUPPLIERS

Working collaboratively with our supply partners to ensure value is delivered throughout our supply chain

Aligning with our values

Business engagement
- Direct engagement with suppliers through the procurement team
- Increased forecasting of requirements and management of bottlenecks
- Working with supply partners to minimise inflationary impacts
- The Executive Committee maintains relationships with directors of the Group's key suppliers with discussions covering health, safety and wellbeing and longer-term sustainability goals alongside day-to-day trading

Board engagement
- Sustainability is a key priority for the Board and the Risk and Sustainability Committee
- Risks to the supply chain including energy procurement are regularly discussed at both Board and Risk and Sustainability Committee meetings

Outcomes
- Managing supply chain pressures through secondary and multiple sources of supply
- Securing additional transport capacity

COMMUNITY AND ENVIRONMENT

We believe in putting communities at the heart of everything we set out to achieve

Aligning with our values

Business engagement
- Supported numerous local clubs, organisations and charities with donations through the Forterra Community Fund
- We engaged in regular dialogue with local communities across our manufacturing locations
- Charity funding match available to employees, aiding fundraising efforts

Board engagement
- Board actively involved in sustainability strategy and regularly updated regarding progress in this area
- Risk and Sustainability Committee actively engaged in consideration of both transitional and physical climate risks

Outcomes
- Donated over £100,000, a significant increase over the prior year, to charitable causes in 2022
- Forterra Carbon Management Plan formalised, detailing our roadmap to meeting our challenging decarbonisation targets

SHAREHOLDERS

The core of our strategy is to create sustainable shareholder value

Aligning with our values

Business engagement
- Results presentations were delivered on release of full year and interim results
- Meetings were held between management and both current and potential shareholders
- The investor relations section on our website has facilitated easy access to announcements, key dates and publications
- Our management regularly engaged with the analyst community who then disseminated research to both current and potential shareholders

Board engagement
- Our AGM enabled shareholders direct access to the Board
- Our Chairman continued to offer and hold meetings with major shareholders
- The Remuneration Committee Chairman was available to meet with shareholders to discuss remuneration matters, conducting a shareholder consultation ahead of proposing revisions to our Remuneration Policy

Outcomes
- Shareholders are kept informed of Group performance
- Sustainability metrics of decarbonisation and plastic reduction now incorporated into our long-term incentive Performance Share Plan
- Enhanced engagement with ESG ratings agencies including CDP, MSCI and Sustainalytics
- Fully compliant TCFD disclosure continues to develop, ensuring stakeholders are informed of the climate risks facing our business

OUR STRATEGY TO KEEP BRITAIN BUILDING

Our strategy for growth allows us to deliver on our purpose, Keeping Britain Building, enabling the development of thriving communities and infrastructure.

OUR PURPOSE

KEEPING BRITAIN BUILDING

Our strategy is focused upon organic investment across three interconnected pillars, allowing us to take advantage of favourable long-term market dynamics driven by a persistent undersupply of housing, alongside shortfalls of the domestically manufactured building products needed to deliver the quality new housing the country requires.

A strategy enabled by our cash-generation and balance sheet strength

Our strategic capital investment projects form part of a 10-year investment pipeline totalling over £200m, in addition to Desford, across both our clay and concrete businesses. Whereas our strategy is focused upon organic growth, should opportunities arise we will selectively look at acquisitions, whilst also recognising that the consolidated nature of our industry is likely to limit opportunities within our core product groups.

Sustainability at the heart of our strategy

We mean it when we say sustainability is at the heart of everything we do. We recognise that our products have a significant carbon footprint, but it is important to remember that this is currently the case with all heavy building materials. Our products will provide quality homes lasting over 150 years and as such are inherently sustainable. We are committed to reducing our carbon emissions by 32% by the end of the decade and then to net zero by 2050.

Our sustainability strategy is completely aligned with our wider strategy. By investing in our factories to make them more efficient, we reduce our energy costs, our emissions and therefore our carbon compliance costs. Our strategy to develop new products also has sustainability at its core. You can find out more about our commitment to sustainability in our Sustainability Report on pages 42 to 75.

£200m

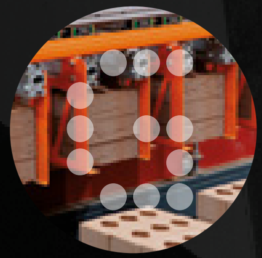
10-year strategic investment pipeline in addition to Desford

CO_2

32%

reduction in our carbon emissions by the end of the decade (vs. 2019)

DELIVERED THROUGH OUR STRATEGIC PRIORITIES



GROWING

STRENGTHEN THE CORE

Grow capacity, improve cost efficiency and sustainability.

Growing sustainably

Exemplified by the new Desford brick factory, which is now operational.

– READ MORE ON PAGES 28 AND 29

DEVELOPING

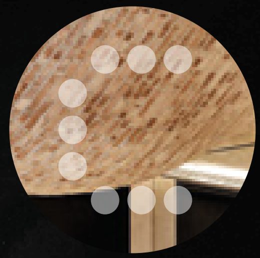
RANGE EXPANSION

Access new higher margin market segments with an expanded product offering.

Developing sustainably

Our redeveloped Wilnecote factory, due to be recommissioned in 2023 will offer further expansion into the commercial and specification market as well as a wide breadth of efficiency and sustainability benefits.

– READ MORE ON PAGES 30 AND 31



CREATING

PRODUCT INNOVATION AND DEVELOPMENT

Develop and launch new products. Innovation is at the core of our strategy and key to our continued success.

Creating sustainably

Our new brick slips production line at Accrington will not only allow a cost-effective entry into a new market but also offer significantly improved sustainability credentials versus cutting bricks.

– READ MORE ON PAGES 32 AND 33

GROWING

Grow capacity, improve cost efficiency and sustainability.

The strength of our business lies in its core and we are committed to the protection and expansion of this core.

By investing in expanding and renewing our asset base and through delivering manufacturing excellence we will increase production output, improve cost efficiency and become more sustainable, improving returns for shareholders.

Old
Production capacity at old Desford facility

60m
bricks

180m
bricks

+200%

New
Production capacity at new Desford facility

New Desford timing

2022
Commissioned

2023
Second kiln commissioned

2024
Full production run rate achieved

2025
Full financial contribution

SUSTAINABLY

25%
less carbon footprint per brick than old Desford brick factory

New Desford – The largest and most efficient brick factory in Europe.

With construction now almost complete and manufacturing having commenced, this market-leading new factory will produce bricks with a carbon footprint approximately 25% lower than those from the old factory it replaces.

With a total investment of c.£95m, we expect the new factory to be manufacturing 180 million bricks per annum once at full capacity, enough to construct 25,000 new homes and provide our customers with an additional 120 million domestically produced bricks, increasing our brick production capacity by c.22%.

DEVELOPING

Expanding the range.

Our business has traditionally been focused towards the mainstream residential construction and associated repair, maintenance and improvement market. We currently have a lesser presence in the architect-led commercial and specification market. Our strategy is to broaden our range of bricks to grow our presence in this market where customers demand the highest levels of quality, but where selling prices and margins are higher.

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STRATEGIC REPORT

SUSTAINABLY

£30m

investment in redevelopment at our Wilnecote brick factory

Redeveloping our Wilnecote brick factory to grow our share in the attractive commercial and specification market.

The redevelopment of our Wilnecote brick manufacturing site has commenced, and is due for completion later in 2023.

This investment will expand the product range manufactured at the factory providing diversification and strengthening our position in the architect-led commercial and specification market which includes residential, commercial, school and hospital developments.

CREATING

Develop and launch new and sustainable products.

Our core products have not changed for many years and whilst they remain the preferred choice for traditional residential construction, there are opportunities to capture new markets by offering both existing and new customers products suitable for differing and modern methods of construction. We are committed to the development of new product ranges with a focus on providing innovative solutions for the rapidly growing offsite and modular construction markets. In addition, our ambition is to develop solutions that will allow the beautiful, durable and firesafe clay brick to again become a cladding of choice for high-rise buildings.

10%
of revenue targeted from new and sustainable products by 2025

SUSTAINABLY

75%
less raw material and energy vs. cutting traditional bricks

Developing our own slip manufacturing facility at Accrington.

Brick slips offer a solution enabling structures, from modular to high-rise, that would not normally be finished in brick, to benefit from a real brick finish.

Our £12m investment in our Accrington facility to manufacture our own brick slips is an important step in our sustainability journey, using up to 75% less raw material and energy in their production compared to traditional bricks.

This new production line is expected to commence operation in the first half of 2024 offering an installed capacity of 48 million slips per annum.

KEY PERFORMANCE INDICATORS

Strategy links

- Strengthen the core
- Range expansion
- Product innovation and development

Remuneration links

- Remuneration

Revenue (£m)

	Revenue (£m)
2022	455.5
2021	370.4
2020	291.9
2019	380.0
2018	367.5

Definition
Revenue represents the sale of our products, net of rebates, discounts and value added taxes.

Performance
Revenue increased by 23.0% compared with 2021. Price increases were delivered on multiple occasions throughout the year. In response to severe cost inflation we increased the majority of our brick-selling prices by a cumulative 50% during the year with the selling prices of other products increasing between 16% and 22%.

Links

Lost time incident frequency rate (million man-hours worked)

2022	3.79
2021	3.98
2020	2.52
2019	7.10
2018	3.40

Definition
Our lost time incident frequency rate (LTIFR) is calculated using contracted working hours and is stated as the number of lost time incidents suffered per million man-hours worked.

Performance
Our LTIFR was 3.79 incidents for every million man-hours worked in 2022, representing a slight decrease on 2021. Of the 29 separate business areas monitored, 20 were Lost Time Incident (LTI) free during 2022, seven have been LTI free for over five years and three for over 10 years.

Links

Operating cash conversion (%)

	Operating cash conversion (%)
2022	108
2021	137
2020	233
2019	80
2018	91

Definition
Operating cash conversion is calculated as operating cash flow before exceptional items less capital expenditure (excluding spend on the strategic projects) divided by operating profit before exceptional items. We have removed the capital expenditure related to strategic projects from this KPI as these are long-term projects that will generate cash flows over a period in excess of 30 years.

Performance
The Group continues to be highly cash-generative, carefully managing its working capital and cash outflows. Inventory build in the current year, driven by value rather than quantity, combined with strategic spend, has lowered operating cash conversion slightly. However 108% remains a strong result for the Group.

Links

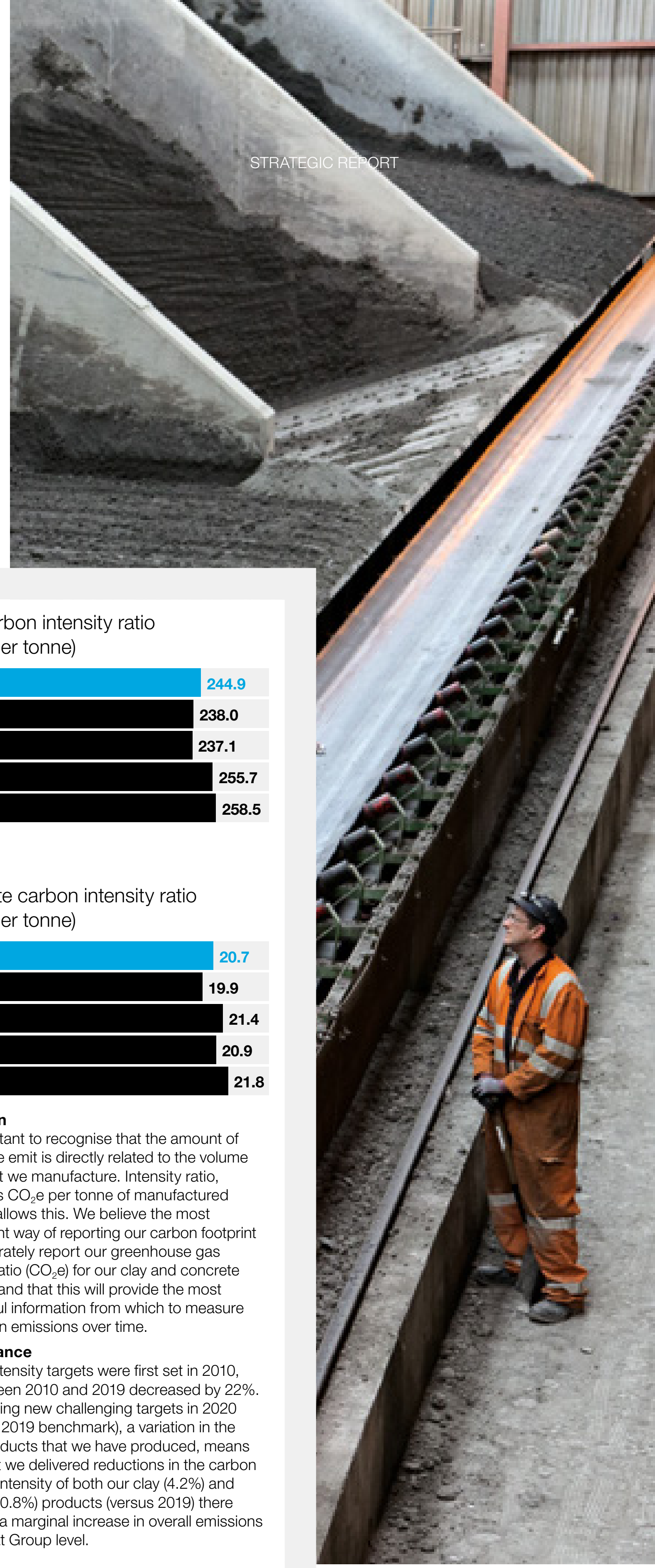
Profit before tax before exceptional items (£m)

	Profit before tax before exceptional items (£m)
2022	70.6
2021	50.7
2020	17.4
2019	62.5
2018	64.8

Definition
Profit before tax adjusted for exceptional items.

Performance
Profit before tax before exceptional items increased by 39.3% to £70.6m. This was driven by consistently strong demand throughout 2022, alongside significant price increases achieved during the year.

Links



EPS before exceptional items (pence)

	EPS before exceptional items (pence)
2022	26.4
2021	17.5
2020	6.6
2019	25.5
2018	26.5

Definition
Basic earnings per share (EPS) adjusted for exceptional items.

Performance
EPS before exceptional items was 26.4p compared with 17.5p in 2021, this is driven by the increase in profit in the period, combined the share buyback which reduced weighted average shares across 2022.

Links

Net (debt)/cash before leases (£m)

	Net (debt)/cash before leases (£m)
2022	(5.9)
2021	40.9
2020	16.0
2019	(43.2)
2018	(38.8)

Definition
Net (debt)/cash comprises cash and cash equivalents less the balance of short and long-term borrowings, excluding lease liabilities.

Performance
The Group ended the year with minimal net debt, after returning a total of £64.2m to shareholders through the £40m share buyback and dividends in 2022, reinforcing the strength of our cash generation and the quality of earnings.

Links

Clay carbon intensity ratio (CO_2e per tonne)

	Clay carbon intensity ratio
2022	244.9
2021	238.0
2020	237.1
2019	255.7
2018	258.5

Concrete carbon intensity ratio (CO_2e per tonne)

	Concrete carbon intensity ratio
2022	20.7
2021	19.9
2020	21.4
2019	20.9
2018	21.8

Definition
It is important to recognise that the amount of carbon we emit is directly related to the volume of product we manufacture. Intensity ratio, defined as CO_2e per tonne of manufactured product, allows this. We believe the most transparent way of reporting our carbon footprint is to separately report our greenhouse gas intensity ratio (CO_2e) for our clay and concrete products and that this will provide the more meaningful information from which to measure our carbon emissions over time.

Performance
Carbon intensity targets were first set in 2010, and between 2010 and 2019 decreased by 22%. Since setting new challenging targets in 2020 (against a 2019 benchmark), a variation in the mix of products that we have produced, means that whilst we delivered reductions in the carbon emission intensity of both our clay (4.2%) and concrete (0.8%) products (versus 2019) there has been a marginal increase in overall emissions intensity at Group level.

Links

CHIEF FINANCIAL OFFICER'S REVIEW

LOOKING FORWARD FROM A POSITION OF STRENGTH

BEN GUYATT

We delivered an excellent financial result in 2022 and are well positioned to weather any short-term reduction in demand for our products."

Our financial performance in 2022 is a function of stable volumes and continued cost inflation mitigated by substantial selling price increases which allowed us to demonstrate progression delivering a strong result in the year which was ahead of our pre-Covid 2019 comparative.

2022 Results

Revenue

With sales volumes stable year-on-year, our revenues benefitted from the essential price increases delivered on multiple occasions throughout the year. Total revenue of £455.5m represents an increase of £85.1m (23.0%) on the prior year (£370.4m). We increased the majority of our brick prices by a cumulative 50% during the year with the selling prices of other products increasing between 16% and 22%.

Bricks and Blocks revenues of £370.2m, represent an increase of 24.2% on the prior year comparative (£298.1m) driven by selling price increases with our despatches constrained by production capacity and inventories.

Bespoke Products delivered an excellent performance in 2022 with a record result delivered from the rationalised precast flooring footprint. Floor beam sales revenue increased by 34.1% relative to 2021 and prices were increased regularly during the year to keep pace with rising costs.

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STRATEGIC REPORT

Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA as stated before exceptional items was £89.2m (2021: £70.4m). This level of profitability is ahead of the 2019 result of £82.7m albeit at a lower EBITDA margin.

Our business is managed as two divisions and we allocate our central overheads to each division based on an historic revenue driven allocation mechanism, with central overheads allocated to Bricks and Blocks and Bespoke Products in the ratio 80%:20% respectively. In practice, the allocation of overheads to Bespoke Products exceeds the level of overheads that are directly applicable to this segment, such that if this segment was to be discontinued or divested then the saving of overheads, would in reality, be modest. Accordingly, we also disclose the allocation of central overheads to give greater visibility of the underlying profitability of our segments, in particular Bespoke Products.

Despite the significant increase in selling prices within Bricks and Blocks our operating margins have fallen short of 2019 levels demonstrating the need to continue passing on cost increases to our customers. Bricks and Blocks EBITDA before exceptional items was £85.5m (2021: £70.5m) and Bespoke Products contributed an EBITDA before exceptional items of £3.7m (2021: loss of £0.1m). Profit before tax as stated before exceptional items was £70.6m (2021: £50.7m).

We are very pleased with the performance delivered by the Bespoke Products segment in the year with an EBITDA before exceptional items and overhead allocations of £9.7m, over double the 2021 result (£4.8m). This strong performance from our rationalised asset base follows the closure and disposal of the Swadlincote facility in recent years.

Relative to 2021 we increased our sales volumes of floor beams by 9% but most importantly implemented a dynamic pricing model which allowed us to recover the rapidly rising cost base.

Initial production at our new Desford brick factory.

EBITDA before exceptional items
£89.2m 26.7%
2021: £70.4m

Net (debt)/cash before leases
£(5.9)m
2021: £40.9m

Revenue
£455.5m 23.0%
2021: £370.4m

EBITDA margin before exceptional items
19.6% 60bps
2021: 19.0%

Results for the year

	Revenue		EBITDA					
	2022 £m	2021 £m	**Statutory 2022 £m**	**Exceptional items 2022 £m**	**Before exceptional items 2022 £m**	Statutory 2021 £m	Exceptional items 2021 £m	Before exceptional items 2021 £m
Bricks and Blocks	**370.2**	298.1	**87.8**	**2.3**	**85.5**	70.5	–	70.5
Bespoke Products	**90.1**	76.1	**3.7**	**–**	**3.7**	6.0	6.1	(0.1)
Intersegment elimination	**(4.8)**	(3.8)						
Group total	**455.5**	370.4	**91.5**	**2.3**	**89.2**	76.5	6.1	70.4

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

Operations

Our factories generally operated at close to capacity during 2022 although the Wilnecote brick factory closed for redevelopment at the end of September, and we continued to face reliability issues with the old Desford brick factory which is expected to close within the next month. In addition, we have had some plant reliability and production challenges within our Aircrete block business which adversely impacted production and accordingly sales.

Our inventory levels ended the year at record low levels. Following the strong recovery from the pandemic in the second half of 2020, until now there has not been an opportunity to replenish our inventory levels. Inventory valuation at the end of 2022 stood at £43.0m compared to £32.8m at the end of 2021. However, when the increases in input costs and the costs of production are taken into account, physical inventory quantities were lower than at the end 2021. Any slowdown in demand for our products in 2023 will facilitate a replenishment of inventories which will be necessary in order to deliver the levels of efficiency and customer service we demand of ourselves.

Operating costs

Large increases in our selling prices were necessitated by unrelenting increases in our cost base including the increasing cost of energy. The cost of energy first increased in the second half of 2021 with further rises during 2022 driven by the war in Ukraine. We have experienced unprecedented levels of direct energy cost inflation, being the price we need to pay for our gas and electricity, as well as experiencing indirect energy cost inflation as the rising cost of energy impacts many of our input categories, from cement and aggregates to steel, insulation and packaging.

The average market day ahead commodity rate for a therm of gas in the UK during 2022 was £2.10, which compares to a figure of £1.16 in 2021 and £0.35 in 2019. This highlights the level of energy cost inflation seen generally with the cost of gas having increased sixfold. We have continued to use forward purchasing to manage our exposure and to provide a degree of certainty as to our cost base.

In 2022 our combined gas and electricity spend was approximately £57m compared to £32m in 2021 and £26m in 2019. Our forward purchasing provided us

Bricks and Blocks

	Before exceptional items 2022 £m	Statutory 2022 £m	Before exceptional items 2021 £m	Statutory 2021 £m
Revenue	**370.2**	**370.2**	298.1	298.1
EBITDA before overhead allocations	**109.5**	**111.8**	90.5	90.5
Overhead allocations	**(24.0)**	**(24.0)**	(20.0)	(20.0)
EBITDA	**85.5**	**87.8**	70.5	70.5
EBITDA margin before overhead allocations	**29.6%**	**30.2%**	30.4%	30.4%
EBITDA margin after overhead allocations	**23.1%**	**23.7%**	23.6%	23.6%

Bespoke Products

	Before exceptional items 2022 £m	Statutory 2022 £m	Before exceptional items 2021 £m	Statutory 2021 £m
Revenue	**90.1**	**90.1**	76.1	76.1
EBITDA before overhead allocations	**9.7**	**9.7**	4.8	10.9
Overhead allocations	**(6.0)**	**(6.0)**	(4.9)	(4.9)
EBITDA	**3.7**	**3.7**	(0.1)	6.0
EBITDA margin before overhead allocations	**10.8%**	**10.8%**	6.3%	14.3%
EBITDA margin after overhead allocations	**4.1%**	**4.1%**	–	7.9%

with some insulation from soaring costs although we have still seen our energy spend increase by over 100% since 2019.

Whilst our forward positions allowed us to partially mitigate the cost increase in 2022, we do expect a further increase in our energy costs in 2023 as lower cost forward purchases which benefited 2022 are replaced with higher cost commitments for 2023.

We are well positioned with regard to energy procurement for 2023 with at least 80% of our energy needs now secured by forward contract, although this percentage will depend on our actual production levels.

We expect our energy costs to peak in 2023 and from 2024 expect to benefit from forward purchases that have been secured at lower rates. In addition,

we will also see the first benefits of the Forterra solar farm where we have exercised an option to receive power from this facility (albeit at a higher cost) in 2024, prior to the inception of the competitively priced 15-year Power Purchase Agreement in 2025.

Due to the success of our energy procurement strategy, we did not benefit from the Government's Energy Bill Relief Scheme in 2022 and expect to receive little if any benefit in the first quarter of 2023. Beyond this, even as an energy intensive user, we expect to receive minimal, if any, benefit from the Energy Bills Discount Scheme which becomes effective in April 2023.

As well as rising gas and electricity costs, we also saw the cost of diesel fuel rise to record levels in 2022, significantly increasing the cost of operating our distribution fleet of around 180 specially equipped heavy goods vehicles and increasing the rates we pay our subcontract haulage contractors. In addition, we experienced a further increase in our fuel costs following the Government's decision to restrict the usage of red diesel and rebated biofuels, meaning that from 1 April 2022 we and our contractors were required to pay the full rate of fuel duty for fuel used in mobile plant and equipment at our factories, including the winning of clay and the handling of both raw materials and finished goods.

It is important to re-emphasise that the increases in our cost base extend well beyond the direct cost of energy. Many of our other inputs have increased significantly with the cost of cement for example, increasing by approximately 75% since the beginning of 2021.

During the year we also provided our workforce with what we believe was a generous sector leading pay award, along with additional targeted support to help the lowest paid, and it is our intention to continue to provide support to our employees by offering competitive remuneration going forward.

Exceptional items

Exceptional items in 2022 related to the sale of surplus land for gross proceeds of £2.5m realising an exceptional profit of £2.3m. Exceptional items in the prior period totalled a profit of £6.1m and related solely to the closure and subsequent disposal of the Swadlincote precast concrete facility. The sale of the facility and associated equipment realised gross sales proceeds of £14.7m, received in cash, generating a profit on disposal of £6.7m. Associated redundancy and termination costs totalling £0.6m were also recognised within the exceptional item, reducing the profit to £6.1m.

Finance costs

Finance costs totalled £2.1m (2021: £3.3m). Under the terms of the credit agreement, which was in place throughout 2022, interest was payable according to a margin grid dependent on leverage with a margin of SONIA plus 1.75% applicable whilst leverage (Net debt/EBITDA, pre IFRS 16) is less than one times. A commitment fee of 35% of the margin was payable on the unborrowed credit facility.

Taxation

The effective tax rate (ETR) both including and excluding exceptional items was 19.3% (2021: 19.8% including and 21.3% excluding exceptional items). The ETR is slightly higher than the UK statutory rate of 19.0% (2021: 19.0%) due to the permanent impact of non-deductible items such as depreciation on non-qualifying assets, however this is reduced by the permanent benefit of the UK tax super deduction on qualifying plant and machinery expenditure as announced in the 2021 Budget. The 2021 ETR was above the statutory rate of corporation tax at 21.3% as this reflected the impact on the deferred tax liability of the rate change announcement in the 2021 Budget from 19.0% to 25.0% from April 2023.

Earnings per share (EPS)

EPS as stated before exceptional items were 26.4p (2021: 17.5p). Basic EPS after exceptional items were 27.2p (2021: 19.9p). EPS is calculated on the average number of shares in issue during the year (excluding those held by the Employee Benefit Trust (EBT)) which in 2022 was 216.2m shares (2021: 228.1m), the decrease being driven by the impact of the £40m share buyback which saw 15.8m shares purchased and subsequently cancelled.

Cash flow

Operating cash flow before exceptional items totalled £89.0m compared to £81.2m in the prior year, a repeated demonstration of the Group's ability to generate consistently strong cash flow and highlighting the quality of earnings in the year.

The movements seen in working capital are a function of the rapid cost inflation experienced in the year as our trade receivables reflect the increase in our selling prices and the working capital tied up within inventories increases due to the rising costs of production, but inventory volumes remain at record low levels.

The new lease liabilities primarily relate to new distribution vehicles as we regularly renew our fleet with efficient and cleaner delivery vehicles.

Net payments to the Employee Benefit Trust (EBT) in the year totalled £11.8m (2021: £3.8m) leaving the EBT in a strong position to meet any forthcoming demand for shares in order to satisfy vesting awards under the Group's employee benefit schemes.
It remains our policy to provide shares for settlement of our share-based employee reward schemes through open market purchases of shares as opposed to the issue of new share capital which would be dilutive and counter to the benefits of the share buyback.

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

Capital expenditure

Capital expenditure in the year totalled £44.1m (2021: £34.6m) with strategic capital expenditure totalling £33.6m (2021: £28.9m) and maintenance capital expenditure totalling £10.5m (2021: £5.7m).

Spend on the new Desford brick factory totalled £26.5m bringing the total cumulative project spend to £86.1m with the project still on course to be completed within the original £95m budget. We expect the remaining cash outflow in 2023.

We have also committed to spending approximately £2.5m installing solar panels on the new Desford brick factory roof which will generate around 16% of the factory's electricity requirement going forward, providing cost effective, transmission cost free, on-site renewable energy.

In addition to the spend on the Desford project, £5.3m (2021: £1.7m) was spent on the Wilnecote factory redevelopment project. Spend on this project in 2023 is expected to be approximately £20m with the total cost expected to be around £30m.

Borrowings and facilities

At 31 December 2022 net debt (before leases) was £5.9m (2021: net cash of £40.9m). Net debt after deducting lease liabilities of £18.0m (2021: £16.5m) was £23.9m (2021: net cash of £24.4m). These leases primarily relate to plant and equipment, in particular the fleet of heavy goods vehicles used to deliver our products to our customers.

At the end of 2022, the Group's debt facility comprised a committed revolving credit facility (RCF) of £170m extending to July 2025. At the year-end a total of £40m was drawn on the facility leaving facility headroom of £130m. The Group also benefits from an uncommitted overdraft facility of £10m.

The facility is subject to covenant restrictions of net debt/EBITDA (as measured before leases) of less than three times and interest cover of greater than four times. The business has traded comfortably within these covenants throughout 2022. The facility also includes a restriction prohibiting the declaration or payment of dividends should leverage exceed three times EBITDA.

Cash flow – highlights

	2022 £m	2021 £m
EBITDA before exceptional items	**89.2**	70.4
Purchase and settlement of carbon credits	**(5.6)**	(6.4)
Other non-cash items	**6.3**	7.4
Changes in working capital:		
– Inventories	**(10.2)**	0.2
– Trade and other receivables	**(5.2)**	(3.4)
– Trade and other payables	**14.5**	13.0
Operating cash flow before exceptional items	**89.0**	81.2
Payments made in respect of exceptional operating items	**–**	(0.6)
Operating cash flow after exceptional operating items	**89.0**	80.6
Interest paid	**(2.4)**	(2.8)
Tax paid	**(11.0)**	(9.6)
Capital expenditure:		
– Maintenance	**(10.5)**	(5.7)
– Strategic	**(33.6)**	(28.9)
Dividends paid	**(24.2)**	(13.7)
Net cash flow from sale and purchase of shares by Employee Benefit Trust	**(11.8)**	(3.8)
Payments made to acquire own shares	**(40.3)**	–
New lease liabilities	**(6.8)**	(12.4)
Other movements	**0.8**	(0.3)
Exceptional proceeds from sale of property, plant and equipment	**2.5**	14.7
Exceptional costs incurred in sale of property, plant and equipment	**–**	(0.3)
Decrease in net funds	**(48.3)**	17.8
Debtor days	**36**	37

At the beginning of 2023 we refinanced our banking facilities retaining the £170m revolving credit facility but extending the maturity date to January 2027 with an option for a further 18-month extension subject to lender consent. The margin grid has also been adjusted such that the grid commences at SONIA plus 1.65% whilst leverage remains under 0.5 times EBITDA, increasing to a margin of 2.75% should leverage exceed 2.5 times.

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The amended facility is now linked to our sustainability targets with the opportunity to adjust the margin by 5 bps subject to achieving annual sustainability targets covering decarbonisation, plastic reduction and increasing the number of employees in earn and learn positions.

The Board are pleased to have gained the certainty of an extended tenure of facility with a margin reduction at the bottom end of the grid leaving the Company well positioned at this time of economic uncertainty.

Dividend

Our dividend policy is to distribute 55% of our earnings. This policy is supported by the Group's consistent cash generating ability coupled with a strong balance sheet. The Board is proposing a final dividend of 10.1p per share (2021: 6.7p) which, in addition to the interim dividend of 4.6p per share paid in October (2021: 3.2p), will bring the total dividend to 14.7p per share (2021: 9.9p). Subject to approval by shareholders, the final dividend will be paid on 7 July 2023 to shareholders on the register as at 16 June 2023.

Return of capital to shareholders

In January 2022 it was announced that the Group would commence a share buyback programme to repurchase Ordinary Shares and return £40m to shareholders during the course of 2022. This buyback was facilitated by the levels of cash held by the Group relative to the committed spend on the Desford and Wilnecote capital projects. The £40m buy back was completed in October 2022 and resulted in the repurchase and cancellation of 15.8m shares at an average cost of £2.52.

The Board continues to keep returns of capital to shareholders under review. Near-term trading performance, driven by market demand, committed capital expenditure on strategic projects, working capital impact of inventory build and the timing of future strategic capital projects to support growth are all key to this decision-making.

Pensions

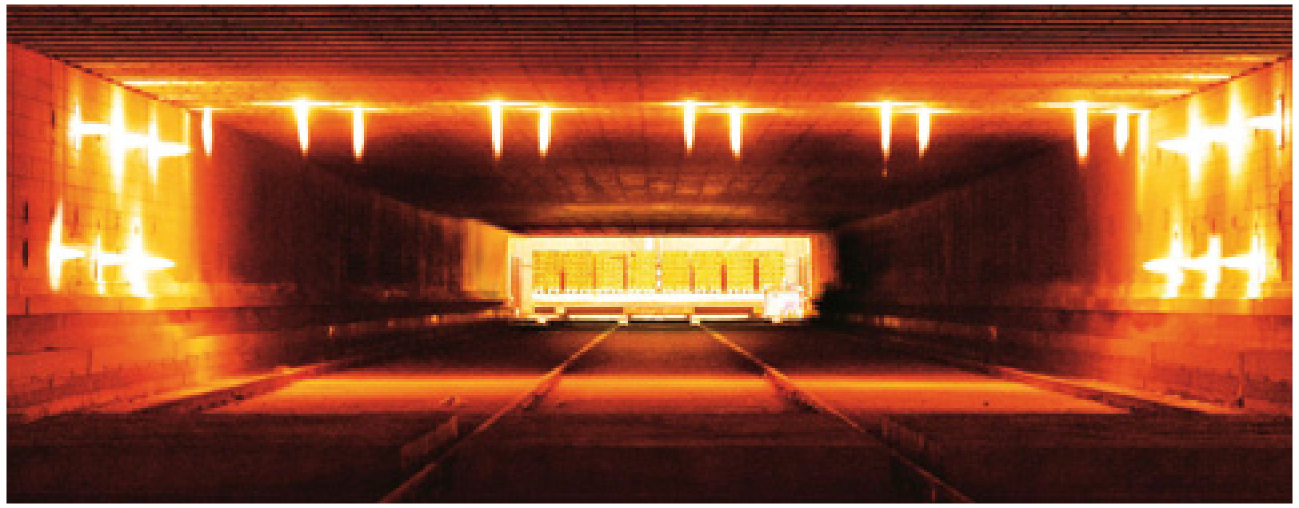
The Group has no defined benefit pension liabilities. There is a defined contribution arrangement in place and pension costs for the year amounted to £6.9m (2021: £5.8m).

Forward-looking statements

Certain statements in this Annual Report are forward looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Ben Guyatt
Chief Financial Officer
9 March 2023



SUSTAINABILITY REPORT

LETTER TO STAKEHOLDERS

> Sustainability is embedded at the heart of our business. Our goal is to Keep Britain Building and our strategy focuses around doing so in a sustainable manner."

DIVYA SESHAMANI

We set ourselves challenging sustainability targets at the beginning of 2021, with 2022 being a year of tangible progress towards meeting these. At the core of our ability to achieve our ambitions is the sustainability framework that we developed alongside these targets. Formed of three pillars: Planet, Product and People, which guide our future decision-making, ensuring we are successful in our overall objective of being a good neighbour and responsible employer, for generations to come.

Two years into the ten year time horizon defined in our targets, we are focusing on delivering investments that will drive a tangible reduction in emissions in the near-term whilst continuing to expand the time and resources we devote to the research and development of new and innovative technologies that will help us reach net zero in the longer-term. A variation in the mix of products that we have manufactured in 2022, means that whilst we delivered reductions in the carbon emissions intensity of both our clay (4.2%) and concrete (0.8%) products there has been a marginal increase in overall emissions intensity at Group level. We do not expect this to impact the achievement of our 2030 target to reduce carbon emission intensity by 32%.

Since 2019 we have already reduced emissions at absolute level by 7.5%, and in this Sustainability Report we are pleased to publish our Carbon Management Plan, laying out our medium-term roadmap as to how we expect to meet our 2030 decarbonisation targets. The plan recognises that our decarbonisation journey will not be linear, and 2022 is a prime example of a great deal of positive achievement not being immediately reflected in immediate absolute reductions; we are however confident that through making the right investments we will successfully deliver on our targets in the years to come.

Core to this plan is making our business more efficient, and therefore more sustainable, with the now operational new Desford brick factory demonstrating this, offering industry-leading levels of efficiency. Beyond Desford, we are also delivering two further investment projects both with strong sustainability credentials. The redevelopment of our Wilnecote brick factory will reduce the carbon footprint of each brick manufactured, and the construction of a brick slip manufacturing facility at our Accrington facility will allow us to bring a new sustainable product to market.

Sustainable energy is also key to our plan and we are delighted to have entered into an agreement with our partner, Lightsource bp, to construct a dedicated solar farm that will provide around 70% of our annual electricity requirement for a 15-year period commencing in 2025. Construction on this solar installation is already underway and we have exercised an option to benefit from its green electricity from 2024. In addition, we are making tangible progress towards our target to generate at least 10% of our electricity requirement through on-site renewables with the installation of a £2.5m solar installation underway at the new Desford brick factory.

The 2021 transition of the Board's Risk Committee becoming the Risk and Sustainability Committee, has continued to be successful in elevating the importance of sustainability throughout the business, with the Committee devoting a significant portion of its time to the Group's sustainability strategy and governance thereof. The Board takes all areas of governance seriously and we are happy to report full compliance with the requirements of the Task Force on Climate-Related Financial Disclosure (TCFD) which are now mandatory.

The importance attached to sustainability both within our own business and to our stakeholders is evidenced by the Group's banking facility now including a sustainability linkage with the Group able to secure a reduction in its borrowing costs through achieving annual targets covering decarbonisation, reduction in the use of plastic packaging and employee development. Following shareholder feedback, the Remuneration Committee is to incorporate the decarbonisation and plastic reduction targets into the 2023 grants under the long-term incentive Performance Share Plan.

Included within this report is an overview of our key sustainability initiatives and credentials highlighting the progress made in the year, along with providing everything necessary to understand our sustainability journey. As always, we welcome feedback regarding our approach to sustainability and the appropriateness and transparency of our disclosures.

Divya Seshamani
Chairman of the Risk and Sustainability Committee

SUSTAINABILITY REPORT

OUR APPROACH TO SUSTAINABILITY

Sustainability governance

Sustainability sits at the heart of everything we do as a business, and as such is at the core of our strategy. Delivery on this strategy, as well as governance and oversight responsibility around climate-related risks and opportunities ultimately sits with the Board. The Board's Risk and Sustainability Committee discharges this responsibility on behalf of the Board.

The Risk and Sustainability Committee receives twice yearly progress updates as to the execution of the Group's sustainability strategy, reviewing ongoing compliance with TCFD requirements and progress against targets. As well as receiving feedback from the Executive Directors, and members of the Executive Committee, the Head of Sustainability regularly attends Committee meetings.

The Group's Head of Sustainability leads the day-to-day sustainability activity and reports to the Strategic Projects Director, who holds accountability for delivery of the key investments that will facilitate the achievement of our sustainability targets, including reduction of greenhouse gas emissions and reducing our use of plastic packaging. During 2021, the Group also formed a Sustainability Steering Group, comprising the Chief Executive Officer and Chief Financial Officer as well as a number of senior managers representing other functions of the business including strategy, finance, marketing and investor relations. The steering group meets monthly and is tasked with ensuring that the Company's sustainability ambitions and targets are on track, and that all climate-related risks are reported to the Risk and Sustainability Committee.

SUSTAINABILITY GOVERNANCE STRUCTURE

Robust and transparent governance is essential to delivering our sustainability ambitions

Board of Directors

Ultimate responsibility for sustainability related matters through the Risk and Sustainability Committee

Executive Committee

Review and approve climate strategy, scrutinise performance, review progress on climate strategy and targets

Sustainability Steering Group

Tasked with ensuring that the Company's Sustainability ambitions and targets are on track, and that all climate-related risks are reported to the Risk and Sustainability Committee

Cross Functional Working Groups

Task-specific working groups focusing on specific climate-related challenges e.g. Plastic Reduction Steering Group

SUSTAINABILITY FRAMEWORK

Our sustainability framework guides all aspects of our approach to sustainability. Our framework identifies the key areas of focus to ensure we operate our business with sustainability at its core; and these are highlighted as material topics.

Details of our materiality assessment can be found later in this Report, however, the material topics are grouped to allow a balanced approach through three sustainability pillars.

PLANET

The Planet pillar frames our wider environmental responsibilities, with a particular focus upon greenhouse gas emissions. Material topics include:

- Climate change adaption
- Greenhouse gas emissions
- Water management
- Air quality
- Waste management
- Energy management
- Biodiversity

PRODUCT

The Product pillar focuses upon some more specific industry and company-level topics, including new product development, and the wider supply chain. Material topics include:

- Product lifecycle: environmental impacts
- Plastic packaging
- Ethical and sustainable procurement
- Product innovation
- Pricing integrity and transparency

PEOPLE

The People pillar highlights our social responsibility objectives, including our utmost priority of ensuring health, safety and wellbeing across our business. Material topics include:

- Equality, diversity and inclusion
- Employee experience
- Succession and skills development
- Community and charity engagement
- Data protection and privacy
- Health, safety and wellbeing
- Human and labour rights

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

Materiality assessment process

In defining our materiality assessment, we worked alongside external consultants with the intention of providing an overview of our priority sustainability topics, in turn enabling our focus and resources to be appropriately deployed in these areas. The viewpoints of key stakeholder groups were critical to the creation of this assessment, and we sought feedback and insight from multiple perspectives, including those of shareholders, local communities, employees and customers.

We are constantly engaging with stakeholders and these material topics evolve as such. The views from our regular conversations with shareholders, and the opinions of our employees having conducted our annual engagement survey, are all taken into account when management have reviewed the output of the below process to ensure it remains representative.

STEP 1

Identifying issues

We created a long list of potentially material topics through the review of sustainability reporting publications, internal policies and management insight. This was supplemented by an evaluation of relevant sustainability frameworks including the Sustainable Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI). It was important at this stage to ensure we had covered social, and governance factors alongside purely environmental impacts.

STEP 2

Broadening and refining the scope

Our external consultants provided a broader perspective of macro sustainability topics, assessing their relevance and application to our business, such as the United Nations Sustainable Development Goals (SDGs). Specific feedback from shareholder meetings was also included, as well as research from relevant industry bodies.

STEP 3

Assessment and scoring

We assessed our material topics and provided a scoring criterion based upon two factors. Firstly, the importance of the topic to stakeholders, and secondly, the impact of the topic upon future business performance. Our external consultants assisted us in this process, providing a consistent framework for the basis of assessment.

STEP 4

Prioritisation and validation

An assessment of the ability of the business to influence each topic provided further perspective to the prioritisation process and was a key further dimension brought into our analysis. The outcome of the materiality assessment was reviewed at Board level to ensure appropriate challenge, validation and alignment to the Group strategy.

MATERIALITY MATRIX

Our materiality matrix below summarises the outcomes of the materiality assessment, providing a visual overview of our key topics. We recognise that the matrix contains an element of subjectivity; impact can be defined in various ways including risk of non-compliance, impact to reputation or financial implications. Equally, importance may vary between different stakeholder groups. The matrix should therefore be viewed in this context, as an indicative overview and insight to management's perspective on the subject. Our materiality assessment was first undertaken in 2021 and was subject to a review in early 2023 where no significant changes were identified.

PLANET

1 Climate change adaption
2 Greenhouse gas emissions
3 Air quality
4 Energy management
5 Water management
6 Waste management
7 Biodiversity impacts

PRODUCT

8 Product innovation
9 Pricing integrity and transparency
10 Product lifecycle environmental impacts
11 Ethical procurement
12 Packaging

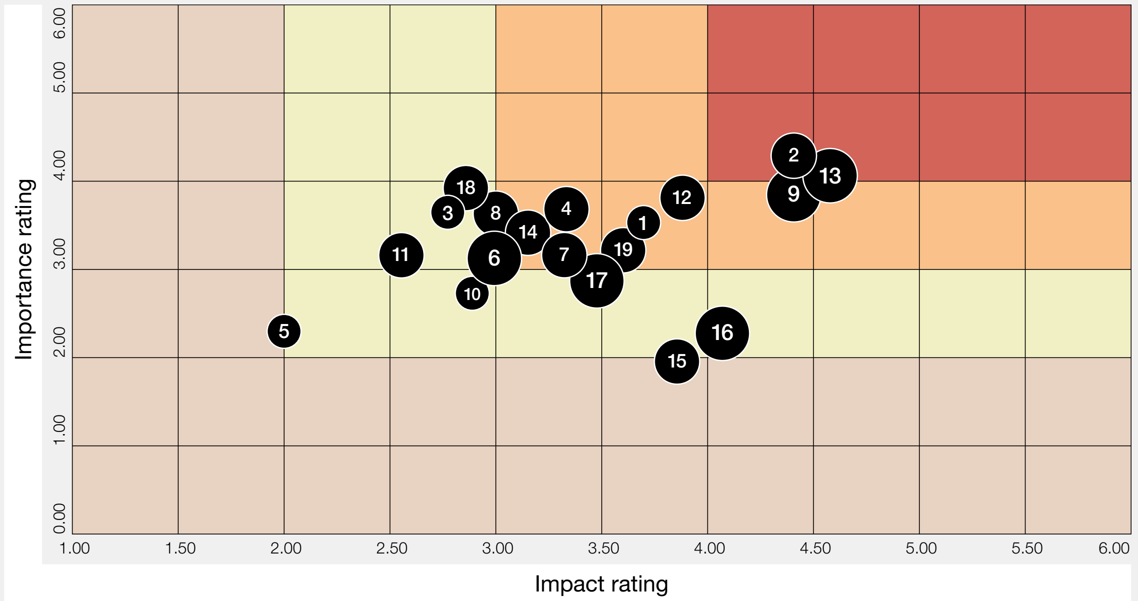
PEOPLE

13 Health, safety and wellbeing
14 Equality, diversity and inclusion
15 Succession and skills development
16 Employee experience
17 Local community engagement
18 Human and labour rights
19 Data protection and privacy

Key

Very high
High
Medium
Low

Our ability to influence is dictated by bubble size



SUSTAINABILITY REPORT

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Collectively, our three pillars guide our future decision-making, ensuring we are successful in our overall objective of being a good neighbour and responsible employer, for generations to come.

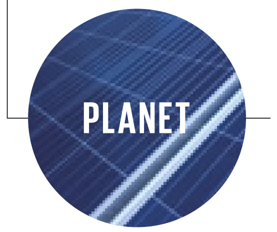
We continue to investigate additional opportunities to contribute to sustainable development and have linked our framework to the United Nations SDGs that most closely align to each pillar.

Our ambitions and targets

The ability to track our progress is essential to realising our sustainability goals and we have considered the most appropriate metrics and targets necessary for users to understand the impacts of our business. In addition to disclosing our absolute greenhouse gas (GHG) emissions, we also provide additional disclosure showing the GHG intensity ratio (level of emissions per tonne of output) for both our clay and concrete products, recognising that absolute emissions vary with the level of our production according to market demand, and as such are not necessarily a meaningful measure of our progress against our targets.

Our metrics and targets were set in 2021 and informed by the outcome of our materiality assessment which identifies the subject areas deemed most relevant to our stakeholders. In identifying further measures and targets for publication we have also considered the requirements of the Sustainable Accounting Standards Board (SASB) standard on construction materials and have sought to comply with the disclosure requirements of this standard in as far as we believe the information provided will be useful and meaningful to our stakeholders.

The below table details our key ambitions and targets, how they map from our framework and to the United Nations SDGs, as well as our status and progress against each to 2022.



7 AFFORDABLE AND CLEAN ENERGY — Ensure access to affordable, reliable, sustainable, and modern energy for all

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Ensure sustainable consumption and production patterns

13 CLIMATE ACTION — Take urgent action to combat climate change and its impacts

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Build resilient infrastructure, promote inclusive and sustainable industrialisation

11 SUSTAINABLE CITIES AND COMMUNITIES — Make cities and human settlements inclusive, safe, resilient and sustainable

15 LIFE ON LAND — Protect, restore and promote sustainable use of terrestrial ecosystems

1 NO POVERTY — End poverty in all its forms everywhere

3 GOOD HEALTH AND WELL-BEING — Ensure healthy lives and promote wellbeing for all at all ages

4 QUALITY EDUCATION — Ensure inclusive and equitable quality education and promote life-long learning for all

5 GENDER EQUALITY — Achieve gender equality and empower all women and girls

8 DECENT WORK AND ECONOMIC GROWTH — Promote sustained, inclusive and sustainable economic growth

10 REDUCED INEQUALITIES — Reduce inequality within and among countries

SLL target*
PSP target**

Pillar	Material topic	SDGs	Target	Target year	Progress	Status	Narrative
PLANET	Greenhouse gas emissions	Climate action/ Responsible consumption and production	27.5% Group CO_2 emissions reduction vs. 2019 baseline (tonnes)	2030	-7.5%		Absolute emissions 7.5% below 2019 benchmark
PLANET	Greenhouse gas emissions	Climate action/ Responsible consumption and production	32% Group emissions intensity reduction vs. 2019 baseline (kg CO_2/tonne)	2030	0.9%		Short-term increase in intensity driven by expected change in clay vs. concrete production mix
PLANET	Greenhouse gas emissions	Climate action/ Responsible consumption and production	33% Clay products intensity reduction vs. 2019 baseline (kg CO_2/tonne)	2030	-4.2%		Progress is on track with near-term reductions linked to commissioning of new Desford
PLANET	Greenhouse gas emissions	Climate action/ Responsible consumption and production	80% Concrete products intensity reduction vs. 2019 baseline (kg CO_2/tonne)	2030	-0.8%		Progress against target is as expected
PLANET	Energy management	Affordable and clean energy	10% Group power usage from onsite renewables (%)	2025	–		Solar installation commenced at new Desford (4% of target)
PLANET	Waste management	Responsible consumption and production	Zero process waste to Landfill (kg/tonne)	n/a	0.01		Waste to landfill figure of 0.01 in 2022 – effectively zero
PRODUCT	Product innovation	Industry, innovation and infrastructure	10% Group revenue from new and sustainable products (%)	2025	3.7%		Currently on track to achieve – 2022 increase driven by cement replacement (CEM II) based concrete products
PRODUCT	Plastic packaging	Sustainable cities and communities	50% reduction in plastic packaging vs. 2019 baseline (tonnes)	2025	-9.3%		New packaging solution (belly banding) installed at Accrington factory with further sites to follow in 2023
PEOPLE	Health, safety and wellbeing	Good health and wellbeing	Zero harm ambition No. of accidents per million-man hours worked	n/a	3.79		Improvement over 2021 – Golden Rules are being embedded within the business
PEOPLE	Succession and skills development	Quality education	5% of employees in earn & learn positions (%)	2025	3.6%		Static vs. 2021. Plans to increase being implemented

* Three of our targets have been incorporated into the Sustainability Linked Loan (SLL) following the refinancing completed in January 2023.

** Two of our targets will be applied to the 2023 Performance Share Plan (PSP) award.

SUSTAINABILITY REPORT
PLANET

OUR 2030 CARBON REDUCTION TARGETS

	Target	Progress
01	27.5% Group CO_2 emissions reduction vs. 2019 baseline (tonnes)	
02	32% Group emissions intensity reduction vs. 2019 baseline (kg CO_2/tonne)	
03	33% Clay products intensity reduction vs. 2019 baseline (kg CO_2/tonne)	
04	80% Concrete products intensity reduction vs. 2019 baseline (kg CO_2/tonne)	

Scope 1
Direct emissions from our operations

Scope 2
Indirect emissions generated by our energy suppliers

Scope 3
All other indirect emissions created by our supply chain

Net zero, a marathon not a sprint

Our priority is to deliver a significant reduction in our emissions over the next decade. By 2030 we have committed to reducing our carbon intensity by 32% relative to 2019. Beyond this we have signed up to the Race to Zero, formalising our ambition to reach net zero by 2050.

A key component of our decarbonisation strategy is our programme of capital investment with over £200m of investment in more efficient and greener manufacturing capacity expected over the next decade. This investment alongside a number of other initiatives, including fuel switching, will deliver a meaningful reduction in emissions.

We are also committed to researching breakthrough technologies including carbon capture and storage and hydrogen fuel which will likely provide the longer-term pathway to net zero.

The Commission on Climate Change (CCC) sets out a recommended strategy for the UK to reach net zero by 2050.

In this report they state that "most sectors will need to reduce emissions to close to zero without the use of offsetting." Reliance on offsetting does not reduce the burning of fossil fuels which is the primary contributor to climate change.

Our strategy focuses on maximising the investment in our own business to deliver a tangible and transparent reduction in carbon emissions. We will continue to evaluate the benefits carbon offsetting can provide and whilst it is possible that in the future there will be a need to use these in some form in order to reach net zero, we feel that at present we can have the greatest impact through investing to reduce our own emissions.

Using the latest technology as we are doing within our new Desford, Wilnecote and Accrington projects, rather than purchasing offsets and allocating them to the emissions from a particular factory, is the most transparent and effective way of meeting our challenging carbon reduction targets and in the longer-term moving towards net zero by 2050.

We often refer to our pipeline of organic investment projects beyond those currently in progress and we are active in progressing designs and technology for what we aspire to be a zero emissions brick factory using alternative fuels and carbon capture.

Greenhouse gas emissions
We manufacture two broad categories of products – those made from clay and those made from concrete. These products are supplied hand-in-hand to our customers and are used together in building high-quality homes and buildings. However, the manufacturing processes are very different and their carbon footprints, whilst similar overall, are built up in different ways.

Clay products
Clay is the primary raw material used to make bricks. The clay is typically sourced locally from our own quarries, limiting the environmental impacts of transportation to factories. The clay is freely ground and then formed into a brick shape using a variety of methods. The grinding and forming process uses electrical energy.

At this stage bricks contain significant amounts of moisture which must be removed before they can be fired. This drying process utilises recycled heat from our kilns.

The next stage is the firing of the brick which transforms the relatively weak dried clay into strong durable bricks that will last for generations. During the firing process, the bricks are heated to temperatures of over 1,000°C, triggering chemical reactions in the clay. Our kilns are fired by burning natural gas, whilst the clay itself also emits carbon dioxide as a result of a chemical reaction; we refer to this as process emissions. Once cooled, the bricks are packaged ready for despatch to our customers.

As a result of the emissions created by the burning of gas, as well as the embodied carbon released from the clay during the firing process, the majority of emissions from our clay brick manufacture fall into scope 1.

Concrete products
We make a range of concrete products, from aerated concrete blocks to precast concrete floor beams, using a number of different manufacturing techniques. Traditional concrete is made by mixing aggregates, cement, and water. It is then left to undergo a chemical reaction known as curing which can be accelerated by adding additional heat.

Our Thermalite lightweight aerated concrete blocks use pulverised fuel ash (PFA), a waste product from coal fired power stations; with power generation from coal drastically diminishing in recent years we now recycle previously landfilled ash in a process very similar to quarrying. Water, cement and other materials are mixed with the PFA. The cake, as it's known, undergoes a chemical reaction and begins to cure such that it can be removed from the mould and be wire-cut into blocks. The blocks are then cooked in a high-pressure steam oven known as an autoclave, which, like our brick kilns, is heated by burning natural gas. The blocks are removed from the autoclave, separated, packaged and once they have passed a strength test are ready to be supplied to our customers.

We purchase all of these raw materials, with cement having by far the largest carbon footprint. As such, the majority of the emissions from manufacturing concrete fall into scope 3.

It is important to emphasise that both our clay and concrete products contain similar levels of overall carbon dioxide emissions per tonne of product. However, the way in which these emissions are reported within the Greenhouse Gas Protocol scopes is very different.

The majority of the emissions associated with the manufacture of clay bricks are direct emissions under our control and are therefore disclosed in scope 1. The majority of the emissions associated with the manufacture of our concrete products are indirect emissions under the control of our suppliers and included in scope 3, and therefore not disclosed in our figures. We currently report estimated scope 3 emissions and in 2023 we will undertake an exercise to measure and subsequently disclose scope 3 emissions.

Scope 1
When reporting our emissions and setting targets to reduce these emissions it is necessary to consider our product mix. To ensure full transparency looking forward, and when reviewing our past progress, we provide emissions figures for both our clay and concrete businesses. The scope 3 emissions associated with our concrete manufacture (and to a lesser extent clay) are currently estimated, therefore direct comparison between our total clay and concrete reported emissions is not possible. More detail on our plans to calculate and disclose our scope 3 emissions can be found later in this Report.

Any change in product mix in our output between clay brick and concrete products could materially distort the comparability of our total reported scope 1 emissions year on year. Accordingly, we disclose the carbon emissions for our clay and concrete businesses separately providing much greater transparency on our carbon reduction progress.

It is important to recognise the amount of carbon we emit is directly related to the volume of product we manufacture.

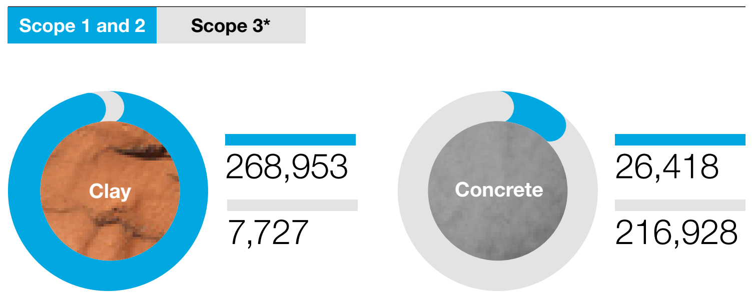
Our key markets have historically exhibited a trend of cyclicality and as such it would not be meaningful to measure our performance solely on absolute emissions. We believe the most transparent way of reporting our carbon footprint is to separately report our greenhouse gas intensity ratio CO_2e (the carbon emitted per tonne of production output) for our clay and concrete products and that this will provide the most meaningful information from which to measure the reduction in our carbon emissions over time.

We recognise that carbon dioxide emissions are an inherent result of our manufacturing processes. The majority of our emissions are covered by the UK Emissions Trading Scheme (UKETS). The increasing cost of UKETS credits or a reduction in the number of freely allocated credits will increase our operating costs and by reducing our emissions we can deliver a reduction in these compliance costs.

In developing our sustainability framework and setting ambitious targets, we additionally identified what measures would be needed to achieve these; and have since been developing our implementation roadmap to ensure that we do – The Forterra Carbon Management Plan.

32%
committed reduction of our carbon intensity by 2030 relative to 2019

£200m
of investment in more efficient and greener manufacturing capacity over the next decade



* Estimate not included within our reporting.

SUSTAINABILITY REPORT
PLANET CONTINUED

FORTERRA CARBON MANAGEMENT PLAN

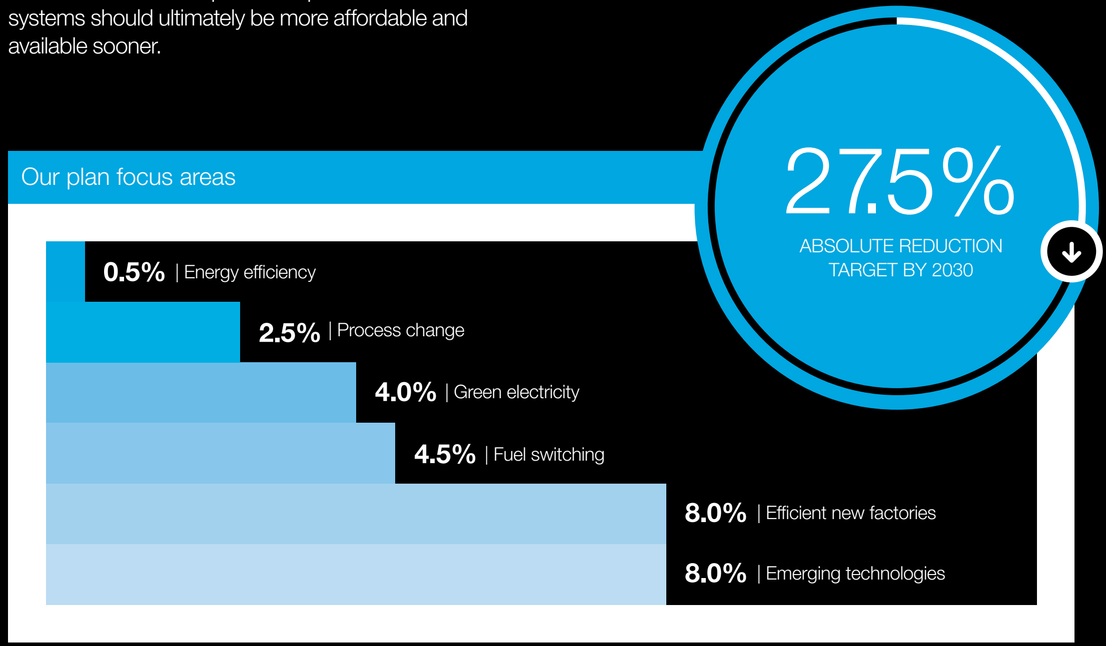
It is encouraging that there is already a global 'must do' attitude to carbon reduction and, as a result, some of the technologies we hoped would be technically feasible by 2030 are being implemented in other sectors even sooner. For example, carbon capture at scale has started to be implemented in the cement sector and with widespread adoption the cost of these systems should ultimately be more affordable and available sooner.

01

Efficient new factories

The capital replacement plan that is key to our decarbonisation efforts starts with our now operational new facility at Desford. Commissioned at the end of 2022, the state-of-the-art facility will produce up to 180 million bricks per annum with market leading efficiency and be 25% more carbon efficient than the factory it replaces.

Additional efficiency projects will follow and we are committed to delivering two further investment projects, both with strong sustainability credentials. The redevelopment of our Wilnecote brick factory is ongoing and will reduce the carbon footprint of each brick manufactured, and the construction of a brick slip manufacturing facility at our Accrington factory will allow us to bring a new, more sustainable product to market. Both projects form part of a 10-year investment pipeline totalling over £200m across both the clay and concrete businesses.



02

Green power

In 2020 we switched to purchasing 100% renewable electricity. Whilst this positive step reduced our scope 2 emissions to zero we always wanted to do more. For the UK to reach its net zero ambitions the electricity grid, which still relies upon significant gas and coal fired generation, needs to be decarbonised. Working with Lightsource bp, a global leader in the management and development of solar energy projects, we have committed to purchasing around 70% of our electricity requirement from a dedicated solar farm, exceeding 150 acres in size to be situated in Nottinghamshire. This commitment approximating to £50m over 15 years from 2025 will facilitate the delivery of 60 GWh of additional solar generation capacity to the UK, enough to power 17,000 average homes. This arrangement will provide us with secure renewable energy with price certainty for a 15-year period commencing in 2025. Construction of the solar farm is underway and we have agreed an option to take power from 2024, a year early.

Alongside this, we are investing in on-site renewable electricity generation at a number of our factories in order to generate 10% of our electricity requirement from 2025. Again, this adds incremental renewable energy generation capacity whilst also providing a low-cost electricity supply avoiding the sizeable transmission charges associated with having power delivered through the grid. Further progress was made in 2022 as we commenced installation of a rooftop solar array at our new Desford factory which will contribute a further 4% towards our target to be generating 10% of our own power by 2025.

03

Energy efficiency projects

We are always striving to make our factories more efficient through our company-wide 'SQCDP' (Safety, Quality, Cost, Delivery and People) programme, with many operational improvements helping us to become more energy efficient.

A project exemplifying this approach was in partnership with QIO, trialling kiln burner optimisation with artificial intelligence at our Measham factory, where, after a successful trial, the process is being implemented at our Kirton factory, with potential 5% gas consumption savings.

During 2022 a dedicated energy manager role was created with a focus given to efficiency of energy consumption in the business, acknowledging that even a 1% efficiency saving can have a material benefit in both the profitability and sustainability of the Group.

5%
potential gas consumption savings in our kilns through AI based on trials at our Measham factory

The Forterra Solar Farm
Construction is underway at the site of the Forterra Solar Farm in Tiln, Nottinghamshire.

SUSTAINABILITY REPORT
PLANET CONTINUED

04 Process change

"As much from less" – the goal of our quality department's project to ensure that we use as little raw material as possible whilst maintaining our high standards of quality. To ensure that each brick is fired properly our bricks either have perforations or a 'frog' to reduce the mass and make it easier for the gases which evolve during the firing process to escape from the 'body' of the brick. The size of the perforations varies from factory to factory and can become smaller as manufacturing equipment wears over time.

Our quality team have identified that at some sites the perforation size can be increased by as much as 6% – an average of 3% across the business would have contributed a c.4,000 tonne saving during 2022.

05 Fuel switching

Switching away from fossil fuels is crucial to our carbon reduction ambitions and we have started to achieve this in two areas:

Fleet fuel – transportation, including our heavy goods vehicles and other company vehicles including cars, are a contributor to our overall carbon emissions totalling 13,338 tonnes in 2022 representing 4.5% of our scope 1 emissions.

Our transport fleet has increased in size as we prepare to increase our despatches from the new Desford brick factory, as well as addressing limitations in the availability of sub-contract haulage driven by a shortage of drivers throughout the industry.

Increasing our fleet size does marginally increase our scope 1 emissions although this increase would be offset by a reduction in our scope 3 emissions.

We are continuing to invest in the latest, cleanest and most efficient vehicles. Of our fleet of distribution vehicles, 161 are the cleanest Euro VI vehicles and we would expect 100% of our fleet to achieve this standard by 2024, with the current supply chain pressures and associated long lead times for new vehicles the primary constraint to achieving this sooner.

We continue to invest in electric and low emission vehicles, with all of our new company cars restricted to CO_2 emissions under 73 CO_2/km, ensuring we are promoting the use of the cleanest low emission vehicles. During the year we have continued our roll-out of electric vehicle charging infrastructure across our facilities. We now have a total of 80 zero and ultra-low emission vehicles (ULEVs) in our car fleet representing 46.8% of the fleet, and of the new cars joining the fleet in 2022 all were either electric or hybrid.

Biomass at Kings Dyke – the manufacturing process at our Kings Dyke factory is unique in the UK due to both the Lower Oxford clay that the brick is produced from, and the Hoffman Kiln used to dry and fire it. Now fired using natural gas the Hoffman Kiln was designed to be fired using solid fuel, primarily coal, and consists of a number of interconnected chambers which are static and the fire then moves around the kiln. With this in mind we, have looked to sustainable biomass as an alternative fuel as it is a net zero carbon fuel and just as importantly it behaves in a similar manner to coal.

Results of the initial trials are promising and continue to develop into 2023 with a view to converting the entire factory to biomass if successful. Based on current production, if biomass replaces the use of natural gas across the site, this could deliver up to a 15,000 tonne saving in carbon emissions which is the equivalent of driving around the world over 100 times.

06 Emerging technologies
Grid hydrogen

Hydrogen was initially identified as an emerging (future) technology in our carbon management plan and has as such been an important research focus. A project to understand how hydrogen performs when used as a fuel source in a brick kiln is a key first step in our utilisation of any future grid-based hydrogen and we have commenced trials on this basis. Initially we are looking at a 20% blend with the intention to move to 100% hydrogen trials in the future.

Differences in combustion, lower heat density, more moisture and heat transfer from the flame are all areas where firing with hydrogen will differ to natural gas. These differences could have dramatic impacts on both our processes as well as the final product produced; and extensive trials will be required to fully conclude on all of these areas. We believe our trials to be some of the first to take place in production rather than laboratory conditions.

Following a successful conclusion of the trial we will have confidence that we can replicate our current range of products from both an aesthetic and technical point of view and will have identified any upgrades or significant changes that are required to our kilns.

07 Emerging technologies
Carbon capture

Another emerging technology where development is moving at pace is carbon capture and storage, where we are engaging with a number of potential partners who are developing technologies; and like our hydrogen trials, we are willing to commit funding towards exploring technologies that could help us towards our target of reaching net zero by 2050. We should caution that at this stage many of the technologies remain at their formative stage, with mainstream deployment of carbon capture likely at least several years away. We accept that we need to devote time and resources to a number of technologies before finding one that will ultimately be both effective and economical.

The capture and storage of certain pollutants within the exhaust stream of our brick factories is nothing new as we have been capturing and storing hydrogen fluoride for over 20 years in abatement factories, often referred to as scrubbers inserted between our kiln and the exhaust stack. We are currently reviewing the options for installing similar equipment that will capture carbon dioxide so that we can either put it to some beneficial use such as carbon curing of concrete or sending it for long-term storage. Our biggest challenge is the make-up of our exhaust gases as we have a relatively low carbon content in the exhaust stream, which means that utilising current techniques would be costly both in capital and operational terms. We are, however, confident that with the technological leaps made in a short period since setting our ambitions, a viable solution is close.

15,000
tonne saving in carbon emissions with biomass at Kings Dyke

20%
hydrogen blend trials with intention to move to 100%

SUSTAINABILITY REPORT
PLANET CONTINUED

Streamlined energy and carbon reporting (SECR)
We have used the operational control approach to determine our organisational boundary for emissions purposes and calculated these emissions based on the UK Government's Environmental Reporting Guidelines (2019) and emission factors from the DEFRA 2022 Green House Gas (GHG) Conversion Factors for Company Reporting. Scope 2 emissions have been reported using both the location-based method of calculation and, to account for our use of renewable electricity through the purchase of REGOs, the market-based method for calculation. Our underlying energy use figure has been reported in GWh and includes fuel used in mobile plant, on-site generators, and company vehicles. All our facilities are covered by the scope of our ISO 50001 certification which we have held since 2015. This is a third party audited and certified scheme and has continual improvement at its core. We adopt a number of approaches to maximise energy efficiency; from LED lighting and the installation of variable speed drives on motors, through to the recycling of waste process heat from our kilns to power other areas of the plant.

	2022	2021	2020	2019
Scope 1 emissions (tonnes) (market-based)	**295,371**	280,381	198,921	299,679
Scope 2 emissions (tonnes) (market-based)	**–**	–	–	19,617
CO_2e intensity per tonne	**124.5**	117.5	115.3	123.4
Scope 1 emissions (tonnes) (location-based)	**295,371**	280,381	198,921	299,679
Scope 2 emissions (tonnes) (location-based)	**14,144**	15,576	13,263	19,617
CO_2e intensity per tonne	**130.5**	124.1	122.9	123.4
Total energy used GWh	**973.3**	952.8	698.7	956.3

Our approach to scope 3 emissions
Much of our reporting focuses on our scope 1 emissions, the direct emissions from our business or activities that are under our control. The bulk (over 95%) of our scope 3 emissions are generated by inputs to our concrete products businesses with cement being by far the largest contributor to this. It is estimated that the scope 3 emissions embodied within our cement purchases represent around 50% of our total scope 3 emissions.

As well as working with our cement suppliers (major global and UK-listed cement manufacturers including HeidelbergCement AG and Breedon plc) to reduce carbon in this respect, our 'Product' section later in this Report gives further details around our innovations in cement reduction and replacement.

Looking ahead, sustainability will form an even greater element of our supplier selection and accreditation process and in 2023 we have plans in place to fully analyse and subsequently disclose our scope 3 emissions. This will give both visibility and a benchmark on which to base future reduction strategies.

Engagement
We are proud of our progress and are keen to place our sustainability information in the public domain ensuring the highest levels of transparency as we engage with our stakeholders.

We are committed to actively engaging with a number of sustainability disclosure bodies and rating agencies including the Carbon Disclosure Project (CDP), MSCI and Sustainalytics. Sustainability reporting and disclosure is still in its infancy and we are keen to engage with relevant agencies to ensure our sustainability strategy is clearly understood. We are also seeking to improve the awareness of sustainability within our own business at an operational level and we recently ran our first Institute of Environmental Management and Assessment (IEMA) training course aimed at managers to improve their awareness of the many areas of sustainability.

Organisation	Rating
CDP	C
MSCI	AAA
Sustainalytics	18.9 – Low Risk

Contribution to ceramics decarbonisation award
In November 2022, the inaugural British Ceramic Confederation 'Delivering Net Zero' conference was held. The conference included recognition of Forterra's Head of Sustainability, David Manley, with a special recognition award for his contribution to ceramics decarbonisation. This recognition highlights both David's tireless work in this area over many years as well as our long-term commitment to the decarbonisation of the sector.

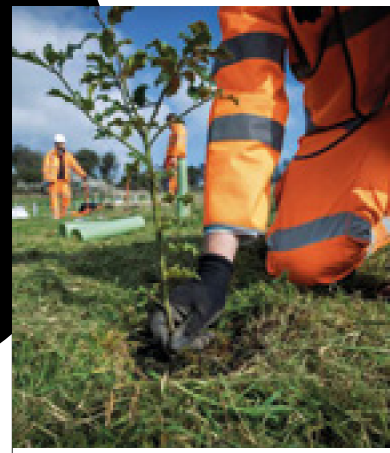
FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
2022

STRATEGIC REPORT

QUEEN'S GREEN CANOPY TREE PLANTING

As part of the Queen's Green Canopy (QGC) earlier this year, Forterra established 'Jubilee Wood' with 150 trees planted on surplus land close to our Kirton Brickworks. This was followed with additional plantings to mark National Tree Week, with the help of students from Kneesall Primary's ECO group and local councillor Tim Wildgust.

The ecological benefits of the woodland will be significant in a number of ways. Tree planting is a simple but highly effective way to reduce air pollution, at the same time creating havens for wildlife and improving the respiratory health of the people living nearby.



150
trees planted on surplus land

Air quality
We strive to minimise emissions of air pollutants created through our manufacturing and distribution operations, complying with legislation as a minimum standard. All our operations are subject to Environmental Permitting Regulations and must operate in accordance with a permit issued by either the Environment Agency or the local authority. Each permit has at least one section focusing on emissions to air, with the regulating authority carrying out inspections to ensure compliance. In addition, the majority of our brick manufacturing facilities are required to carry out annual monitoring on the exhaust from the kiln to demonstrate compliance with any emission limits set out in the permit. Our larger sites submit a return under the UK Pollutant Release and Transfer Register.

Our brick manufacturing facilities utilise modern technologies to capture and 'scrub' emissions before their release into the atmosphere.

Our Kings Dyke brick factory is located in an air quality management area, and as a requirement of our permit we have invested in, and operate, two ambient air quality monitoring stations. Since their installation in 2008 we have operated in accordance with our permits with no breaches of air quality limits.

Water management
Water is key to the manufacture of our products, whether to achieve the correct plasticity of a clay brick, or to hydrate cement to produce our range of concrete products. As water becomes an increasingly scarce resource, we must ensure that we are using it as efficiently as possible, and therefore we closely monitor our usage.

Since 2010 we have reduced our water consumption per tonne of output by 20% through investments at our highest consuming sites, implementing water recycling systems as part of their production processes. A good example of this is in rainwater harvesting schemes such as at our flagship Measham brick facility, resulting in a 91% reduction in mains water usage since 2011. We will continue to report on our mains water usage per tonne of production.

A number of our sites benefit from ground water abstraction licences which further reduces our reliance on mains water. Our water management programme extends to the discharge of both surface and process water from our sites, carried out under consent from either the Environment Agency or water authority as well as the dewatering of our quarries.

Waste management
As a business we recognise the value of our raw material resources. Our waste quantities are low (87,000 tonnes) relative to our production output (3.6%), with large volumes of process waste streams diverted and recycled for use in other products. For example, brick waste created at our Kings Dyke London Brick factory is crushed on-site and becomes a raw material for the neighbouring aggregate block plant, and our entire aircrete block waste is recycled in other products in the business.

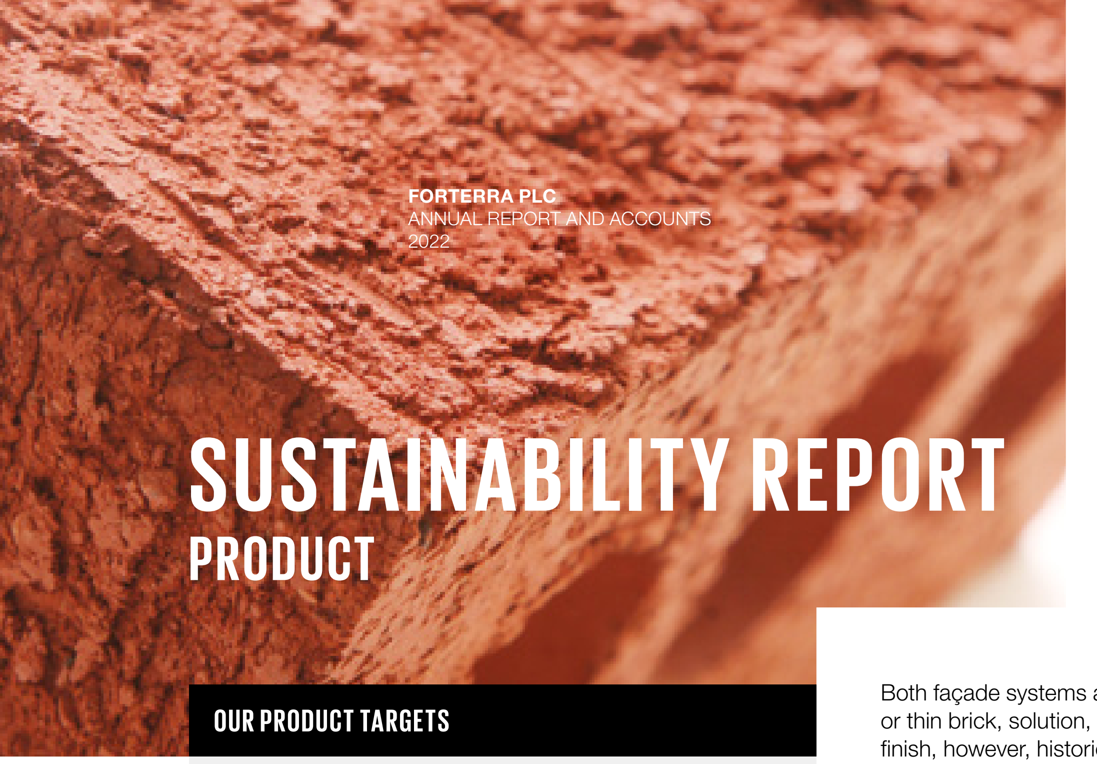
As a responsible operator we comply with all waste management legislation and apply the waste hierarchy using segregation of wastes to ensure that the most appropriate disposal routes are utilised. Following recent amendments to our recycling partnership contract, we now divert all non-process waste from landfill, an achievement we look forward to continuing to honour in the future.

Biodiversity
Fragile habitats and associated biodiversity are at risk from climate change and deforestation across the globe. Within the UK, the Government has recognised our diverse range of natural landscapes and habitats, setting out a 25-year environmental plan focused on their protection and enhancement.

We are responsible for almost 2,000 acres of mineral bearing land and are therefore aware of our important role in supporting these national ambitions through the ongoing management, treatment, and final restoration of this land after these minerals have been exhausted. Our quarrying operations are covered by planning consents which include conditions for site restoration in accordance with the local mineral planning authority and taking into consideration local and wider environmental needs.

Depending on future use proposals, the quarry development will often lead to an improvement in the biodiversity value of the land involved, both during operation and when it moves into its restoration phase. The Kings Dyke nature reserve near Peterborough is an excellent example of how exceeding the requirements of the restoration plan has provided a local community asset and enabled a diverse range of habitats to thrive.

We have identified a number of indicators to provide a framework for consideration of land use and environmental change as a result of our quarrying activities, and we support the Council for Sustainable Business Biodiversity commitment.



SUSTAINABILITY REPORT
PRODUCT

OUR PRODUCT TARGETS

	Target	Progress
01	10% Group revenue from new and sustainable products (%)	
02	50% reduction in plastic packaging vs. 2019 baseline (tonnes)	

Product innovation

Our product innovation, and research and development programmes are centred on two key themes: meeting the changing needs of our customers in how they build, and supporting the UK's ambition to transition to a lower carbon economy. Product development is a key pillar in our carbon reduction initiatives and crucial to our efforts.

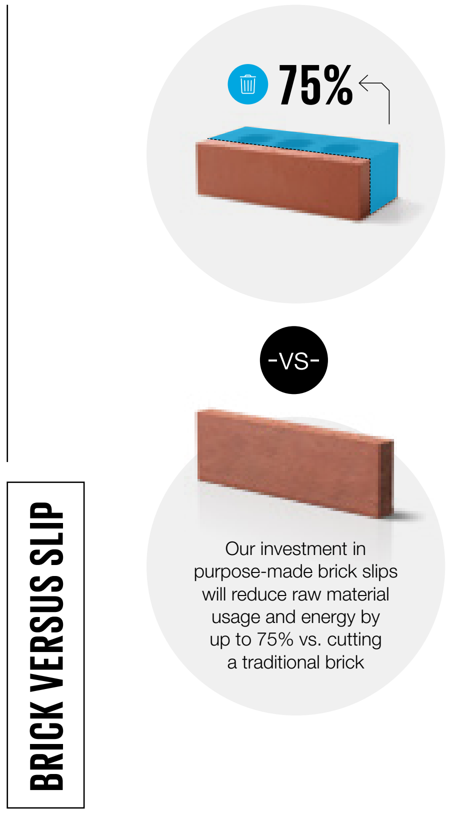
With an increasing attention on improvements in build efficiency and waste reduction, our primary focus has been around continuing research and development of masonry façade solutions alongside supporting the need to provide an increasing number of high-quality new homes.

Our key objectives are to open new applications for our core product offer; clay facing bricks, where developments in construction technologies may have led to some changes in the structure of the market. Adapting our offer to take advantage of emerging trends has meant development of façade solutions such as structural brick faced precast systems, designed for high-speed on-site assembly that retain the aesthetic of brick and forms the structural element of a build, to Surebrick, a lightweight mechanically retained brick system, which meets all regulatory requirements for high-rise use.

These solutions have been developed specifically to meet the changing needs of construction and provide a brick aesthetic finish in an alternative manner where construction methodology has moved away from the traditional carbon intensive approach.

Both façade systems are reliant on using a brick slip or thin brick, solution, which provides the aesthetic finish, however, historically the aesthetic portion is cut from a whole brick to provide slips, leading to high levels of waste. Our investment in a slip manufacturing facility at our Accrington factory will allow manufacture of brick slips without the waste element, saving up to 75% of raw material and energy usage, vastly enhancing the sustainability credentials. As we continue to develop systems and solutions for this emerging area, we are looking to continually optimise our products and designs to use less raw material and energy, providing a more effective solution for our customer.

We are undertaking a number of initiatives with the goal of reducing the material content of our products. Developing lower mass traditional products not only makes them easier to handle and use on site, but will also lead to reduced vehicle journeys and the associated emissions



Our investment in purpose-made brick slips will reduce raw material usage and energy by up to 75% vs. cutting a traditional brick

through increasing the amount able to be carried on each lorry. Changes in building regulation also brings opportunity. The revision to 'Part-L' of the building regulation in 2022 has resulted in increased requirements for energy efficiency in new homes. Our reduced section T-Beams for our Jetfloor insulated floor system, not only reduces the amount of concrete in the floor but provides an improved insulation performance, helping our customers meet the more stringent requirements of Part-L.

Many of our products are manufactured using concrete and more specifically cement as a binder. Globally, the production of cement is a key contributor to climate change, is the largest contributor to our scope 3 carbon emissions and is a key contributor to our overall carbon footprint. Our first step in reducing the carbon impact of our cement use has been to migrate as many of our products as possible to a CEMII cement product, a blend of cement and limestone which has 16% lower embodied CO_2 per tonne. Taking a more active approach and looking for alternative methods to reduce our impact, our material scientists are working as part of a consortium of industry participants, trade bodies and academic researchers to understand the viability of waste bricks as an alternative cementitious binder. Our development work has shown very promising results and there are opportunities to substitute cement for finely ground brick production waste products using this new technology. Additionally, we are undertaking a wide ranging assessment of our clay reserves and technologies to assess the best possible solution to meet wider demand for calcined clay as a cement substitute.

We continue to seek out opportunities to deliver innovation to the market and are targeting 10% of our revenues to be delivered from new and sustainable products by 2025. We continue to focus on offsite solutions and raw material developments as our key strategic direction, both being areas where we can clearly demonstrate significant positive impacts upon our carbon footprint.

Investment in product development and innovation is critical to our future success and we have previously communicated our intention to increase spend in this area, a process we have started to implement, as we suitably resource our business to dedicate additional time to our future state without having to compromise our current operational performance and customer service levels.

The clay brick: inherently sustainable

The history of the clay brick can be traced back for centuries, its versatility and longevity proven through countless historic buildings that are centuries old. Development of new technologies and improvements in efficiency have significantly reduced the energy intensity required during manufacture.

Typical buildings constructed from clay brick have lifetimes exceeding 150 years, the streets of the UK are lined with homes constructed in Victorian times. These robustly built homes are now highly sought after due to their well-proportioned interiors, and typically larger than average outside spaces. The clay brick construction alongside the availability of outside space has allowed extension and structural adaption of these buildings to modify and modernise them as needs have changed. The timeless beauty and longevity of these buildings is a continuous advert for clay brick construction, however times do change and on occasion brick buildings reach the end of their useful life and are demolished. The bricks themselves can be reclaimed and reused if in good condition, or alternatively be crushed and fed back into construction activity as an alternative raw material.

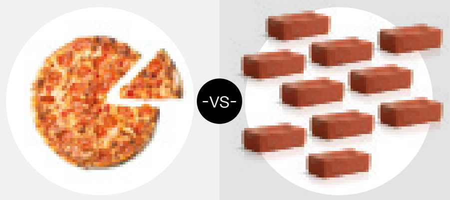
Our latest factories are significantly less carbon intensive than previous generation facilities, however, the carbon intensity of clay brick manufacture remains significant, due to kilns that are fired by natural gas and the carbon released from the clay during the firing process.

When considering the longevity of a clay brick building, the full lifecycle impact of the embodied carbon is incredibly low, alongside this, brick structures require little to no maintenance through their lives, whilst other comparable materials may require additional applications of protective coatings or surface treatments to enhance their lifetime.

SUSTAINABILITY REPORT
PRODUCT CONTINUED

As our climate changes, with more extremes of temperature, clay brick is well placed to construct buildings suitable for such a changing environment. The thermal mass properties of clay bricks naturally absorb heat, creating a heat buffer and helping prevent the inside of buildings overheating during the summer. During the colder months, bricks store heat through sunny days and slowly release this back as the temperature falls, helping to warm the building.

10 BRICKS VERSUS 1 TAKEAWAY PIZZA



	1x Pizza	10x Clay bricks
Carbon footprint	4.53kg	3.75kg
Lifespan	1 day	150 years
Carbon generated per day of product's life	4.53kg	0.005g Single brick 55g All bricks in average house (8,000)

It is apparent that clay brick is inherently sustainable when its longevity is considered against that of alternative solutions. Our challenge is to refine and develop this versatile building product, further reducing the embodied carbon. With this focused effort, we are confident that the clay brick will continue to be the sustainable building material of choice long into the future.

Plastic packaging

The reduction of plastic packaging supplied with our products provides a huge opportunity to support the wider global environmental goal of the reduction of single use plastics, and the associated harmful impact upon natural habitats when these materials are not disposed of appropriately.

Our current packaging provides numerous benefits including ease of product identification, stability during transportation, and ensures our products are clean, dry, and fit for installation upon construction sites.

We already minimise plastic packaging on many of our product ranges, including our aggregate blocks and specific brick ranges, and have also significantly increased the recycled content of essential plastic strapping to ensure stability. However, as a business we have generally experienced overall increases in plastic packaging in the last 20 years, consistent with the wider trends in society across other everyday products.

Our targets in meeting this challenge are ambitious, with a commitment to reduce our total volume of plastic packaging by at least 50% by 2025, whilst also ensuring that the safety and quality credentials provided by our current packaging methods are not compromised. At present, at the majority of our brick factories, it is not possible to simply remove the plastic wrapping as the wrapping provides the pack of bricks with its integrity when transported.

Alternative packaging equipment has been installed at our Accrington facility during the year following successful trials. This 'belly banding' solution reduces plastic per pack by 38% and we will look to utilise a similar approach across the business.

976 tonnes
targeted annual saving of plastic per annum by 2025

=

Both the new factories at Desford and Wilnecote will be equipped with packaging solutions that will allow bricks to be despatched without conventional plastic wrapping, whilst still giving the option to do so where customers request this for safety reasons.

To ensure consistency in customers' supply chains, we recognise that this is a topic requiring full industry engagement and collaboration, and we are engaging with customers across all our key markets to ensure our solutions meet their needs. This is not without its challenges; generally our customers are supportive of our initiative, although significant behaviour change is needed in the construction industry as changes will be required in the way our products are stored and handled, with safety being of critical importance that cannot be compromised.

Pricing integrity and transparency

We recognise that in many of our product categories our markets are characterised by a small number of large businesses, operating nationally, and enjoying large market share positions. In order to ensure the highest standards of integrity we enforce a zero-tolerance approach to any anti-competitive activity.

All relevant managers and commercial employees are required to undertake annual online compliance training on both competition law and anti-bribery, with controls in place to record correspondence and communications with competitors.

The fines that can be levied on companies which are found to have breached competition law can reach 10% of annual turnover and companies can face damages claims from those wronged by anti-competitive actions. The risk of such fines, even if senior management were unaware of such behaviours, mean that compliance and monitoring obligations are taken extremely seriously.

Ethical and sustainable procurement

The procurement of third-party materials and services are critical to our value chain. In 2022 this expenditure totalled over £200m, including materials such as steel, insulation, cement, aggregates, pulverised fuel ash (PFA) and products used in our flooring solutions. Our environmental footprint is minimised through a focus on local sourcing.

In 2022, over 85% of our materials procurement (excluding capital items) was UK sourced, minimising environmental impacts of cross border transport logistics.

Our procurement management system is audited as part of our ISO 14001 and ISO 9001 accreditations. Compliance plays a key role within the system, covering over 1,400 suppliers' strict adherence with a range of governance topics including anti-slavery, bribery, competition law, data protection, and equal opportunities. We adopt the Ethical Trading Initiative code of practice to ensure that worker rights are protected as part of the supplier onboarding process, and this is continuously reviewed.

Larger suppliers are required to meet relevant ISO standards including ISO 9001, ISO 14001 and IS0 45001, or equivalent, for example, all timber procurement is through FSC accredited suppliers. Our health and safety team assists and develops suppliers' standards to help them improve their own safety procedures where necessary.

Sustainable sourcing

Local sourcing of raw materials isn't always possible and where we do need to transport materials longer distances, we seek to do this in the most sustainable way possible. We utilise the rail network to transport pulverised fuel ash (a key raw material which is a waste product used in manufacturing our Thermalite aircrete blocks) to our factory. Since 2015 we have transported over half a million tonnes of material by rail, removing over 5 million heavy goods vehicle miles from the UK road network whilst also reducing carbon emissions.

5.5k+
hours of face-to-face health and safety training time in 2022

CO_2

5 million
heavy goods vehicle miles removed since 2015 with rail transport

SUSTAINABILITY REPORT

PEOPLE

OUR PEOPLE TARGETS

	Target	Progress
01	Zero harm (No.)	
02	5% of employees in earn & learn positions (%)	

Health, Safety and Wellbeing

The continuous improvement of our health and safety performance remains our number one priority, working towards our goal of zero harm. We recognise that our workforce is our greatest asset, and we aim to provide a working environment that is free of accidents and ill health. Our four-year zero harm strategy is designed to take us on a journey to an 'interdependent' safety culture where all colleagues' mantra is 'I don't want anyone to get hurt'.

Culture

In 2022 we continued this work with the core focus on health and safety behaviours and culture. We partnered with external training provider Juice Learning to deliver bespoke training for every colleague, delivered in two phases focused around the meaning of our Golden Rules to the individual and the choices we all make when performing work and their implications to health, safety and wellbeing for both individuals and those working with them.

To ensure that leaders of people were fully aware of their roles in relation to health and safety, we reviewed and issued a specific accountabilities document to the business and ensured that all leaders were provided with a briefing on its importance to them and the business for maintaining health and safety standards. It also set out the link between legislation we must all follow, our Golden Rules and Safety Matrix and the job descriptions we all sign up to.

This work was cemented as part of the second phase of training and will continue to be a focus going forward.

Our 2023 health and safety messaging will continue to focus heavily on our Golden Rules and Zero Harm, with the key topics being supervisory management of health and safety standards and colleagues taking time to stop, not rush and cut corners.

Safety

We maintained our certification to ISO 45001 occupational health and safety management system standard. All our facilities were internally audited to this standard and seven facilities plus central systems were externally audited. We placed a clear focus on action management to improve our demonstrable compliance resulting in reduced overdue compliance actions by 75% in the year.

Our Lost Time Incident Frequency Rate (LTIFR) in 2022 showed a slight improvement, running at 3.79 incidents for every million man-hour worked, compared to 3.98 in 2021. Of the 29 separate business areas monitored, 20 were Lost Time Incident (LTI) free during 2022, seven have been LTI free for over five years and three for over 10 years. Our lost time incident severity rate (number of days lost per lost time incident) also showed a small decrease compared to 2021 (76 versus 93) and has run at a consistently low level for the last two years.

We continued to provide a range of health and safety related training, with key highlights within the year being:

- Two phases of behavioural health and safety training conducted, the equivalent of over 5,500 hours of face-to-face training time;
- Running two in-house National Examining Board for Occupational Safety and Health (NEBOSH) Certificate courses with nine managers gaining the qualification bringing the total number qualified in our business to 75;
- Two Institute of Occupational Safety and Health Managing Safely courses run; and
- Our colleagues continued to be provided with training, specifically the Institute of Occupational Safety and Health (IOSH) working safely course alongside the traditional risk assessment and standard operating procedure training.

Recognition at the British Ceramic Confederation Pledge health and safety awards.

Health and wellbeing

The business undertook a major review of its occupational health support services in 2022 to ensure that we had a fit for purpose offering for colleagues and managers alike. One of the outputs from this was a partnership with FitBack Physiotherapy Services, who provide proactive support to deal with musculo-skeletal issues before they result in significant pain or absence from the workplace. We have three factories where clinics are held at the premises on a weekly basis for colleagues to refer into, with remaining sites utilising a network of clinics. We hope this will help reduce ill-health and absence across the business.

Following the significant effort of 2021 in training 57 colleagues to be mental health first aiders, we continued our promotion on the importance of looking after our mental health. We updated our policies on health and wellbeing and introduced a mental health and wellbeing risk assessment for the Group that sets out the risks and control measures we have in place to protect the mental health of all colleagues. A number of colleagues also took their learning around mental health to the next level, completing the TQUK Level 2 Certificate in Mental Health Awareness.

One output of our improved focus on mental health and better communication of resources available to support colleagues has been an increase in utilisation of our employee assistance programme. In 2018 utilisation was at 2.5% of the workforce and has been steadily improving, reaching 10.5% in 2022. This means more colleagues have reached for proactive support than ever before.

British Ceramic Confederation (BCC) Pledge health and safety awards

As in previous years, Forterra submitted best practice entries into the BCC Pledge awards. In 2022 we received two individual recognition awards, one emerging talent award, five open category awards and two awards in conjunction with contractors. The combined entries were reviewed and we received the BCC Pledge award of excellence for 2022, in recognition of our impressive efforts on health and safety across the Group, which is the highest award from the event.

Equality, diversity and inclusion

Our commitment to developing a more diverse, equal and inclusive culture remained a key focus during the year, as we continue to recognise the benefits a diverse workforce brings to our business. Further information about diversity at Board level can be found in the Chairman's Statement on page 7.

Whilst our industry continues to be male dominated, attracting female candidates into the sector remained a challenge but we were successful in appointing a number of females to key roles; these included our Marketing Director, a Factory Manager, Production Shift Manager, and various other operational roles. As part of our 2022 graduate programme, 67% of the graduates recruited were female, helping us to increase the talent pipeline.

To ensure talent management remains high on the people agenda, in 2022 we launched our Forterra Talent Board. Coupled with this we did a deeper dive into our succession planning process and launched a new automated performance appraisal system aimed at all employees ('PDP for all') to identify training needs, generate career conversations and to drive high performing teams across the business.

In 2022 we also kick-started a welfare improvement project to upgrade welfare and rest facilities across the business, making them more gender inclusive. The ongoing improvements will continue throughout 2023 into 2024.

The charts overleaf show our headline gender diversity statistics. Currently, 11% of our total workforce were female, with 18% of management positions (defined as direct reports to Executive Committee members) filled by females. Gender Pay reporting is detailed within the Annual Report on Remuneration on page 144.

SUSTAINABILITY REPORT
PEOPLE CONTINUED

Human and labour rights
We understand our responsibility to help eliminate slavery and human trafficking, both in our business and wider supply chain. We undertake our responsibilities under the Modern Slavery and Human Rights acts, including clear Company policies and relevant declarations. Our anti-slavery policy specifically covers the role of suppliers in meeting the same standards which we set ourselves.

The Board values and appreciates the contribution made by all employees at every level and is committed to protecting and respecting human rights. Each employee is treated fairly and equally and the Company has measures in place to ensure that the Group is free from discrimination. Throughout the Group there is a zero-tolerance approach to any form of harassment or bullying, forced or involuntary labour, and child labour in any form. The Board is invested in the development of employees and has put in place measures to protect both their physical and mental wellbeing. The Group embeds its commitments to the protection of human rights through its Anti-Slavery and Human Trafficking Policy.

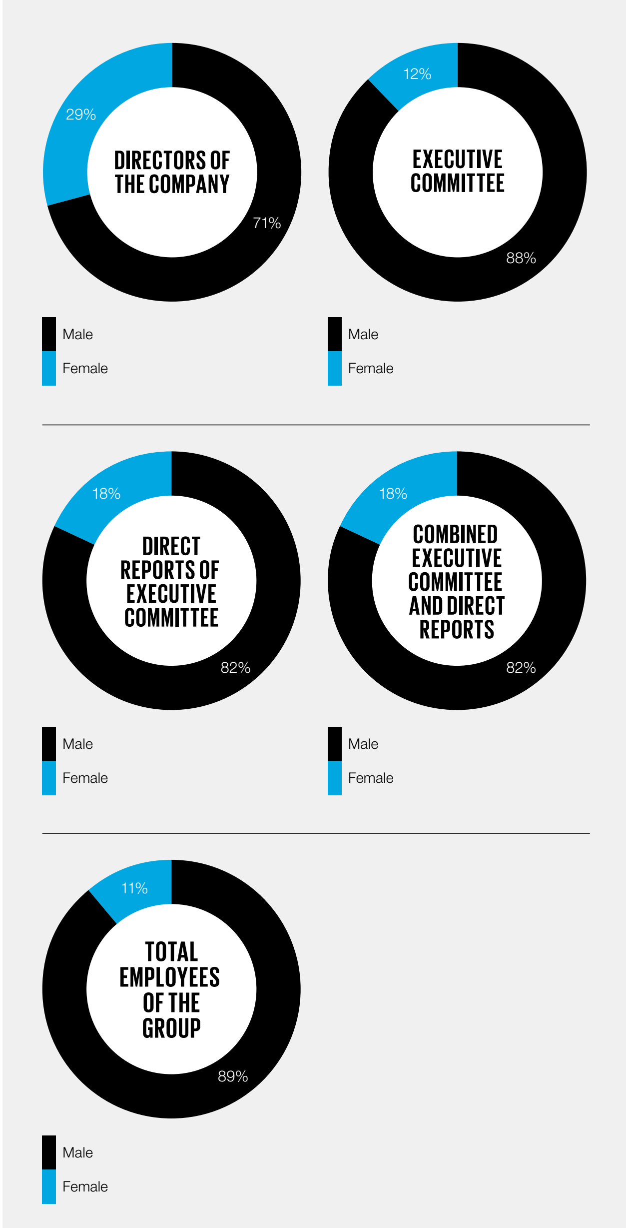
We are proud to be an accredited member of the Living Wage Foundation, with a firm belief that a hard day's work deserves a fair day's pay.

Our commitment to pay the real living wage to all employees is unwavering and being a recognised Living Wage employer, will help us attract and retain employees.

Data protection and privacy
The public is more aware than ever of the role businesses play in their lives through targeted use of our personal data, and all businesses are expected to act in accordance with a higher standard of transparency.

The protection and privacy of our employees', customers' and suppliers' data is of paramount importance and we fully recognise the increased risk to businesses across the world from cyber attacks using ever sophisticated means. As part of our ongoing commitment to information security, we have successfully obtained ISO 27001 accreditation via independent external audit. A key component of maintaining this international standard is the demonstration of continuous improvement and we have continued to invest in this area throughout 2022. This respect for others' data extends to using this information only for reasons of which they explicitly agree, as laid out within the General Data Protection Regulations (GDPR).

GENDER DIVERSITY



FORTERRA 'WORKS TO WHEELS' SCHEME

Following the shortage of qualified, skilled HGV drivers in the external labour market during 2021, we successfully launched our internal 'Works to Wheels' campaign. Aimed at our existing employees we have trained seven additional drivers. In addition we have a 'waiting pool' of up to 14 drivers which will allow us to meet the changing needs of our customers, as well as reacting quickly to changes in the labour market in the future.

7
additional HGV drivers trained to meet changing needs of our customers

People development
During the year we launched three Forterra Leadership Development Programmes. Over 3,200 training hours have been dedicated to these so far.

Level 1	Leadership Development Programme
Level 2	Essential Leadership Development Programme
Level 3	Advanced Leadership Development Programme

The programmes focus on experiential learning giving leaders practical tools to be more engaging, and inclusive leaders as well as driving change and creating high performing teams.

Employee experience
In 2022 we streamlined our onboarding process to provide a smooth transition for new recruits into the Forterra family. As well as providing a structured induction programme over several weeks, we launched our welcome pack which all new recruits receive within a couple weeks of joining.

The Employee Forum continued to run during the year. Attending the Employee Forum meetings were CEO; Stephen Harrison, HR Director; Shahbaz Idriss, and Non-Executive Director; Martin Sutherland who provided feedback to the Board.

Our employee engagement survey was run in September 2022 with improved participation rates versus 2021. Similar themes arose compared to the previous year, relating to employee recognition and employee development and we continue to strive for improvement in these areas. A key example is our 2022 focus on leadership development, designed to equip our leaders with the skills to have better and more meaningful conversations within their teams and further facilitate employee recognition and development as a result.

Responses to questions centred around health and safety remained positive for a second consecutive year, reaffirming that employees understand our Golden Rules, feel safe at work and that Forterra lives by the core value of 'Safety First'.

To further support our corporate charity Mind, a £1 donation was made on behalf of Forterra for each employee who participated in the survey.

Local community and charity engagement
While our products help to shape the built environment, we are also aware that we shape the communities close to our factories – the towns and villages where many of our employees live.

SUSTAINABILITY REPORT

PEOPLE CONTINUED

The Forterra Family Fun Day held at our Kirton site.

It's important to us that these communities are able to thrive, and it is with this objective in mind that we established the Forterra Community Fund at the beginning of 2022. The fund provides a clear structure and application process that enables us to support local charities, clubs and organisations from within these communities, and beyond. Each month, the Community Fund panel meets to assess applications and apportion donations.

Also in 2022, we selected the mental health charity Mind as our corporate charity following a poll of employees. In addition to the Company and employees organising and participating in a range of fundraising activities for Mind, this partnership helps to raise awareness and promote understanding of mental health in the workplace, thereby providing a mutual benefit to both parties.

Fundraising events

We have a calendar of events that we share with employees to encourage participation in fundraising activities, ranging from a raffle to win a day's holiday to sweepstakes for the football world cup.

In July, we held a Family Fun Day at our Kirton site. Almost 500 employees and their families attended the event to participate in a variety of activities, from a circus workshop and face-painting for children to an 'It's a Knockout' competition for the adults, plus stalls, bouncy castles, raffles and more. In total, the event raised over £3,000 for Mind.

Forterra community fund donations

Since launching the Community Fund, we have supported numerous local clubs, organisations and charities with donations. Here are just a few examples:

Herlington Pre-School Fruit and Vegetable Garden

Located close to our Kings Dyke factory in Whittlesey, Herlington Primary has benefited from a donation of £1,000 towards creating fruit and vegetable planters where children can plant and tend a range of fruit and vegetables before harvesting them for snacks and for donation to members of the local community in need.

Families First Free Play Facility

The Forterra Community Fund has donated £1,000 to Families First, a Peterborough Community Interest Company that facilitates free play services for local children and families. The donation funded the running costs of 10 sessions, providing activities and a hot meal for children aged five to 12.

Nene Valley Rotary Club

A donation of £1,000 was made to Nene Valley Rotary Club for its Lone Parents Holiday Scheme, which enables children and lone parents to enjoy a fun day out.

Our donation helped to fund a trip to Hamerton Zoological Garden, near Huntingdon, for 37 children and eight support staff from Blackthorne Growing Together Community Nursery in Northampton.

Measham Community First Aid Responders

The Forterra Community Fund provided a donation to the Measham Community First Aid Responders (MCFR) so they could buy a new kit bag to carry life-saving equipment. Founded in 2009 by a group that includes two long-serving Red Bank employees, the MFCR is a team of trained volunteers who provide a vital emergency service to their local community.

Our community work extends to supporting the next generation of workers. By getting behind the Government's careers strategy, we are working to plug the skills gaps by forging links between education and industry and helping young people to make their first step onto the construction industry ladder.

In 2022, we appointed seven further education colleges as Forterra Construction Hubs. The colleges will benefit from a wide range of support over the two years of their Construction Hub status, including donations of bricks, tutor resources, and enrichment workshops, focusing on mental health and wellbeing.

FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
2022

STRATEGIC REPORT

SUSTAINABILITY REPORT

OUR REPORTING DETAIL

Group sustainability reporting

The following table covers our wider sustainability metrics, which are aligned where possible to the SASB disclosure for construction materials. We will continue to review this data suite on an ongoing basis for future reporting periods.

Targets

Pillar	Topic	Metric	2022	2021	2020	2019
Planet	Group CO_2e emissions	Tonnes	**295,371**	280,381	198,921	319,296
Planet	Group CO_2e emissions	Kg CO_2e/tonne	**124.5**	117.5	115.3	123.4
Planet	Clay products CO_2e emissions	Kg CO_2e/tonne	**244.9**	237.3	237.0	256.0
Planet	Concrete products CO_2e emissions	Kg CO_2e/tonne	**20.7**	19.9	21.4	20.9
Planet	Electricity sourced from on-site renewables	%	**–**	–	–	–
Planet	Electricity from renewable sources	%	**100**	100	100	–
Planet	Waste to landfill	Kg/tonne	**0.01**	0.02	0.03	0.16
Product	New product index (revenue from new products)	% of revenue	**3.7**	1.1	1.2	0.6
Product	Plastic packaging consumed	Tonnes	**1,588**	1,606	1,216	1,751
Product	Plastic packaging per tonne of product	Kg/tonne	**0.74**	0.74	0.82	0.79
People	Health and safety – Lost time incident frequency rate (LTIFR)	No. of accidents per million-man hours worked	**3.79**	3.98	2.52	7.35
People	Percentage of employees in 'earn & learn' positions	%	**3.6**	3.74	3.50	3.20

Additional disclosure

Pillar	Topic	Metric	2022	2021	2020	2019
Planet	Carbon emissions (scope 1 and 2)	Tonnes	**295,371**	280,381	198,921	319,296
Planet	Carbon emissions (scope 1)	Tonnes	**295,371**	280,381	198,921	299,679
Planet	Ultra-low emission vehicles (cars)	% of fleet	**47**	31	17	n/a
Planet	Delivery fleet efficiency	Mpg	**8.04**	7.98	7.62	7.51
Planet	Mains water (absolute)	m^3	**264,200**	309,216	265,508	287,101
Planet	Mains water (litres/tonne)	Litres/tonne	**111**	130	154	111
Planet	Air quality – SO_2 emissions	Tonnes	**5,877**	3,720	3,273	5,783
Planet	Waste generated	Tonnes	**86,755**	100,611	77,897	107,609
Planet	Waste recycled	%	**99.97**	99.96	99.20	99.10
Planet	Energy consumption (absolute)	MWh	**973,315**	952,788	698,655	956,266
Planet	Energy consumption (kWh/tonne)	kWh/tonne	**410**	399	405	369
Planet	Percentage from grid electricity	%	**100**	100	100	100
Planet	Hazardous waste generated	Tonnes	**265**	630	65	88
Product	Output clay products	Tonnes	**1,092,508**	1,071,303	751,188	1,129,173
Product	Output concrete products	Tonnes	**1,273,729**	1,314,083	974,713	1,459,242
People	Apprentices	No.	**27**	48	26	31
People	Graduates	No.	**7**	8	6	7
People	Charitable contributions	£	**140,985**	25,592	48,040	41,370

SUSTAINABILITY REPORT
CLIMATE-RELATED RISKS AND GOVERNANCE

Task Force on Climate-Related Financial Disclosures

Climate-Related Financial Disclosures

The Task Force on Climate-Related Financial Disclosures (TCFD) has developed a suite of consistent climate-related financial disclosures that are useful to investors, lenders and other stakeholders in understanding material climate-related risks facing businesses. TCFD compliance is mandatory for UK premium listed companies, including Forterra, and we are pleased to be disclosing in line with this, including scenario analysis highlighting how different increases in global temperatures could impact on our business.

The Task Force recommends that these climate-related financial disclosures are provided in public annual filings and as such we have provided a comprehensive Sustainability Report covering the topics specified by TCFD along with others across the wider environment, social and governance (ESG) field.

The Task Force structured its recommendations around four thematic areas that represent core elements of how organisations like ours operate:

- Governance;
- Strategy;
- Risk management; and
- Metrics and targets.

The Group can state that in accordance with the Listing Rule 9.8.6 R, these Annual Report and Accounts include climate-related financial disclosures consistent with the TCFD recommendations.

Governance

Governance and oversight responsibility around climate-related risks and opportunities ultimately sits with the Board. The Board's Risk and Sustainability Committee is responsible for oversight of the Group's sustainability approach and includes the following within its terms of reference:

a. Defining the level of the Group's ambitions with regard to reducing its environmental impact and addressing climate risk;
b. Overseeing the development of the Group's sustainability policies, covering both environmental and wider social (people) matters;
c. Setting challenging environmental targets in order to meet the Group's goals and monitoring progress against these;
d. Monitor the Group's reporting under TCFD, Sustainable Accounting Standards Board (SASB) and other protocols as appropriate; and
e. Ensuring that sustainability policy still satisfies its desired outcomes and evaluating management's performance in implementing policy and achievement against the targets set.

Strategy

We have a clear strategy to grow our business and create shareholder value whilst at the same time reducing our impact on the environment. Our strategy recognises that sustainability is critical in ensuring our longevity as a business. Our long-held strategic priorities sit hand-in-hand with our goal of reducing our impact on the environment. Increased use of modern methods of manufacturing improve efficiency, reducing both energy use and waste, reducing not only our costs but the impact we have on the environment. We have embedded challenging sustainability targets within our strategy (for more information please see our targets on page 49).

We have described in detail on pages 69 to 75 the key climate-related risks that may impact upon our business in the future. We also highlight the climate-related opportunities that may present themselves and where, if we are able to adapt quickly enough, we may be able to gain competitive advantage.

SUSTAINABILITY REPORT
SCENARIO ANALYSIS

Methodology

We have undertaken a scenario analysis exercise to better understand the possible range of risks and opportunities our business could face under different future climate forecasts. The approach consisted of two stages, the first being a qualitative analysis to identify and assess the likely risks, and the second including quantitative modelling. In line with TCFD recommendations, we examined three scenarios (+1.5ºC, +2.0ºC, +4.0ºC above pre-industrialised levels by 2100) in order to capture the widest range of plausible impacts on our business. Both qualitative and quantitative analyses included a thorough assessment of transition and physical risks, and were modelled around the widely recognised Representative Concentration Pathways (RCPs) and Shared Socio-economic Pathways (SSPs).

During the qualitative phase, granular assumptions about the policy (Government), built environment, technological, and physical changes associated with each warming pathway were examined by a working group comprised of the respective heads of relevant business functions (Strategy, Operations, Finance, Sustainability, Marketing). The risks and opportunities identified in the qualitative phase were then transferred to the quantitative modelling in order to assess the scale of their potential impact.

The quantitative modelling was undertaken with support from a specialist corporate climate modelling consultancy, and interrogated the warming pathways, modelling impacts across four categories: Operations, Supply Chain, Demand, and Physical Effects. The outputs of this quantitative process allow us to better understand the relative impacts and opportunities arising from climate change, and a shift to a lower carbon macroeconomic model.

A note on warming pathways

We have used the Representative Concentration Pathways (RCPs) as our framework for modelling different emissions pathways and their associated impact on the climate. To explore the associated market and customer trends underpinning our commercial resilience, we have also included a view of different socioeconomic futures (known as the Shared Socioeconomic Pathways, SSPs).

Middle of the road ~ 2°C warming

The 2°C warming scenario is considered the most likely scenario, and assumes the UK remains on its current path to decarbonisation, broadly meeting its stated policy goals, with a range of adherence to targets by other nations. In specific terms, this means the UK achieves net zero by 2050 and meets its other environmental industrial strategy aims. The scenario assumes some demand-led growth in low carbon masonry products, driven by carbon prices inflating the cost of emissions-heavy products.

Policy: The UK integrates product carbon labelling across sectors in the near-term, although these labels do not become mandatory until the medium-term. The UK phases out coal usage completely by the mid 2020s and it establishes its first net zero industrial cluster by 2040. Building regulations stipulate that public buildings and infrastructure must meet both embodied and whole life carbon targets.

Built environment: Building designs become more energy efficient, helping to drive down emissions and heating costs. Demand for high thermal mass products such as bricks and blocks continues to grow accordingly. Renovation and retrofitting increase in importance as growth drivers in the medium-term, especially as a response to green building regulations and rising electricity prices. As buildings become more thermally efficient, the component of embodied emissions from materials in the whole-life carbon footprint of buildings increases. This helps to drive steady demand for low carbon products and sustainable alternatives, with potential pricing premiums for the lowest emissions products.

Technology: The carbon intensity of the electricity grid is assumed to hit current targets, and is modelled on a linear basis to 2050. Within the building products sector, landfilled pulverised fuel ash (PFA) is being utilised as coal plants begin to shut down and in the long-term, the UK's Government support package directs funds towards carbon capture, utilisation and storage (CCUS) technology, CCUS-enabled 'blue' hydrogen, and electrolytic 'green' hydrogen. Carbon-cured concrete and lighter bricks become increasingly common.

Physical: Physical impacts of climate change appear gradually over the period, though effects on the UK are relatively minor to 2050. These effects include having eight days per month above 25°C in summer months. Damage to UK non-residential property is expected to increase by 26% and flooding damage to facilities in UK coastal regions is expected to increase by 48%.

SUSTAINABILITY REPORT
SCENARIO ANALYSIS CONTINUED

Factors	SSP1 – Steady path to sustainability	SSP2 – Middle of the road	SSP5 – Fossil-fuelled global growth
RCP	2.6	3.4	8.5
SSP	1	2	5
Temperature rise	1.5ºC	2-2.4ºC	4ºC
Likelihood	Low	High	Medium
Societal response	Proactive, Orderly	Proactive, Disorderly	Reactive
Carbon price	2030: £150/tCO_2e 2050: £400/tCO_2e	2030: £100/tCO_2e 2050: £300/tCO_2e	2030: £70/tCO_2e 2050: £80/tCO_2e
Share of free UK ETS allowances	2030: 15%, 2050: 0%	2030: 20%, 2050: 0%	2030: 35%, 2050: 10%
Grid intensity/ Energy mix	Directed away from fossil fuels, towards efficiency and renewables	Some investment in renewables but continued reliance on fossil fuels	Directed towards fossil fuels; alternative sources not actively pursued

Steady path to sustainability ~ 1.5°C warming

The 1.5ºC pathway assumes significant proactive public and policy support for climate action, and a broadly unified global response. It assumes a wide range of factors including stronger regulatory interventions; enabling and disrupting technologies emerging sooner; and demand-led effects being more material. Rather than a predictive exercise in modelling, the scenario allows us to examine the various impacts of a faster shift towards addressing climate change.

Fossil-fuelled global growth ~ 4°C warming

The 4ºC warming scenario assumes that the global growth continues to be driven by fossil fuels, with limited changes to current economic models. Regulatory interventions are delayed or absent, with a broad range of achievement of national decarbonisation targets. Towards 2050, the effects of climate change become readily apparent to electorates, and rapid reactive change is effected late in the period. The pathway has limited impact on Forterra's near and medium-term operations, with significant impact in the long-term.

Implications for products (under 2°C – exaggerated under 1.5°C and delayed under 4°C)

- Bricks and blocks that are manufactured at a lower carbon intensity are likely to gain popularity
- Environmental product declarations (EPDs) and lifecycle assessments are likely to become the norm as product labels become mandatory
- Products that are geared toward refurbishment are likely to gain popularity
- Products with strong thermal characteristics are likely to gain popularity as rising energy costs increase the drive for better insulation
- Production facilities that are close to CCUS cluster zones, or that have hydrogen as part of their decarbonisation plans will likely benefit from lower costs as carbon prices increase

Resilience of our strategy

The scenario analysis we have undertaken has assisted in better understanding the risks and opportunities across a broad range of climate scenarios.

We would likely be subject to transition risks in a 1.5°C and 2°C warming scenario, which, if left unmitigated, would likely lead to potentially higher operational costs and lower revenues. This is especially true if demand for low carbon products rises, a government penalty is implemented on high-carbon products, competitors are better able to access low carbon sources of energy and carbon costs rise. These financial impacts would be higher in a 1.5°C compared to a 2°C scenario as public and policy support for climate mitigation is assumed to be stronger. In order to avoid these risks, our strategy includes reducing the carbon intensity of our products and factories, as demonstrated by our targets (on page 49), and actively pursuing the opportunities outlined within this TCFD statement.

We would assume more physical risks in a 4°C warming scenario, resulting in increased cost from operational disruption. However, the majority of our factories are at low risks of extreme weather events such as flooding and so the overall financial impact of these risks is considered manageable.

Our strategy will continue to respond to evolving climate risk projections, with established procedures in place to identify and escalate climate-related risk as described on pages 44 and 68.

SUSTAINABILITY REPORT
RISK MANAGEMENT

Risk Management

Our wider risk management protocols are explained in detail within the risk section of this Annual Report and can be found in the Risk Management section starting on page 76.

Climate-related risks are captured within our existing risk management process. As part of the work originally undertaken in 2021, we have amended our risk scanning horizon to allow the capture of longer-term climate-related risks which may not have an immediately measurable financial impact. In identifying climate-related risks, in accordance with the recommendations of TCFD, we have identified both the transitional risks associated with adapting our business to a lower carbon economy, along with both the longer-term acute risks associated with increasing severe weather events and the physical risks of long-term climate change such as sea level rise. Our scenario based analysis considers both risks and opportunities as well as the different time horizons over which they may impact.

Key

Short: 2021 – 2024
Mid: 2025 – 2034
Long: 2035 – 2050

R Risk
O Opportunity

			Scenarios		
Risk	Potential impact	Possible mitigation/action	1.5°C	2°C	4°C
Transitional Risk					

Policy and legal

We recognise a number of policy and legal risks that may stem from changes to existing requirements or additional requirements being imposed on our business. Each of the policy and legal risks could lead to an increase in our operating costs but can also be mitigated by continuing to operate above levels demanded by our regulators and continuing to pre-empt potential changes and seek to make reductions in our emissions.

Risk	Potential impact	Possible mitigation/action	1.5°C	2°C	4°C
R Enhanced or changing reporting obligations	Increased costs due to changes in scope and detail required as third parties verify our emissions and compliance	Continue to operate above the levels demanded by regulators and ensure third party verification	Short	Mid	Long
R New or changing legislation that may impact our existing products; potential for mandatory embodied carbon limits	Loss of market share if we fail to keep pace with changes, movements in architectural trends and difficulty in selling higher carbon products to customers with regulatory constraints; early closure of existing plants due to changes in legislation	Continue to pre-empt potential changes and make reductions in our emissions. Invest in improving carbon efficiency of production, enter partnerships for carbon capture and storage, and use of renewable energy. Communicate actions clearly to stakeholders. Undertake lifecycle assessments to provide evidence of longevity and reusability reducing embodied carbon over time	Short	Mid	Long
R Exposure to litigation in relation to our past activities	Financial and reputation damage to the business	Continue to operate above the levels demanded by regulators	Long	Long	Long
R Increased prices of carbon credits or reductions in the amount of 'free' allowances	Rising operational costs; reduced competitiveness against lower carbon products	Invest in improving carbon efficiency of production, partnerships for carbon capture and storage, and use of renewable energy	Short	Mid	Long
R Limitations on availability of suitable fuels	Inability to source sufficient lower emission fuels to continue our manufacturing processes	Seeking to reduce our reliance on fossil fuels by procuring green electricity through long-term supply contracts and also reducing our gas usage by improving efficiency and utilising hydrogen	n/a	Short	Mid
R Limitations on availability of suitable raw materials	Increasing costs of materials such as PFA; increasing cost of alternative raw materials where demand increases	Establish alternative PFA supply chains; source PFA alternatives and innovate product recipes	Short	Short	Short

SUSTAINABILITY REPORT
RISK MANAGEMENT CONTINUED

Risk		Potential impact	Possible mitigation/action	Scenarios 1.5°C	2°C	4°C
Transitional Risk (continued)						

Market

As society continues to recognise the importance of sustainability and the risks that climate change presents, there is an expectation of a trend towards greener processes and products. The risk of failing to make changes at the expected rate can be mitigated by effectively making a case for the sustainability credentials of our existing products, whilst at the same time investing to reduce the environmental footprint of our products and supply chains, and adding further greener products to our range through innovation.

R	Customers substitute our products with greener alternatives, should they exist	Reduced demand for our existing product range and a consequential closure of existing facilities	Focus on effective emissions reduction taking advantage of new market opportunities driven by demand for lower carbon products	Mid	Mid	Long
R	We are ineffective when investing in new technology; either in terms of achieving the desired outputs or overspending in the process	Excessive capital expenditure may be required where our investment is not right first time	Ensuring that our efforts to mitigate climate-related risks are well resourced; especially in respect of providing the highest level of management support	Short	Mid	Long
R O	Broader technology innovation such as carbon capture, utilisation and storage (CCUS) and Hydrogen usage do not progress swiftly enough	Forterra unable to reach long-term emission reduction targets; loss of carbon-competitiveness to other building products	Maintain and extend approach to piloting transformational technologies in the manufacture of building products	n/a	Mid	Mid
R	Industrial cluster zones (net zero industrial hubs whereby all industries in a region collectively reduce their carbon)	Forterra sites excluded from cluster zones; rising costs; reduced competitiveness	Source clay resources near clusters or other low carbon heat sources; invest in decarbonising current products or alternative products	Short	Long	Long
O	Thermal mass (the ability of a material to absorb, store and release heat) recognition	Architectural trends; increased demand for products; increased popularity with customers needing to reduce operational carbon emissions of buildings	Ensure thermal properties of masonry products are well communicated; clearly demonstrate energy cost savings for standard homes	Short	Mid	Mid
O	CCUS research	Potential for increased carbon-competitiveness; increased access to capital; increased ability to react to demand for low carbon product	Establish partnerships and pilot schemes	Mid	Mid	Long

Risk		Potential impact	Possible mitigation/action	Scenarios 1.5°C	2°C	4°C
Transitional Risk (continued)						

Technology

As greener technologies emerge or existing technologies evolve we want to ensure we are in a position where we can use the latest technologies to reduce climate-related risks and make these changes effectively, something we can mitigate by continuing to engage with technology innovators and how they can help our business in its sustainability goals.

R	Changing customer behaviour and additional scrutiny of higher carbon products	Reduced demand for some or all of our products if new products cause the desirability of masonry homes to decrease	Continue selling products until demand decreases; invest in sustainable technologies, energy or alternative product ranges	Short	Mid	Long
R	Changes in our supply chain	Operational costs increase as a result of scarce raw materials, increased energy costs or increased taxation; increasing the attractiveness of alternatives	Effectively engage with all stakeholders, specifically within the supply chain, continuing to invest where new and innovative raw material solutions can be utilised	Mid	Mid	Mid
R	Uncertainty in our markets and fears of economic uncertainty damaging the housing market	Changes in our revenue mix could impact profitability; our reserves of raw materials, our plant and machinery or facilities could become less valuable	Effectively making a case for the sustainability credentials of our existing products whilst ensuring we innovate in line with changing market trends and expectations	Mid	Mid	Long
R O	Prioritisation of energy efficiency over additional space in home improvement market	Core product offering becomes more difficult to sell; new products focusing on thermal properties are required to meet demand	Focus on thermal property of products should energy efficiency gain more popularity/regulatory emphasis	Mid	Long	Long
R O	Increased ESG weighting from investors	Potentially reduced access to capital	Ensure Forterra's ESG disclosures and decarbonisation plan are well communicated to investors	Short	Mid	Long
R O	Emergence of eco-brick market	Increased demand for eco products; pricing premiums for low carbon products; new revenue streams from new markets	Invest in improving carbon efficiency of production, partnerships for carbon capture and carbon curing, and use of renewable energy	Mid	n/a	n/a

SUSTAINABILITY REPORT
RISK MANAGEMENT CONTINUED

	Risk	Potential impact	Possible mitigation/action	Scenarios 1.5°C	Scenarios 2°C	Scenarios 4°C
Transitional Risk (continued)						

Reputation

We have developed the Forterra brand in recent years and possess a collection of product specific brands that are long established and well regarded. There is an opportunity to further strengthen these brands with a sustainability focus however if we fail to do so the reputational cost could be significant. This can be achieved through effective action on climate-related matters and the increased education of the sustainability attributes of our products.

	Risk	Potential impact	Possible mitigation/action	1.5°C	2°C	4°C
R	Shifts in consumer preferences	Reduced demand for our products due to change in customer perception. Architectural trend changes; greater difficulty in selling our products compared to alternatives	Focus on reducing carbon intensity of clay bricks, whilst also building out a more sustainable alternative product range	Mid	Mid	Long
R	Negative perceptions of our business/sector; restrictions in access to debt and capital	Have greater difficulty in obtaining planning permissions for new capacity and struggle to attract employees. Increasing cost of equity and debt as investors and lenders switch to perceived greener investments	Fully engaging with our stakeholders and increasing the education around the sustainability credentials of our products with a >100-year life if homes built from brick, our products are inherently sustainable	Mid	Mid	Long
R O	Competitors engage in 'greenwash' communication (communication that misleads people as to the green credentials of certain products)	Difficulty in selling products to environmentally conscious customers; reduced access to capital with ESG-driven investors	Communicate widely on industry challenges; establish industry standards for 'eco-bricks'; provide detailed decarbonisation plans to ensure credibility	n/a	Mid	Long
R O	Alternative building materials	Potential for new revenue streams; Increased access to capital; Increased ability to react to demand for low carbon products	Invest in low carbon material alternatives and increase communications spend to promote use of innovative sustainable materials	Mid	n/a	n/a
O	Population increase through migration	Increased demand for products	Opportunity to build more homes, ensuring materials are able to meet increasingly stringent sustainability focused building regulations	n/a	Long	Long

	Risk	Potential impact	Possible mitigation/action	Scenarios 1.5°C	Scenarios 2°C	Scenarios 4°C
Physical Risk						

Acute

We have seen a number of weather-related events (such as flooding) in recent years and recognise that these risks have the potential to increase in likelihood and have a greater impact in the coming years. We recognise that we cannot stop these events from occurring alone. However, we can ensure that we are better prepared for them or can mitigate their impact through suitable planning.

	Risk	Potential impact	Possible mitigation/action	1.5°C	2°C	4°C
R	Site flood risk	Increased insurance premiums; both short-term and prolonged inability to operate facilities potentially causing damage that could be expensive to repair and leading to lost sales	Suitable planning, capital expenditure and preventative maintenance	n/a	n/a	Long
R	Increased operating temperatures	Increased operational costs for heating and cooling and/or lack of mains water	Suitable planning, capital expenditure and preventative maintenance	n/a	n/a	Long

Chronic

We also recognise that the impact of rising sea levels over time triggered by increasing temperatures, may lead to some low-lying areas of the country becoming unsuitable for housing.

	Risk	Potential impact	Possible mitigation/action	1.5°C	2°C	4°C
R O	Variability in weather patterns	Loss of working days; Loss of productive days; stock shortages	Increase production during winter; new supplier partnerships in lower risk zones	n/a	n/a	Long
R O	Rising sea levels	Low-lying areas of the country becoming unsuitable for housing and driving demand for use of our product elsewhere	Ensure ability to supply at level the market demands whilst also continuing to manufacture the products we do that sacrificially address flooding issues	n/a	n/a	Long

RISK MANAGEMENT AND KEY RISKS
RISK MANAGEMENT FRAMEWORK

Overview
Effective risk management is critical to successfully meeting our strategic objectives and delivering long-term value to our shareholders. Instilling a risk management culture at the core of everything we do is a key priority. Our risk management policy, strategy, processes, reporting measures, internal reporting lines and responsibilities are well established.

2022 has brought a number of challenges and as a business we are faced with a broad spectrum of existing and new risks, of which both the deterioration of the macro-economic climate, and continued energy price volatility since the Russia-Ukraine conflict started in February, are particularly noteworthy.

We continue to monitor these risks along with a host of other rapidly evolving business risks; introducing mitigating controls as appropriate, as they develop.

- New build residential sector activity levels: As a result of the increased macro-economic uncertainty, driven by political instability in the third quarter and the swift and significant interest rate changes that followed, we have seen demand in the new build housing market start to slow as 2022 has come to an end. We are well versed in operating in a downturn as shown during the global financial crisis and more recently in response to the initial Covid-19 pandemic, and will ensure our operations are managed accordingly. Present economic uncertainty aside, we continue to operate in a market characterised by structural undersupply of housing with historical low inventory levels and record brick imports entering the country.
- Cost inflation and volatility: Cost inflation has been a key challenge throughout the last 12-18 months, impacting our business across a wide range of spend categories. We have increased selling prices to recover this cost inflation, however, we remain watchful of volatility in key areas such as energy. Although we benefit from having secured at least 80% of our energy requirement for the year ahead, we continue to monitor the longer-term risk and the associated geopolitical drivers.

Our risk management objectives remain to:

- embed risk management into our management culture and cascade this down through the business;
- develop plans and make decisions that are supported by an understanding of risk and opportunity; and
- anticipate change and respond appropriately.

Sustainability
Sustainability continues to be a core focus within our business with the increasing need to make Forterra more resilient against the potential effects of climate change, and evolving sustainability driven risks are highlighted within extensive disclosure in this Annual Report. These reflect both the impact of our operations on the environment but also the challenging targets we have set to reduce this, targeting net zero by 2050 in line with the Race to Zero.

The Board is committed to compliance with the requirements of the Task Force on Climate-Related Financial Disclosure (TCFD) and comprehensive disclosure on both short and long-term climate risks are included in our Sustainability Report. The Board's Risk and Sustainability Committee continue to provide oversight and governance over the most significant risks the business faces in the short, medium and long-term.

Key risks
Key risks are determined by applying a standard methodology to all risks, considering the potential impact and likelihood of a risk event occurring, before then, considering the mitigating actions in place, their effectiveness, their potential to be breached and the severity and likelihood of the risk that remains. This is a robust but straightforward system for identifying, assessing and managing key risks in a consistent and appropriate manner.

Management of key risks is an ongoing process. Many of the key risks that are identified and monitored evolve and new risks regularly emerge.

The foundations of the internal control system are the first line controls in place across all our operations. This first line of control is evidenced through monthly responsible manager self-assessments and review controls are scheduled to recur frequently and regularly. Policies, procedures and frameworks in areas such as health and safety, compliance, quality, IT, risk management and security represent the second line of controls and internal audit activities represent the third.

Management continue to monitor risk closely and put in place procedures to mitigate risks promptly wherever possible. Where the risks cannot be mitigated, management focus on monitoring the risks and ensuring the Group maximises its resilience to the risks, should they fully emerge.

Risk appetite
The Group's risk appetite reflects the fact that effective risk management requires risk and reward to be suitably balanced. Exposure to health and safety, financial and compliance risks are mitigated as far as is reasonably practicable.

The Group is however prepared to take certain strategic, commercial and operational risks in pursuit of its objectives; where these risks and the potential benefits have been fully understood and reasonable mitigating actions have been taken.

Top down

BOARD OF DIRECTORS

The Board (through the Risk and Sustainability Committee and Audit Committee) have:

- Received updates from management on specific key risks
- Continued to review progress against risk management actions and internal control priorities
- Considered the effectiveness of the risk management and internal control environment
- Regularly reviewed all principal risks, heat maps and emerging risks
- Engaged with management on internal project risks regularly

EXECUTIVE COMMITTEE

The Executive Committee and the Risk Steering Group have:

- Met frequently to discuss the risk environment, Group risk management activity, identify risks and gaps, and appraise likelihood, impact and risk mitigation
- Identified risk priority areas and focused on the key risks in these areas
- Accepted risk exposure in other areas to ensure appropriate prioritisation of key risks

RISK AND INTERNAL AUDIT

Risk and Internal Audit have:

- Followed a risk-based internal audit plan
- Supported appointed risk owners throughout the year
- Continued to track responses of monthly control self-assessments from operational control owners and closure of internal control improvement actions

OPERATIONAL MANAGEMENT

Operational managers have:

- Taken ownership of key local risks
- Completed internal control self-assessments monthly to evidence operational controls are in place
- Escalated risks as appropriate

Bottom up

RISK MANAGEMENT AND KEY RISKS

Link to strategy
- Strengthen the core
- Range expansion
- Product innovation and development

Risk appetite
- L Low appetite
- B Balanced appetite
- H High appetite

Change
- ↑ Increased
- ↓ Decreased
- ⊗ No change

Changes noted are since December 2021.

* Where Stephen Harrison is listed as Executive Sponsor, this will transition to CEO Designate, Neil Ash, in due course.

1. Health and safety

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite
We continue to work to ensure the safety of employees exposed to risks such as the operation of heavy machinery, moving parts and noise, dusts and chemicals.	Safety remains our number one priority. We target an accident-free environment and have robust policies in place covering expected levels of performance, responsibilities, communications, controls, reporting, monitoring and review. Our safety focus in 2022 was effective employee engagement and communication focused on our 'Road Map to Zero Harm' and in the period we have delivered a programme of behavioural safety awareness training emphasising the importance of our safety Golden Rules. Our 2023 health and safety messaging will continue to focus heavily on our Golden Rules and Zero Harm, with the key topics being supervisory management of health and safety standards and colleagues taking time to stop, not rush and cut corners. **Executive sponsor:** Stephen Harrison*	Link to strategy Appetite L ⊗ Gross change ⊗ Net change ⊗	Safety first is embedded in all decision-making and is never compromised. Reducing accidents and ill-health is critical to strategic success.

2. Sustainability/climate change

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite
We recognise the importance of sustainability and climate change and both the positive and negative impacts our products and processes have on the environment.	We recognise the positive impact that our products have on the built environment across their lifespan and are keen for the durability, longevity and lower lifecycle carbon footprint of our products to be championed and better understood. Short-term transitional sustainability risks include increasing regulatory burden or cost, an inability to adapt our business model to keep pace with new regulation or customer preferences changing more quickly than anticipated or too quickly for our R&D to keep pace. Several longer-term physical risks could have a material impact on the business. These risks include more severe weather impacts, such as flooding, and potentially changes to the design of buildings in order to adapt to different climatic conditions. A comprehensive sustainability report is included within this Annual Report and is also available as a separate document, providing detailed disclosure of the sustainability related risks faced by our business. Our desire to reduce our impact upon the environment sits hand-in-hand with maximising the financial performance of our business; by investing in modernising our production facilities not only do we reduce energy consumption and our CO_2 emissions, but we also benefit financially from reducing the amount of energy and carbon credits we need to purchase, both of which having increased in cost significantly this year. **Executive sponsor:** Stephen Harrison* and George Stewart	Link to strategy Appetite L ⊗ Gross change ⊗ Net change ⊗	Focus from all stakeholders has been maintained in 2022 and sustainability remains a high priority for management both in the short, medium and long-term.

3. Economic conditions

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite
Demand for our products is closely correlated with residential and commercial construction activity. Since housing demand has slowed across the second half of 2022 we remain watchful of further deterioration in the wider macro-economic environment.	Understanding business performance in real-time, through our customer order book, strong relationships across the building sector, and a range of internal and external leading indicators, help to inform management and ensure that the business has time to respond to changing market conditions. The housing market has slowed in the second half of the year; driven by Government economic policy which resulted in significant increases in borrowing costs and accordingly affordability. This impact on affordability and consumer confidence has impacted short-term demand for housing and as such management have increased the risk that demand for our products may fall as a result. There does however remain a shortage of housing in the UK, financing remains available (though now more expensive) and the population continues to grow. Our ability to flex output and slow production when customer demand weakens has been effective in the past; and where market demand may fall we would expect brick imports to reduce ahead of sales of domestically manufactured bricks providing some degree of insulation to the effects of a market slowdown. **Executive sponsor:** Stephen Harrison*	Link to strategy Appetite B ⊗ Gross change ↑ Net change ↑	Historically, cyclicality in the construction sector means that in order to be able to benefit from periods of strong demand, there will also be periods of weaker demand where the Group's assets may not be fully utilised.

4. Government action and policy

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite
The general level and type of residential and other construction activity is partly dependent on the UK Government's housebuilding policy, investment in public housing and availability of finance. Changes in Government support towards housebuilding could lead to a reduction in demand for our products. Changes to Government policy or planning regulations could therefore adversely affect Group performance.	We participate in trade associations, attend industry events and track policy changes which could potentially impact housebuilding and the construction sector. Such policy changes can be very broad, covering macro-economic policy and including taxation, interest rates, mortgage availability and incentives aimed at stimulating the housing market. Where identified, we factor any emerging issues into models of anticipated future demand to guide strategic decision-making. Through our participation in these trade and industry associations we ensure our views are communicated to Government and our Executive team often meet with both ministers and MPs. The September 2022 mini budget demonstrated how quickly the financial markets can react to changes in government policy and how this can correspondingly impact the housing market. Lack of quality housing remains a key political issue and as such we anticipate current and future governments will continue to incentivise construction of new homes, even if different political ideologies demand different models of home ownership. Higher levels of home ownership support a reduced reliance on the state in old age, the Government remains committed to supporting increased home ownership through the Mortgage Guarantee Scheme and we expect broader support to continue should its withdrawal risk a reduction in the supply of new high-quality homes where a significant shortfall still exists. **Executive sponsor:** Stephen Harrison*	Link to strategy Appetite B ⊗ Gross change ↑ Net change ↑	We continue to invest significantly in growth – in terms of both capacity and range. This investment is made despite the uncertainty presented by changes in Government policy as the timescales associated with adding additional capacity are significant and long-term planning is vital to achieving our strategic objectives.

RISK MANAGEMENT AND KEY RISKS
CONTINUED

5. Residential sector activity levels

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite
Residential development (both new build and repair, maintenance and improvement) contributes the majority of Group revenue. The dependence of Group revenues on this sector means that any change in activity levels in this sector will affect profitability and in the longer-term, strategic growth plans.	We closely follow the demand we are seeing from our key markets, along with market forecasts, end user sentiment, mortgage affordability and credit availability in order to identify and respond to opportunities and risk. Group strategy focuses upon our strength in this sector whilst also continuing to strengthen our commercial offer. All the major housebuilders have highlighted a slowdown in activity in the sector across the second half of 2022, driven primarily by a weakening economy and fiscal policy triggering steep rises in interest rates. The investment in the redevelopment of the Wilnecote brick factory which will focus upon the commercial and specification market will provide a degree of diversification away from residential construction. **Executive sponsor:** Stephen Harrison* and Adam Smith	Link to strategy Appetite H Gross change Net change	Serving the residential construction market lies at the core of our strategy. Whilst we will seek opportunities to broaden our offering, we continue to see residential markets as core.

6. Ability to meet customer demand

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite
Having sufficient inventories of our products is critical to meeting our customers' needs. Many of our product ranges are manufactured at single facilities where there are low buffer stock levels and high-capacity utilisation. A breakdown can cause product shortages and have a detrimental impact on performance and reputation. Maximising efficiency through utilising longer production runs necessitates higher levels of inventory to maintain customer service. If these inventories are not present, shorter and less efficient production runs will be required to maintain levels of service.	Stock levels continued to be at record lows across our business throughout 2022. We saw a significant destocking as we emerged from the pandemic, which due to continued strong demand thereafter, we have been unable to address, presenting a short-term risk in meeting our customers' expectations. With an expected reduction in demand in 2023 we anticipate that we will be able to replenish our inventories, reducing the risk in this area. A combination of the commissioning of the new Desford brick factory and the additional production capacity this will provide, as well as the recent deterioration in the economic environment, will most likely reduce this pressure on our ability to service our customers effectively and therefore lead to a reduction in this risk. **Executive sponsor:** Adam Smith, Darren Rix and Steve Jeynes	Link to strategy Appetite B Gross change Net change	Managing capacity sufficiently to prevent tying up excessive amounts of working capital in stock but ensuring that customer demand can continue to be met are crucial to our success.

7. Customer relationship and reputation

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite
Significant revenues are generated from sales to a number of key customers. Where a customer relationship deteriorates there is a risk to revenue and cash flow.	One of our strategic priorities is to be the supply chain partner of choice for our customers. By delivering excellent customer service, enhancing our brands and offering the right products, we seek to develop our longstanding relationships with our customers. Regular and frequent review meetings focus on our effectiveness in this area. The high inflation market we are presently operating in could manifest itself in damaged relationships with customers if low inventories, shortages of raw materials impacting our production or the need to pass on significant cost increases to our customers in order to protect our own margins are not managed correctly. This risk was increased in 2021 and remains at that heightened level. To mitigate these risks we remain in constant communication with our customers ensuring they are well informed of the challenges faced by our business and the impacts it may have on our customer service and selling prices. **Executive sponsor:** Adam Smith and Darren Rix	Link to strategy Appetite L Gross change Net change	Our customer base is fairly consolidated and we supply a relatively small number of major customers such that customer relationships are key to our success. Customer focus is a core value and delivery against this is a priority for all employees.

8. Supply chain: availability of raw materials and energy

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite
Whilst availability of raw materials can vary at times, shortages across both our industry and the wider economy have become more commonplace, threatening our ability to manufacture and ultimately to meet customer expectations. Our production processes depend on energy and fuel and should supplies of these be interrupted production would be impacted. In the longer-term these risks may be exacerbated with climate-related matters impacting availability of materials, management of which has been a priority for a number of years.	During the current period we have seen shortages of raw materials marginally ease whilst remaining an area of significant risk. The exception to this easing is the energy market, which has been continually volatile since the Russian invasion of Ukraine in February 2022. Shortages of gas and electricity have driven prices higher leading to concerns that should these pressures persist, particularly in winter months, whilst unlikely, supplies could be interrupted. Where materials are in short supply we seek to limit our risk by utilising more than one supplier and by developing new sources of supply. Where possible we stockpile additional materials as we did in some cases ahead of Brexit though many of our key materials are needed in such large quantities this isn't possible. We regularly review our production processes to reduce reliance on materials that are in short supply and in the longer-term we may seek to adjust our production processes to utilise materials which have a lesser impact on the environment. In the longer-term our focus on sustainability will see investment in factories to reduce energy consumption, and we have recently entered into a Power Purchase Agreement which will secure c.70% of our electricity needs for the next 15 years through the construction of a dedicated solar farm, reducing our reliance on grid capacity (though still supplied through the grid) as well as providing price certainty. Changes in industrial processes required to address climate risks have impacted the availability and price of certain raw materials and we have taken action to mitigate these; sourcing from alternate suppliers or making adjustments that allow us to work with alternative raw materials. We continue to focus on ensuring supply risks are understood, forecast and where possible mitigated. **Executive sponsor:** Ben Guyatt, Steve Jeynes and Darren Rix	Link to strategy Appetite B Gross change Net change	Sufficient energy supply and quantities of raw materials received at the right time and at the right price are critical to Group operations. We have prioritised risk mitigation to bring risk exposure and risk appetite in line.

RISK MANAGEMENT AND KEY RISKS
CONTINUED

9. Cost inflation

Principal risk and why it is relevant	Key mitigation, change and sponsor	Change/ Appetite	Rationale for appetite
We utilise a wide range of inputs in our business from raw materials to energy and labour. Increases to the cost of our inputs will have an adverse effect upon our margins if we are unable to pass these cost increases on to our customers. Sudden fluctuations in our cost base makes budgeting difficult and exposes us to risk as cost increases are unable to be passed on to customers without some time delay.	We seek to manage our costs by putting in place annual pricing agreements with our suppliers, although in recent times we have seen many suppliers being unable to offer this certainty. We aim to maintain a group of suppliers such that we avoid becoming dependent on any single supplier although like our own markets, parts of our supply chain are highly consolidated and as such alternative suppliers may be scarce. We also seek to manage our energy cost exposure by forward purchasing an element of our energy requirement providing price certainty. However, as happened in 2020, if our requirement for energy is lower than expected we are exposed to commodity risk and having to sell pre-purchased surplus energy back to the market, potentially at a loss. In 2022 we have seen unprecedented increases in energy costs, and whilst our forward purchasing has provided partial mitigation, the prices that we currently see for energy have shifted our appetite for risk in this area and it is likely we will seek greater forward coverage of our positions in future as the markets allow. **Executive sponsor:** Ben Guyatt	Link to strategy Appetite L Gross change Net change	Managing cost within our supply chain is core to maintaining profitability and providing optimum value to shareholders. The unprecedented inflationary environment, particularly with respect to energy, across this year has driven a change to our risk appetite in this area.

10. Attracting, retaining and developing employees

Principal risk and why it is relevant	Key mitigation, change and sponsor	Change/ Appetite	Rationale for appetite
We recognise that our greatest asset is our workforce and a failure to attract, retain and develop talent will be detrimental to Group performance. A national shortage of labour has manifested following the pandemic on top of a market that was already adjusting to the impact of the Brexit transition period.	We understand where key person dependencies and skills gaps exist and continue to develop succession, talent acquisition, and retention plans. Challenges associated with labour shortages are presently faced across the business in particular around the availability of engineers. A wider shortage of labour in the construction industry may have the impact of curtailing demand for our products as customers' build programmes are slowed by labour shortages. Employee support, strong communication and employee engagement remain focus areas and we continue to invest in HR and payroll systems, with significant resource now in place to see this investment through to delivery. **Executive sponsor:** Shahbaz Idriss	Link to strategy Appetite L Gross change Net change	Our people have always been pivotal to our business and we must remain cautious of the previously increased risk associated with ensuring we attract, retain and develop our employees.

11. Innovation

Principal risk and why it is relevant	Key mitigation, change and sponsor	Change/ Appetite	Rationale for appetite
Failure to respond to market developments could lead to a fall in demand for the products that we manufacture. This in turn could cause revenues and margins to suffer.	Strong relationships with customers as well as independently administered customer surveys and market research ensures that we understand current and future demand. Close ties between the Strategy, Operations and Commercial functions ensure that the Group focuses on the right areas of research and development (R&D). New product development and related initiatives therefore continue and we are committed to investing in research and development with clear links between this area and the work undertaken in relation to sustainability. **Executive sponsor:** Stephen Harrison*	Link to strategy Appetite H Gross change Net change	The Group is willing to invest in order to grow where the right opportunities present themselves. We have invested in the appropriate skills so that opportunities can be identified and progressed, and we are committed to deploying R&D to reduce the environmental footprint of our operations. The high-risk appetite in this respect reflects our willingness to deploy resources to R&D without any certainty they will bear fruit.

12. IT infrastructure and systems

Principal risk and why it is relevant	Key mitigation, change and sponsor	Change/ Appetite	Rationale for appetite
Disruption or interruption to IT systems could have a material adverse impact on performance and position.	We have undertaken a period of investment in consolidating, modernising and extending the reach of our IT systems in recent years. The cyber security event experienced by the business in 2021, which resulted in some data loss but no interruption to trading, was an example of the increase in cyber risk that has driven our continued investment and training around cyber security and the risk remains at this heightened level. **Executive sponsor:** Matthew Day	Link to strategy Appetite L Gross change Net change	Investment in IT has been a priority in recent periods to mitigate risk. The downside to IT risks significantly outweigh any upside and our risk appetite reflects this.

RISK MANAGEMENT AND KEY RISKS
CONTINUED

13. Business continuity

Principal risk and why it is relevant	Key mitigation, change and sponsor	Change/ Appetite	Rationale for appetite
Performance is dependent on key functions operating continuously and uninterrupted. Should we experience significant disruption there is a risk that products cannot be delivered to customers to meet demand and the business may suffer financially.	We have established remote working capabilities that enable the business to continue operating with minimal disruption. Where a scenario without a pre-envisaged plan is faced, managers are able to apply clear principles to develop plans quickly in response to emerging events. We consider climate-related risks when developing business continuity plans and have learnt lessons from weather-related events in recent years which inform these plans. Loss of one of our operating facilities through fire or other catastrophe would impact upon production and our ability to meet customer demand. Working with our insurers and risk advisors we undertake regular factory risk assessments addressing recommendations as appropriate. We accept it is not possible to mitigate all the risks we face in this area and as such we have a comprehensive package of insurance cover including both property damage and business interruption policies. **Executive sponsor:** Stephen Harrison* and Ben Guyatt	Link to strategy Appetite L Gross change Net change	The ability for our business to continue should any operational disruption occur is key, and this is reflected in our approach to risk appetite in this area.

14. Project delivery

Principal risk and why it is relevant	Key mitigation, change and sponsor	Change/ Appetite	Rationale for appetite
This risk was originally recognised in light of the scale and complexity of the Desford construction project, however we have since announced an extensive programme of capital investment within our business over the next decade, which will see a number of large projects adding to production capacity.	The new Desford brick factory represents the largest capital investment that we have ever made and the project has continued to progress to schedule with the factory now operational, with the first despatches to customers expected shortly. Beyond this, we have a pipeline of further investment, including the Wilnecote brick factory redevelopment, and management closely monitor all major expansion projects for potential challenges, cost over-runs and delays and act promptly to ensure that risks are mitigated. As further projects are announced, management recognise the additional risks posed by running concurrent major projects. To mitigate, separate project management structures are in place for respective projects and where common suppliers are involved procedures are in place to ensure they retain sufficient capacity to deliver on both projects without significant risk. We recognise the need to support multiple major expansion projects with dedicated resource, and have a designated Strategic Projects Director role in place sitting on our Executive Committee. **Executive sponsor:** George Stewart	Link to strategy Appetite L Gross change Net change	Management and the Board are closely monitoring expansion projects at Desford, Wilnecote and Accrington. External project management expertise has been engaged on Desford from the outset recognising learning from previous major projects.

RISK HEAT MAP

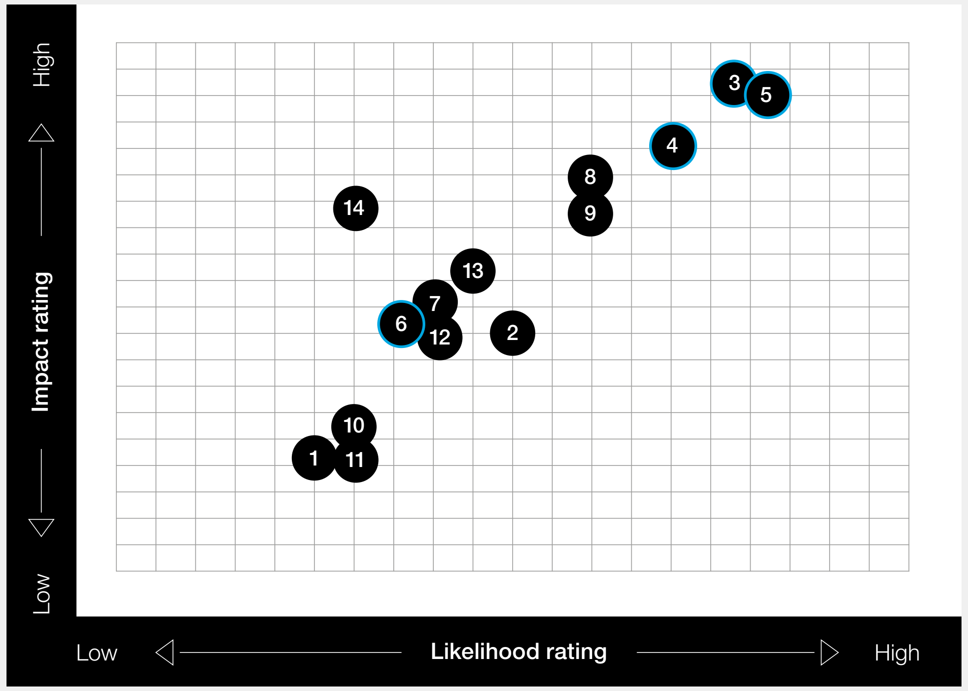
Risk heat map reflecting evolving nature of certain risks

Recognising that impact and likelihood are equally important when assessing risk, the chart below demonstrates both of these characteristics. Net impact is a financial measure of severity and net likelihood reflects the chance of the risk occurring within the next three years. Given the risk environment that we are currently operating in, we have additionally highlighted those risks deemed to be evolving.

KEY RISKS

1 Health and safety
2 Sustainability/climate change
3 Economic conditions
4 Government action and policy
5 Residential sector activity levels
6 Product availability
7 Customer relationships and reputation
8 Availability of raw materials and energy
9 Cost inflation
10 Attracting, retaining and developing employees
11 Innovation
12 IT infrastructure and systems
13 Business continuity
14 Project delivery

Evolving risk



RISK MANAGEMENT AND KEY RISKS
CONTINUED

VIABILITY STATEMENT

In accordance with the provisions of The UK Corporate Governance Code 2018 the Board have assessed the prospects of the Company in order to develop a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due. The Board have reviewed the Company's position and principal risks over a period of four years commencing from the balance sheet date in order to form this expectation. The Board believe that this is an appropriate timeframe to consider as it aligns with its strategic and financial planning horizon, and the maturity of the Group's credit facilities, which are committed until January 2027. In making this statement, the Board have considered the principal risks facing the Group, as detailed within the Risk Management and Key Risks section of the Annual Report on pages 76 to 84, as well as the climate-related risks as detailed on pages 71 to 75 of the Sustainability Report.

The Board have reviewed the Group's financial forecasts and any consequential future funding requirements against committed external borrowing facilities regularly to confirm ongoing viability. The scenarios modelled include a base case and a severe but plausible downside scenario, which has been modelled using management's experience of the business, including the impact of the 2008 global financial crisis on the Group and more recently, the impact of the pandemic.

Assumptions underpinning these scenarios include:

- Should the plausible downside scenario occur, the Group would adjust its short-term strategy and take further mitigating measures in order to preserve cash, including cost reduction, reducing or delaying capital expenditure and a reduction or curtailments in the quantum of dividend distributions;
- That the Group will be able to, as detailed within both the Risk Management and Key Risks section (pages 76 to 84) and the Sustainability Report (pages 42 to 75), effectively mitigate risks using existing or available measures;
- The new Desford brick factory will complete in line with timelines, moving to a full financial contribution, subject to market conditions, in 2025;
- The Wilnecote brick factory redevelopment will complete within the planned timelines, moving to full financial contribution in 2027; and
- The Group will to take advantage of the option in place to extend its current facility, or refinance on similar terms before the facility expires in January 2027.

The Group's plausible downside scenario models a downturn, whereby underlying market demand falls by c.30% relative to 2022, with a reduction in our assumption on import substitution, along with customer destocking. This drives a reduction in brick sales volumes of 27% versus 2022 and a sales prices reduction of 5% versus the 2023 base model. Following this volumes increase marginally in 2024, with steady recovery thereafter, leading to volumes and EBITDA in 2026 which are still behind 2022. Within this model, certain cost reduction mitigations are considered. This scenario allows for the consideration of several of the Group's key risks occurring, with potential contributing factors that include Government policy, economic downturn, a change in residential sector activity levels or new product development in the sector.

Management are comfortable confirming that the Group remains viable even in this severe but plausible scenario. Additionally there remains the option to further flex the cost base where downside scenarios are faced, as previously proven through the mothballing of factories, along with measures taken during Covid-19. The Directors can confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the period of assessment. In addition, the reverse stress test scenario also described in the going concern section of this Annual Report on page 149 is considered remote.

GOVERNANCE

In this section

BOARD OF DIRECTORS

01 **Justin Atkinson**
Non-Executive Chairman

02 **Stephen Harrison**
Chief Executive Officer

03 **Ben Guyatt**
Chief Financial Officer

04 **Katherine Innes Ker**
Senior Independent Non-Executive Director

05 **Vince Niblett**
Independent Non-Executive Director

06 **Martin Sutherland**
Independent Non-Executive Director

07 **Divya Seshamani**
Independent Non-Executive Director

08 **Ashley Thompson**
Company Secretary

Not yet appointed to the Board at the date of this Annual Report

09 **Neil Ash**
Chief Executive Officer Designate

10 **Gina Jardine**
Independent Non-Executive Director

04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01 JUSTIN ATKINSON
Non-Executive Chairman

A RS R N

Appointment
Justin Atkinson joined the Board on 11 April 2016 and was appointed as Chairman in May 2019.

Skills, experience and qualifications
Justin has a proven track record of driving performance with over 30 years of experience at senior management or director level of businesses, across a range of disciplines, including engineering and construction. Justin provides the Board with strong leadership skills having spent 11 years as CEO of Keller Group plc, the international ground engineering contractor, where prior to this he served as CFO and Chief Operating Officer. More recently, Justin has also gained a wealth of Non-Executive Director experience in a variety of industries. Justin is a Chartered Accountant and holds a Bachelor's degree in Accountancy from Glasgow University and the advanced management programme qualification from INSEAD.

Other Directorships
Senior Non-Executive Director of Kier Group plc, Non-Executive Director of James Fisher and Sons plc.

02 STEPHEN HARRISON
Chief Executive Officer

A RS R N

Appointment
Stephen Harrison was appointed Chief Executive Officer of Forterra plc in April 2016 and will retire ahead of the 2023 AGM.

Skills, experience and qualifications
Stephen successfully steered the business through the divestment process from former owner HeidelbergCement into private equity ownership in 2015, subsequently leading the Group's IPO to the London Stock Exchange 2016.

Stephen brings strong leadership skills coupled with extensive sector experience to the Board. Before his current role, Stephen held a variety of senior management roles within the construction products industry for more than a decade, supplying the infrastructure, commercial and residential construction markets. Stephen was appointed as Managing Director of Hanson Building Products, the predecessor to Forterra in 2012, having joined Hanson plc in 2002.

Stephen studied Economics at Kingston University in London and holds an MBA from Cranfield School of Management. He has served as a Non-Executive Director of several key construction sector trade associations.

Other Directorships
Non-Executive Director at Epwin Group plc.

03 BEN GUYATT
Chief Financial Officer

A RS R N

Appointment
Ben Guyatt was appointed to the Board on 1 January 2020 and prior to this, served as Director of Finance and Company Secretary.

Skills, experience and qualifications
Prior to his appointment as CFO, Ben held the role of Director of Finance and Company Secretary, playing a key role in the separation of the business from HeidelbergCement and the subsequent listing on the London Stock Exchange. Drawing upon his extensive experience with the business and financial acumen, Ben keeps the Board updated enabling informed decision-making. Ben joined Hanson plc in 2006 and held a variety of senior finance and strategy roles within Hanson and HeidelbergCement. Previously, Ben held financial management roles at insurance broker, Heath Lambert. Ben is a Chartered Accountant and holds a Bachelor of Arts degree with honours in Accounting and Finance from the University of the West of England.

04 KATHERINE INNES KER
Senior Independent Non-Executive Director

A RS R N

Appointment
Katherine Innes Ker was appointed to the Board on 1 September 2017 as an Independent Non-Executive Director and was appointed as Senior Independent Non-Executive Director in May 2019.

Skills, experience and qualifications
Katherine has gained extensive executive and non-executive experience across a range of sectors in a career spanning over 30 years. Katherine began her business career as a city financial analyst and has since held many non-executive directorships with a particular wealth of experience in the housebuilding sector. Katherine was a Non-Executive Director of Taylor Woodrow/Taylor Wimpey for 10 years and subsequently of St Modwen Properties. She is currently a Non-Executive Director of Vistry Group plc. This experience allows Katherine to provide valuable insight into our markets from a customer perspective. Katherine has over 20 years' experience as a Chair of Remuneration Committees, and as a Senior Independent Director. Katherine is a Graduate of Oxford University, holding a Masters degree in Chemistry and a Doctorate in Molecular Biophysics.

Other Directorships
Non-Executive Chairman of Mortgage Advice Bureau plc, Non-Executive Director at Vistry Group plc and Non-Executive Director at Ground Rents Income Fund plc.

COMMITTEE MEMBERSHIP

- A Audit Committee
- RS Risk and Sustainability Committee
- R Remuneration Committee
- N Nomination Committee
- Denotes Committee Chairman

BOARD OF DIRECTORS
CONTINUED

05 VINCE NIBLETT
Independent Non-Executive Director

A RS R N

Appointment
Vince Niblett was appointed to the Board on 8 February 2019 as an Independent Non-Executive Director.

Skills, experience and qualifications
Vince was previously a Partner at Deloitte where he held a number of senior roles including membership of the UK Board of Directors and Global Managing Director, Audit & Enterprise Risk Services before retiring in 2015.

During his career at Deloitte, he served some of the firm's most significant public company clients, working with them on commercial and strategic issues as well as providing audit services. Vince uses his significant financial experience to both guide and challenge the Board on important decisions as well as offering advice on governance and compliance matters. Vince is a Chartered Accountant and holds a Bachelor of Arts degree in Economics from Reading University.

Other Directorships
Non-Executive Director at Big Yellow Group plc and Non-Executive Director at Target Healthcare REIT plc.

06 MARTIN SUTHERLAND
Independent Non-Executive Director

A RS R N

Appointment
Martin Sutherland was appointed to the Board on 23 May 2017 as an Independent Non-Executive Director.

Skills, experience and qualifications
Martin has over 20 years of international experience at senior management or director level in technology and manufacturing businesses, focused on the government and commercial sectors. Martin was previously CEO of IT security business Reliance acsn and is now a Non-Executive Director on their Board. Prior to this Martin held the position of CEO at De La Rue plc and various roles at Detica plc, Andersen Consulting and British Telecom. Martin brings his experience as a CEO in both public and private companies to Board discussions on operational and strategic matters, as well as providing practical advice based on his expertise in the application of technology. As the Non-Executive Director responsible for employee engagement he attends and feeds back from the Employee Forum. Martin holds a Masters degree in Physics from Oxford University, and a Masters degree in Remote Sensing from University College and Imperial College London.

Other Directorships
Non-Executive Director at Alliance Pharma plc.

07 DIVYA SESHAMANI
Independent Non-Executive Director

A RS R N

Appointment
Divya Seshamani was appointed to the Board as an Independent Non-Executive Director on 11 April 2016.

Skills, experience and qualifications
Divya has over 20 years of experience at partner, senior management or director level in sustainable infrastructure, energy and manufacturing, with organisations like Singapore's sovereign wealth fund (GIC) and TPG (the global Private Equity firm), where she was Partner. She is currently Managing Partner of Greensphere Capital LLP, a sustainable investment private equity firm.

Divya has a particular strength in environment and sustainability and has been appointed by the Secretary of State to Her Majesty's Government Council of Sustainable Business where she leads the Net-Zero Carbon Initiative. Divya holds a Bachelor of Arts degree in Politics, Philosophy and Economics from Oxford University and a Master of Business Administration degree from Harvard University.

Other Directorships
Non-Executive Director at Airspan Network Holdings Inc.

08 ASHLEY THOMPSON
Company Secretary

Appointment
Ashley Thompson was appointed to the position of Company Secretary on 1 January 2020.

Skills, experience and qualifications
Ashley qualified as a solicitor in the corporate team of Freshfields Bruckhaus Deringer and then moved in-house before joining Forterra as the Company Solicitor in 2015. Before becoming a solicitor, Ashley previously worked in the petrochemical industry as an engineer, within manufacturing at Triumph Motorcycles and as a Detective Constable. Ashley holds a Bachelor of Engineering degree and a Masters in Law.

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09 NEIL ASH
Chief Executive Officer Designate

A RS R N

Appointment
Neil Ash will become Chief Executive Officer Designate on 3 April 2023 and will be appointed to the Board ahead of the 2023 AGM.

Skills, experience and qualifications
Neil has almost three decades' experience in the building materials sector and an impressive track record of improving performance and delivering growth. Previously at Etex, the Belgian lightweight building materials manufacturer, he led the €2.4bn revenue Building Performance division. During his time at Etex Neil oversaw major capex projects, significant acquisitions, and developed its sales approach which delivered strong top line growth.

His experience includes 15 years at Lafarge, where he undertook many roles, including the role of Vice President International Business Development and Sales and Commercial Director UK & Ireland of Lafarge Plasterboard.

Neil has attended executive education programmes at INSEAD (France) and IMD (Switzerland).

+ On appointment to the Board Neil will become a member of the Risk and Sustainability Committee.

10 GINA JARDINE
Independent Non-Executive Director

A RS R N

Appointment
Gina Jardine will be appointed as a Non-Executive Director on 3 April 2023.

Skills, experience and qualifications
Gina has over 25 years of experience in senior human resources roles in both Australia, Canada, and the UK. She has worked in publicly listed and private organisations across multiple sectors, from building products to mining, logistics, automotive and telecoms. Previously Gina held the position of Chief Human Resources Officer at global materials business CRH plc, and before that held roles at Kinross Gold Corp, Rio Tinto Group, Linfox Logistics, Sensis Pty Ltd and Honda Motor Co Ltd. Her global experience will bring insight and help the Board guide decisions in the areas of Culture, Talent, Organisation and Safety. Gina holds a BA in Social Sciences from Monash University and an MBA from Melbourne Business School.

+ On appointment to the Board Gina will become a member of the Audit, Remuneration, Nomination and Risk and Sustainability Committees.

EXECUTIVE COMMITTEE

STEPHEN HARRISON — Chief Executive Officer
See Stephen Harrison's biography on page 89.

BEN GUYATT — Chief Financial Officer
See Ben Guyatt's biography on page 89.

NEIL ASH — Chief Executive Officer Designate
See Neil Ash's biography to the left.

DARREN RIX — Managing Director (Bison Precast)
Darren previously held the role of Strategy and Development Director and prior to this was Group Controller. Darren joined Hanson plc in 2007 and held a number of senior finance roles, including Financial Controller for Building Products, the business which is now Forterra. Darren is a Chartered Management Accountant and holds a Bachelor of Arts Degree with honours in Economics from the University of Leicester.

ADAM SMITH — Commercial Director
Adam joined the Group in 2016 as Commercial Director. Prior to this, Adam was National Sales Director at Jewson, Sales and Marketing Director at Tata Steel and held the role of Managing Director, as well as various other senior management positions at Corus Colorsteels. Adam holds a Master of Business Administration degree from Warwick Business School and a Bachelor of Science with honours degree in Physics from Manchester University.

MATTHEW DAY — IT Director
Matthew joined Hanson plc in 2005 as IT manager for Hanson Building Products, the predecessor to Forterra. Matthew then held a number of IT leadership roles within HeidelbergCement and was appointed Forterra's IT Director on the separation from HeidelbergCement in 2015. Matthew has over 20 years of experience in senior IT roles with responsibility for overseeing major transformation and change programmes in sectors including manufacturing, construction and retail.

GEORGE STEWART — Strategic Projects Director
George joined Forterra in 2013 as Operations Director. Prior to this, George was UK Industrial Director for Monier Redland UK Limited, and held a number of senior operations roles, including with Nestlé UK, Smith and Nephew Medical and Motorola UK. George holds a Bachelor of Science with honours degree in Chemical and Process Engineering from the Heriot-Watt University, Edinburgh.

SHAHBAZ IDRISS — HR Director
Shahbaz joined Forterra in 2020. She was previously Global Senior Vice President Human Resources at GKN Driveline. Before joining GKN, she also held senior roles at Federal Mogul Corporation. Shahbaz has over 25 years' HR experience, gained primarily within the automotive, manufacturing and engineering industries. Shahbaz holds a Bachelor of Arts Degree with honours from Wolverhampton University, a Masters degree from Coventry University and is a member of the Chartered Institute of Personnel & Development.

STEVE JEYNES — Production Director
Steve joined Forterra in 2014, initially as Factory Manager at our Kings Dyke London Brick factory. After this he held the position of Senior Operations Manager for bricks for five years before being promoted to Production Director and joining the Executive Committee. Before joining Forterra, Steve was Head of Operations at Hargreaves Services and prior to this he held manufacturing and engineering roles in the UK and internationally with Nippon Electric Glass and BP Exploration. Steve holds a Bachelor of Science with honours degree from the Open University and a Bachelor of Psychology from UNITAR International University in Malaysia.

CORPORATE GOVERNANCE STATEMENT

CHAIRMAN'S INTRODUCTION

Effective corporate governance has underpinned our progress during 2022 and is essential to our long-term success and the safeguarding of our stakeholders' interests. This statement sets out how the Board discharges its corporate governance responsibilities along with the principal activities of the Board and its Committees for the year ended 31 December 2022."

Justin Atkinson
Non-Executive Chairman

JUSTIN ATKINSON

Introduction from the Chairman

The Board operates in accordance with the UK Corporate Governance Code 2018 (the Code) which was issued by the Financial Reporting Council and which is available on their website: www.frc.org.uk

The Board has embedded best practice governance throughout the business and is committed to delivering long-term sustainable value to our stakeholders whilst complying with the requirements of the Code.

This Corporate Governance Statement, together with the reports of the Nomination, Audit, Risk and Sustainability and Remuneration Committees on pages 105 to 146 sets out in detail how the principles and provisions of the Code have been fulfilled and how the Board and its Committees have discharged their responsibilities for ensuring robust governance practices operate across the Group.

2022 Board highlights

The Board and its Committees have played a key role in guiding the Group through a challenging year, both supporting management and, where appropriate, holding them to account. The following summarises the areas of specific Board focus during the year and is not intended to reflect the wide-ranging recurring responsibilities of the Board.

CEO succession

On receipt of Stephen Harrison's decision to retire as CEO in the first half of 2023 the Board initiated a thorough and robust recruitment and selection process led by the Nomination Committee, which resulted in the appointment of Neil Ash, who will join the Company on 3 April 2023. Neil has extensive experience in the building products sector with an impressive track record of improving performance and delivering growth.

Non-Executive recruitment and succession

The Board recognises the need to maintain an effective succession plan for both Board and senior management positions. With a number of Non-Executive Directors expected to retire in 2025 or 2026, the Board determined that in order to provide sufficient continuity an additional Non-Executive Director would be recruited, with Gina Jardine to be appointed as an Independent Non-Executive Director effective from 3 April 2023. Gina is an experienced Human Resources professional, a skillset not currently represented on the Board, with experience gained in some of the world's largest building materials and mining companies.

Capital allocation

Throughout 2021 and 2022 the Board spent considerable time on the definition and subsequent communication of the Group's strategy and capital allocation priorities.

In early 2022 the Board approved a £40m share buyback programme that was completed in October 2022 following the repurchase and cancellation of 15.8 million shares. Prior to approving the buyback the Board carefully considered the Group's long-term financial forecasts including the plans to invest over £200m on organic capacity expansion over the next decade. The buyback was approved only when the Board was comfortable that the Group would not require the capital and that forecasts were sufficiently prudent.

Strategic investment

Our new Desford brick factory, which is now operational, is believed to be the largest, most efficient brick factory in Europe, increasing our effective brick production capacity by 22%. Timely delivery of this project to the agreed specification is critical to the Group's strategy. The complexity of this project and the levels of governance required to monitor progress and manage associated risks cannot be underestimated, and the Board regularly received project updates and critically reviewed the progress of the project. Alongside the Executive Directors, Strategic Projects Director George Stewart attended multiple Board meetings to provide project updates to the Board and individual Directors made regular visits to the construction site. The Board also provided similar oversight to the ongoing strategic projects at Wilnecote and Accrington, the latter being where the £12m investment in brick slip manufacture was approved in the year.

Energy procurement

The significant increase in energy costs during 2022 has placed a greater emphasis on energy procurement with highly volatile costs making procurement decisions more challenging. Energy procurement and risk management was the subject of an internal audit at the end of 2021, the results of which were reported to the Board in early 2022. In response to recommendations within this report, the Board oversaw the formalisation of the Group's energy procurement strategy, progress against which is subject to regular Board review with input from external advisors. The Board continue to support Executive Management, acting as a sounding board assisting with complex procurement decisions. During the year the Board approved entering in to the 15-year corporate Power Purchase Agreement (PPA) and also the investment of approximately £2.5m in solar panels at the new Desford brick factory.

Board priorities for 2023

In 2023 the Board expects to focus upon the following non-recurring priorities.

New Board members

With Neil Ash to be appointed as Chief Executive Officer ahead of the 2023 AGM, a key Board priority in 2023 will be supporting his induction, ensuring he is offered every assistance as he steps into his new role. Similarly, the Board will be equally supportive of Gina Jardine as she adapts to her first Non-Executive Director appointment.

Capital investment programme

The Board will continue to focus on organic growth through capital investment and will ensure that new the Desford brick factory can deliver to its full potential. The Board also recognises the importance of both the Wilnecote and Accrington projects in their contribution to Group strategy and ensuring that they are delivered to time and budget with the appropriate governance oversight.

CORPORATE GOVERNANCE STATEMENT
CHAIRMAN'S INTRODUCTION CONTINUED

Corporate governance
The Board have ensured that, through the work of the Audit Committee, they have continued to be fully appraised of developments in UK corporate governance arising from the Government's 'Restoring Trust in Audit and Corporate Governance' consultation. In response to this consultation the Board have acted to strengthen the Group's governance and control systems, and with clarity as to the exact regulatory reforms that will be implemented hopefully being received during 2023, the Board expects to act accordingly to ensure the Group is able to meet any new requirements in good time.

Sustainability
Sustainability is critical in ensuring our longevity as a business underpinning all elements of our strategy and we recognise the increasing importance placed on sustainability by all of our stakeholders. Alongside investing in more sustainable and efficient manufacturing capacity, our governance around sustainability matters is managed through the Risk and Sustainability Committee.

Sustainability progress during the year is laid out in our comprehensive Sustainability Report included on pages 42 to 75. This Report includes the scenario-based climate modelling required by the Task Force on Climate Related Financial Disclosure (TCFD) which, whilst subjective in its nature, helps to identify how rising temperatures could possibly impact our business in the future, along with identifying opportunities resulting from a changing climate.

Board effectiveness
We monitor Board effectiveness in accordance with the requirements of the Code and conducted an internally facilitated Board effectiveness review in 2022. This review concluded that the Board is cohesive and continues to operate effectively. Further details of this review and its findings are explained within this Report on pages 102 and 103.

Culture
The Board sets the culture of the business and leads by example. These behaviours are filtered down through to the Executive Committee and their direct reports to become embedded within the business as evidenced, for example, in our Safety First approach, 'Golden Rules' and core values.

To monitor our culture within the business, and to ensure compliance with the Code, Martin Sutherland has continued as the designated Non-Executive Director responsible for employee engagement attending meetings of the Employee Forum and reporting back to the Board following each meeting. The Forum meets quarterly at different locations across the business to discuss subject matters raised by our colleagues to their forum constituency representatives including the Company's culture, operational and health and safety issues as well as topics including the selection of the annual corporate charity for the business to support, and mental health awareness.

Diversity
The Board remains committed to furthering all aspects of diversity throughout the organisation and further information is included within this Corporate Governance Statement on page 103.

Justin Atkinson
Non-Executive Chairman
9 March 2023

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018

The Code focuses on the application of principles and supporting provisions that emphasise the value of good corporate governance to long-term sustainable success. The relationship between companies, shareholders and stakeholders are critical to this, as is a focus on culture through alignment of purpose, strategy, integrity and diversity.

Certain provisions of the Code do not apply to smaller companies defined as those, like Forterra plc, outside of the FTSE 250. The Board is, however, committed to sustaining the higher standards of corporate governance and the application of these principles, provisions and outcomes achieved are disclosed in the Annual Report as required for companies with a UK premium listing. The Board confirms that throughout the year ended 31 December 2022, and as at the date of this report, Forterra plc has complied with all relevant provisions set out in the Code.

The key components of the Code are:

1 Board leadership and purpose
Led by an experienced Chair, supported by a decisive and diverse Board with a broad range of experience setting the values, culture and purpose which are embedded across the business.

Engagement with shareholders and stakeholders enables the Board to understand their views and promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society, particularly regarding sustainability and our road map to net zero.

2 Division of responsibilities
The Board has an appropriate mix of Executive and Non-Executive Directors for balanced decision-making, with clear lines of communication to receive accurate and timely information to make informed decisions.

There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the business, and the Non-Executive Directors have sufficient time to meet their Board responsibilities.

3 Composition, succession and evaluation
The Board and its Committees have a combination of skills, experience, and knowledge to discharge their duties, and undergo an annual evaluation as to their effectiveness.

Succession planning remains high on the agenda for the Nomination Committee whilst acknowledging the increased focus to promote diversity of gender, social and ethnic backgrounds and how effectively members work together to achieve objectives.

4 Audit, risk and internal controls
The Board has a structured oversight of the internal and external audit function through the establishment of the Audit Committee whose work is covered in more detail on pages 108 to 114.

The Board also has a separate Risk and Sustainability Committee which monitors the Company's risk register with a focus on emerging risks. The Committee's work is covered in more detail on pages 115 to 117.

5 Remuneration
The Remuneration Committee aligns executive remuneration to the Company's purpose and values by setting clear objectives, which are linked with the successful delivery of the Company's long-term strategy, including environmental, social and governance factors. This is covered in more detail on pages 118 to 146. The Committee also has the discretion to override formulaic outcomes to remuneration calculations.

The Remuneration Committee has retained remuneration advisors, Willis Towers Watson who are independent of both the Company and the individual Directors, to assist the Committee in making informed remuneration decisions.

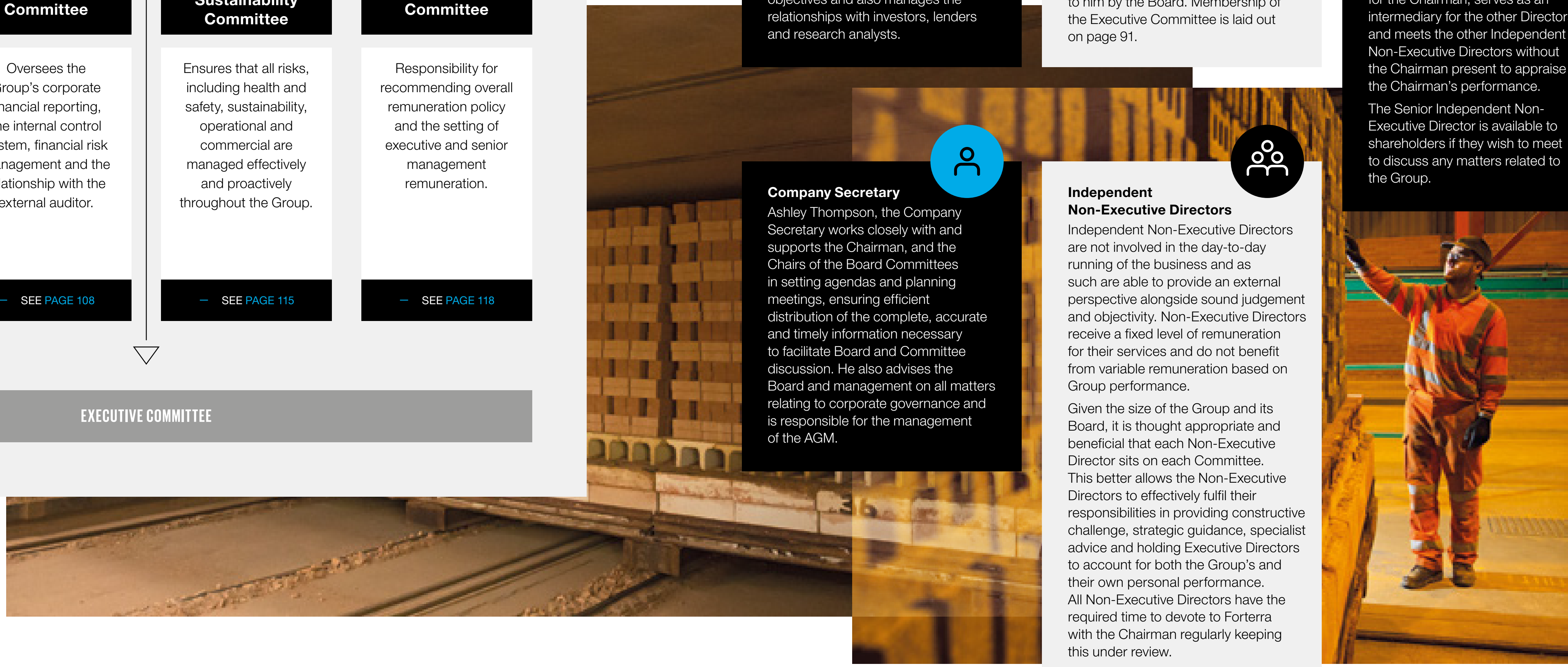
CORPORATE GOVERNANCE STATEMENT

DIVISION OF RESPONSIBILITIES

THE BOARD

Nomination Committee	Audit Committee	Risk and Sustainability Committee	Remuneration Committee
Oversees the composition of the Board and Committees, considering succession planning, balance of skills and experience and diversity in making recommendations to the Board.	Oversees the Group's corporate financial reporting, the internal control system, financial risk management and the relationship with the external auditor.	Ensures that all risks, including health and safety, sustainability, operational and commercial are managed effectively and proactively throughout the Group.	Responsibility for recommending overall remuneration policy and the setting of executive and senior management remuneration.
– SEE PAGE 105	– SEE PAGE 108	– SEE PAGE 115	– SEE PAGE 118

EXECUTIVE COMMITTEE



Board Committees

The Board operates four Committees to which it delegates responsibility: the Audit Committee, Nomination Committee, Remuneration Committee and Risk and Sustainability Committee. Each of these Committees provides a Report within the Governance section of this Annual Report, detailing information as to their responsibilities, activities in the past year and future priorities.

Chairman

The Chairman, Justin Atkinson, leads the Board and is responsible for its overall effectiveness. The Chairman sets the Board's agenda, encourages the Directors to contribute openly to debate and ensures the Directors receive accurate, timely and clear information via the Company Secretary to stimulate this debate.

CEO

The CEO, currently Stephen Harrison and from 3 April 2023, Neil Ash, is responsible for the day-to-day management of the Group, including embedding the purpose, values and strategic objectives established by the Board.

CFO

Our CFO, Ben Guyatt is responsible for the Group's financial matters and also supports the CEO in the achievement of the Group's strategic objectives and also manages the relationships with investors, lenders and research analysts.

Executive Committee

The Executive Committee has been established to support the CEO in his management of the business and in exercising the authorities delegated to him by the Board. Membership of the Executive Committee is laid out on page 91.

Senior Independent Non-Executive Director

In the Senior Independent Non-Executive Director role, Katherine Innes Ker provides a sounding board for the Chairman, serves as an intermediary for the other Directors and meets the other Independent Non-Executive Directors without the Chairman present to appraise the Chairman's performance.

The Senior Independent Non-Executive Director is available to shareholders if they wish to meet to discuss any matters related to the Group.

Company Secretary

Ashley Thompson, the Company Secretary works closely with and supports the Chairman, and the Chairs of the Board Committees in setting agendas and planning meetings, ensuring efficient distribution of the complete, accurate and timely information necessary to facilitate Board and Committee discussion. He also advises the Board and management on all matters relating to corporate governance and is responsible for the management of the AGM.

Independent Non-Executive Directors

Independent Non-Executive Directors are not involved in the day-to-day running of the business and as such are able to provide an external perspective alongside sound judgement and objectivity. Non-Executive Directors receive a fixed level of remuneration for their services and do not benefit from variable remuneration based on Group performance.

Given the size of the Group and its Board, it is thought appropriate and beneficial that each Non-Executive Director sits on each Committee. This better allows the Non-Executive Directors to effectively fulfil their responsibilities in providing constructive challenge, strategic guidance, specialist advice and holding Executive Directors to account for both the Group's and their own personal performance. All Non-Executive Directors have the required time to devote to Forterra with the Chairman regularly keeping this under review.

CORPORATE GOVERNANCE STATEMENT

DIVISION OF RESPONSIBILITIES CONTINUED

Independence of the Board

The Company recognises the importance of its Non-Executive Directors remaining independent throughout their appointment, as it enables them to provide objective advice and guidance to the Executive Directors and senior management.

In considering the independence of each Non-Executive Director, the Board has taken into consideration the guidance provided by the Code, and as such, considers all Non-Executive Directors to be independent in accordance with Provision 10 of such Code, as they each:

i. have not been employed by the Company or Group;
ii. have no material business relationship with the Company or Group;
iii. do not participate in the Company's employee share plans or pension scheme;
iv. have not received additional remuneration beyond the Director's fee reported in this Annual Report;
v. have no close family ties with any of the Company's Directors, Executive Management, or advisers;
vi. have no significant links with other Directors through involvement in other companies;
vii. do not represent a significant shareholder; and
viii. have not served on the Board for more than nine years from the date of their first appointment.

Summary of matters reserved for the Board

The Board has a formal schedule of matters reserved for its decision which is reviewed annually to ensure it remains appropriate and which is summarised below:

- approval of the Group's long-term objectives and strategy;
- approval of the Group's business plans, operating and capital budgets;
- approval of the Group's sustainability targets and reporting;
- approval of the annual and interim accounts;
- changes in the Group's capital or financing structure;
- approval of significant transactions including acquisitions and disposals;
- approval of the dividend policy and any changes thereto;
- ensuring the maintenance of a sound system of internal control and risk management;
- Board appointments;
- succession planning and setting terms of reference for Board Committees; and
- approval of the Remuneration Policy and remuneration arrangements for the Executive Directors and senior management.

To assist in discharging its responsibilities the Board is supported by specialist Committees. The Board has established four such Committees: the Nomination Committee, the Audit Committee, the Risk and Sustainability Committee, and the Remuneration Committee. The terms of reference of each of these Committees are each reviewed on an annual basis. The Board believes each of the Committees has the necessary skills and resources to fulfil its brief and each of the Committees has access to appropriate legal and professional advice where necessary.

The Nomination Committee Report on pages 105 and 107 outlines the Board's approach to succession planning. The Audit Committee Report on pages 108 to 114 outlines how the Board has applied the Code in respect of financial reporting and internal controls. The Risk and Sustainability Committee Report on pages 115 to 117 explains how the Board has applied the Code in respect of risk management. The Remuneration Committee Report on pages 118 to 146 provides details of the Directors' remuneration received in the year.

Day-to-day management and implementation of strategies approved by the Board is delegated to the Executive Committee which comprises eight senior managers including the two Executive Directors. Membership of the Executive Committee along with biographies is detailed on page 91.

Conflicts of interest

Directors have a statutory duty to avoid situations in which they may have interests which conflict with those of the Company. The Board has adopted procedures as provided for in the Company's Articles of Association for considering and if appropriate, authorising any potential conflicts of interest and for the consideration of, and if appropriate, authorisation of new situations which may arise.

The Company maintains a conflict register which is reviewed at every Board meeting. Currently the only situations authorised and listed on the register are the Directors holding directorships and other similar appointments in companies or organisations not connected with the Company where no conflict of interest has been identified.

Board meetings

It is the intention of the Board to meet on at least eight occasions a year. In 2022 the Board met on eight scheduled occasions.

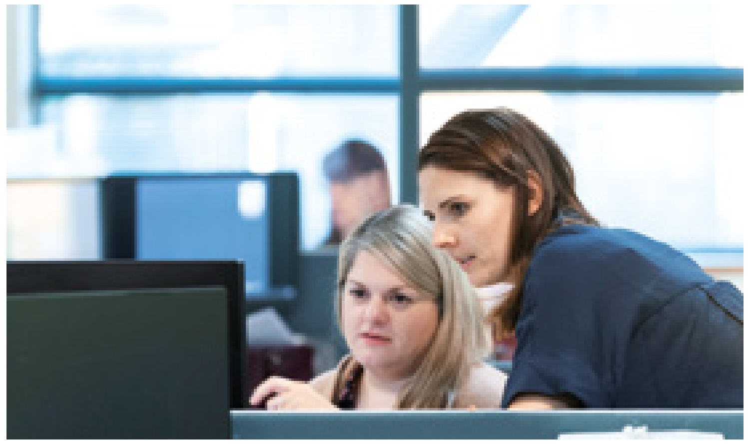
The Directors regularly communicate and exchange information regardless of the timing of meetings and should the need arise, a meeting of the Directors can be convened at short notice. In addition to the scheduled meetings the Board also held a number of updates and briefings by telephone and/or video conference during the year.

There were four meetings of the Audit Committee, four of the Risk and Sustainability Committee, three meetings of the Remuneration Committee and three of the Nomination Committee during the year under review.

The table below only includes attendance where each Director attended as a member. The Chairman, CEO and CFO also attended certain Committee meetings, or parts thereof, as invitees.

Attendance	Board	Audit Committee	Risk and Sustainability Committee	Remuneration Committee	Nomination Committee
Justin Atkinson	8/8	n/a	4/4	3/3	3/3
Stephen Harrison	8/8	n/a	4/4	n/a	n/a
Ben Guyatt	8/8	n/a	4/4	n/a	n/a
Katherine Innes Ker	8/8	4/4	4/4	3/3	3/3
Vince Niblett	8/8	4/4	4/4	3/3	2/3
Divya Seshamani	8/8	4/4	4/4	3/3	3/3
Martin Sutherland	8/8	4/4	4/4	2/3	3/3

Note: The Company Secretary was secretary to each Committee and attended every meeting in this capacity.



CORPORATE GOVERNANCE STATEMENT

BOARD LEADERSHIP AND COMPANY PURPOSE

Promoting long-term sustainable success

The Board is responsible for successfully leading the Group in delivering long-term sustainable value to shareholders and for making a positive contribution to wider society. The Board establishes the Company's purpose, values and strategic objectives and ensures that sufficient financial and human resources are in place for the Group to meet its objectives. The Board ensures that a framework of effective controls are in place to enable risk to be assessed and managed.

Monitoring culture

The Board ensures that the Group's culture aligns with the Company's purpose, values and strategy and that Directors lead by example in promoting the right culture. The Board monitors culture through feedback from the Employee Forum, discussions with employees during site visits and evaluation of employee survey results.

Stakeholder engagement

Board members engage with stakeholders directly to ensure that the Group is meeting its responsibilities towards them. This engagement with stakeholders allows any matters of concern to be raised and addressed by the Board. Stakeholders not only include shareholders but our workforce (many of whom are also shareholders), lenders, suppliers, customers and the communities in which we operate.

In performing their duties under S172(1) of the Companies Act 2006, the Directors give careful consideration to any concerns which the Group's key stakeholders may have, and how these matters are factored into decisions and proposals requiring Board approval.

Shareholder engagement

The CEO and CFO meet regularly with major shareholders and work together with our joint brokers to ensure there is effective communication with shareholders on matters including business performance, strategy, and sustainability.

As part of the Group's investor relations programme, meetings with major shareholders are scheduled to discuss the Group's interim and full year results. The Brokers obtain feedback from these meetings and this is considered by the Board allowing all Board members to gain a better appreciation of shareholder views and expectations.

The Chairman wrote to major shareholders in the year offering to meet them and held a number of meetings covering topics including corporate governance, capital allocation and sustainability. The Chairman and Senior Independent Non-Executive Director are always available to meet major shareholders on request. In addition, the Senior Independent Non-Executive Director wrote to major shareholders in her capacity as Chair of the Remuneration Committee seeking shareholder feedback on proposed amendments to the Company's Remuneration Policy.

Factory tours are provided for major institutional shareholders who express an interest in visiting our facilities and we look forward to inviting major shareholders to the official opening of our new Desford brick factory later in the year.

Engaging with employees

Engagement with our employees is an area which we have continued to develop throughout the year, enabled directly via the Employee Forum which met four times in 2022. Martin Sutherland is the Non-Executive Director designated with responsibility for understanding the views of the workforce, he attends meetings of the Employee Forum in this capacity and has built a rapport with the forum over his tenure. The CEO and other members of the management team have continued to present regular podcasts to keep employees updated on the Group's progress.

In partnership with Gallup, we again conducted our HearMe employee engagement survey in 2022, with improved participation rates versus 2021. Similar themes arose compared to the previous year, relating to employee recognition and employee development and we continue to strive for improvement in these areas.

Details of how the Group engages with all of its stakeholders is shown on pages 24 and 25 alongside the Directors' statement in relation to their statutory duty in accordance with S172 (1) of the Companies Act, however engagement specifically at Board level is detailed in the below table:

Attendance	Board	Board engagement
Employees	Health, safety, and wellbeing Culture, equality, and diversity Talent development	Board members undertake regular health and safety walks, including Board site visits across the business. Non-Executive Director Martin Sutherland attends the Employee Forum meeting up to four times per year. Defining culture and leading from the top is core to the Board's activities. The Board considers the results of employee engagement surveys. The Board meets with senior managers at Board Meetings and working dinners including an annual dinner with high potential employees.
Customers	Customer service and satisfaction New product development	The Executive Directors regularly meet with customers. A corporate event is held where Non-Executive Directors meet with key customers.
Suppliers	Sustainable and ethical sourcing Maintaining supply chain security	Sustainability is a key focus for the Board and delivering against the challenging targets set in 2020 remains a priority. Scope 3 emissions are becoming an area of increased focus which will prompt additional supplier engagement. The Executive Directors regularly meet with key suppliers with a focus on health, safety and wellbeing and on occasion, it may be appropriate for other Board members to meet with key suppliers.
Community	Being a good neighbour	Delivering against the sustainability targets approved by the Board which will improve the environment we live in.
Shareholders and lenders	Group performance ESG matters Strategy	Executive Directors, along with the Chairman and Senior Independent Director regularly meet with large shareholders and lenders. Our full Sustainability Report is included within this Annual Report on pages 42 to 75. Following engagement with our lenders, the Group's credit facility has recently been refinanced as a sustainability linked loan (SLL).

CORPORATE GOVERNANCE STATEMENT

BOARD COMPOSITION, SUCCESSION AND EVALUATION

Board evaluation

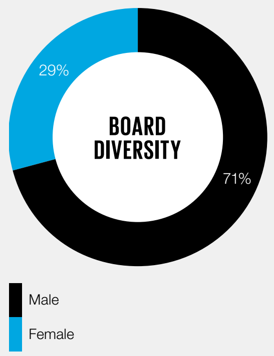
Following the externally facilitated Board effectiveness review undertaken in 2021, we conducted an internal Board evaluation in 2022. In addition, those areas identified for development in the external review were incorporated as a standing Board agenda item so that progress against these could be monitored throughout the year.

This year's review reinforced the previous conclusion that the Board continues to operate effectively, collegiately and with strong relationships between Directors. The review also identified that the level of Board visibility in the business was high, with Board meetings held across the business and incorporating site visits being a positive aspect of the Board's work.

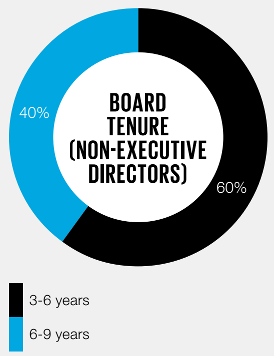
The evaluation identified specific areas for development, including the following recommendations:

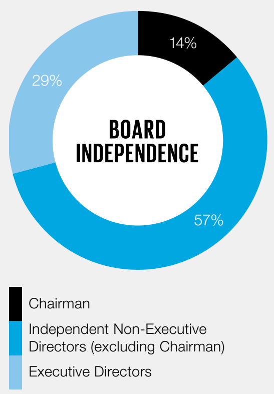
- Following the nine-year anniversary of the Company's listing, a number of Non-Executive Directors are expected to step down in 2025 or 2026. This follows provision 10 of the Code, which suggests that after nine years Non-Executive Directors may no longer be deemed to be independent. As such, the need to step up and formalise succession planning was identified;
- The Board is to increase its customer focus, with members gaining a better understanding of customers' needs and perspectives; and
- The Board are to consider initiatives to further strengthen and help embed a unified and consistent corporate culture across the Group.

The Board is able to conclude that it continues to understand its strengths and weaknesses and will address the actions arising from the internal evaluation. Notwithstanding these actions, the Board can conclude that its composition and that of its Committees is appropriate, procedures in place are effective, responsibilities are clearly divided, and that the Directors have the skills, experience, independence and knowledge to allow the Board and its Committees to successfully and effectively discharge their duties.



Upon the appointment of Gina Jardine on 3 April 2023 as Independent Non-Executive Director, the composition of the Board will be 38% female and 62% male.





During the year the Senior Independent Non-Executive Director met the other Non-Executive Directors without the Chairman being present; and the Chairman met at least once with each Director on a one-to-one basis. These meetings allowed a full discussion of each Board member's contribution, any feedback from the Board evaluation process and a focus on personal development.

Appointment and re-election of Directors

The Company's Articles of Association contain certain powers of removal, appointment, election and re-election of Directors and provide that each Director should retire at the Annual General Meeting if they had been a Director at each of the two preceding Annual General Meetings and are not re-appointed by the Company in the general meeting or since such meeting. A retiring Director shall be eligible for re-appointment. In practice it is intended that all Executive and Non-Executive Directors will retire and put themselves forward for re-election annually at each Annual General Meeting and as such all Directors will stand for re-election at the 2023 Annual General Meeting with the exception of Stephen Harrison who will retire as CEO beforehand and be replaced by Neil Ash.

On appointment, Board members disclose their other commitments and agree to allocate sufficient time as necessary to the Company in order to discharge their duties effectively. The current disclosable external commitments of the Board are shown on pages 89 and 90. Any conflicts of interest are dealt with in accordance with the Board's conflict procedures, however this situation has not arisen this year.

Induction

A structured induction programme is in place to ensure new Directors are quickly integrated into the Board and given the necessary insight and information to allow them to quickly become effective. The induction programme includes:

- meetings with the Directors, Company Secretary, members of the Executive Committee and other members of management;
- guided visits to the Group's manufacturing facilities;
- meetings with external advisers including corporate brokers, auditors, and remuneration consultants as appropriate; and
- being given access to historic Board papers and minutes.

There were no changes to the Board during 2022 and therefore no inductions were required during this period, however Neil Ash and Gina Jardine will both be joining the Board in April 2023 and will each undergo a full induction programme, with Neil's programme having already commenced at the date of this report.

Board diversity

The Board is committed to furthering diversity at all levels. The Board acknowledges the recommendations of the Hampton-Alexander Review which recommends that at least 33% of the Board should be female. In addition, the Board recognises that the Financial Conduct Authority has introduced new Listing Rules with targets for at least 40% of the Board to be female, at least one senior member of the Board to be a woman and at least one member of the Board to be from a non-white ethnic minority background. As a Company currently outside the FTSE 250, these requirements do not directly apply to Forterra although we do have an aspiration to adhere to governance requirements as if the Company were a member of the FTSE 250.

At present 29% of the Board are female, however this will increase to 38% on the appointment of Gina Jardine as Non-Executive Director. One of the senior Board members is a woman and one member of the Board is from a non-white ethnic minority background. Diversity covers many facets other than gender and race. The Board has a strong balance of diverse skills, knowledge, experience, upbringing and education.

The Hampton-Alexander Review also recommends that at least 33% of senior managers (defined as Executive Committee and their direct reports) should be female. Within Forterra this figure currently stands at 18%.

Gender diversity is a wider issue within our industry. Presently only 11% of our employees are female with many of our roles, especially those which are factory based, traditionally being less popular with women and we remain committed to further improvement of our diversity statistics.

The Company does not presently track statistics of ethnicity.

CORPORATE GOVERNANCE STATEMENT

RISK MANAGEMENT

Internal controls and risk management

The Board acknowledges its responsibility under Principle O of the Code for establishing procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks it is willing to take to achieve its long-term strategic objectives.

In order to allow the Board to discharge its obligations with regard to Principle O of the revised Code the Board requested that the co-sourced Internal Audit provider carry out a review of the effectiveness of the Group's entity level controls. This was presented alongside an internally prepared paper on risk and internal control systems, which management prepare on an annual basis.

The Board confirms 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 the approval of the Annual Report and Accounts;
- they are regularly reviewed by the Board along with the Risk and the Audit Committees where appropriate; and
- the systems accord with the Financial Reporting Council (FRC) guidance on risk management, internal control, and related financial business reporting.

The key risks faced by the Group together with their potential impact and mitigating actions are laid out in the Risk Management section of the Strategic Report on pages 76 to 86.

Directors' and Officers' insurance

The Company maintains Directors' and Officers' liability insurance policies to cover against legal proceedings taken against its Directors and Officers acting in their capacity as such. The Company has also granted indemnities to its Directors to the extent permitted by the law in respect of liabilities incurred as a result of their office. Neither the insurance cover or the indemnities would provide any coverage in the event that a Director is proven to have acted fraudulently or dishonestly.

Share dealing code

The Company has adopted a code of securities dealings in relation to the Ordinary Shares which is based on, and is at least as rigorous as, the Model Code as previously published in the Listing Rules. The Code adopted applies to the Directors and other relevant employees of the Group.

Approved by the Board and signed on its behalf:

Justin Atkinson
Chairman
9 March 2023

NOMINATION COMMITTEE REPORT

JUSTIN ATKINSON

"The primary focus in the last year has been the process to identify and recruit a new Chief Executive Officer along with commencing the search for a further Independent Non-Executive Director."

Justin Atkinson
Non-Executive Chairman

Membership

The members of the Committee are appointed by the Board. At 31 December 2022 the members of the Committee were as follows:

- Justin Atkinson (Chairman)
- Katherine Innes Ker
- Divya Seshamani
- Martin Sutherland
- Vince Niblett

NOMINATION COMMITTEE REPORT
CONTINUED

Dear Shareholder
I am pleased to present the report of the Nomination Committee (the Committee) for 2022. The content below describes the main responsibilities of the Committee.
I chair Nomination Committee meetings but would not participate in a meeting when the Committee is dealing with my own position as Chairman.

Responsibilities

The principal responsibilities of the Committee are as follows:

- to regularly review the structure, size, and composition (including the skills, knowledge, experience, and diversity) of the Board and to make recommendations to the Board with regard to any changes;
- to plan for succession for both Executive and Non-Executive Board roles along with senior management positions; to identify and recommend to the Board for approval candidates to fill Board and senior management vacancies as they arise; and
- to make recommendations to the Board in respect of the performance of Directors standing for election or re-election in advance of the Annual General Meeting.

The full responsibilities of the Committee are set out in its Terms of Reference which are available on the Company's website.

The Terms of Reference of the Nomination Committee are approved by the Board and are reviewed annually to ensure they remain appropriate.

Activities during the year
The Committee normally meets on two occasions during the year. Following Stephen Harrison's decision to step down as Chief Executive an additional meeting was held in 2022.

Recruitment of new Chief Executive Officer
Firstly, the Board undertook a selection process to appoint the executive search and selection practice to assist with identifying and subsequently recruiting a new CEO, which resulted in the appointment of Lygon Group. Lygon Group does not have any other connection with the Company or individual Directors.

Following a consultation with both the Executive Directors and the Executive Committee, the Nomination Committee, supported by Lygon Group, prepared a brief detailing the desired skillsets and attributes including, but not limited to, an experienced business leader with previous responsibility of leading a large business; relevant manufacturing experience with full P&L responsibility; experience of the building products or wider construction industry; a track record of delivering growth; excellent leadership skills; experience of delivering large scale capital projects; and experience of leading innovation.

Once a longlist of candidates had been prepared by Lygon, the Committee shortlisted those candidates further before the Chairman and Senior Independent Non-Executive Director undertook first round interviews, reducing the shortlist to three candidates. Subsequent to this, each Board member then interviewed the candidates, allowing the Committee to make a decision as to the most suitable. At this stage Neil Ash met with outgoing CEO, Stephen Harrison, visiting several of the Group's facilities together. In addition, Neil was provided with the opportunity to meet with the Company's joint Corporate Brokers and External Auditor. Psychometric testing was undertaken, along with the taking of references, before the Committee made its recommendation that the Board should offer the role to Neil Ash.

Recruitment of a further Non-Executive Director
The Committee considered each Board member's tenure and the impact this has on succession planning, with provision 10 of the Corporate Governance Code detailing that nine years is the period of service after which a non-executive director's independence may be impaired, meaning that it was likely that the Chairman and four of the five current Non-Executive Directors would retire in an 18-month period in 2025 or 2026, following the ninth anniversary of the Group's listing. The Committee also considered the recent changes to the Listing Rules regarding diversity, with the expectation that 40% of the Board should be female, alongside feedback received from our shareholders on the present level of gender diversity on the Board. Further, the Committee reviewed the composition of the Board to ensure that it remained appropriate and relevant to the Group in both structure and size, including having the skills and knowledge to deliver the agreed strategy. As a result of this exercise, the Committee concluded that the Board could be strengthened by the addition of a further Independent Non-Executive Director and prepared a list of desired skills and experiences that would complement the skills and experiences of the existing Board members. Desirable skills included; experience in the field of human resources; exposure to the building products or other manufacturing sectors; and a track record in innovation and bringing new products to market. It was accepted that it would be unlikely that a single candidate would possess all of the skills and experiences identified but it was agreed it was important to have a broad range of target skills so as to sufficiently widen the search and create a diverse pool of potential candidates.

Lygon Group were again appointed to lead the search and selection process. Once a longlist had been identified the Chairman then interviewed a number of candidates, preparing a shortlist of three candidates who were all interviewed by each Board member. Following this process, and on receipt of suitable references, in early 2023 the Board selected Gina Jardine. Gina is an experienced HR professional with experience gained in some of the world's largest construction and mining companies.

Priorities for 2023
A key priority for the Committee in 2023 is to ensure that both Neil Ash and Gina Jardine are effectively inducted into their new roles and to make sure they are provided with the necessary support.

As identified in the 2022 Board effectiveness review laid out within the Chairman's Governance Statement, Board succession planning will be a continued focus area for the Committee to ensure that, with the majority of the present Board expected to retire in 2025 or 2026, there is a structured process put in place to ensure that succession plans developed for key Board roles and that the process for recruiting additional Directors commences in good time.

Executive skills and succession planning
A key role of the Committee is ensuring the effectiveness of the Board and its ability to deliver long-term success for the business. Included in this is the continual review of the skills, experience, independence and knowledge required to ensure the right individuals are in place to support the Company's continued progression and effective implementation of the Group's strategy. As described above, the executive succession plan is monitored by the Committee, alongside the development initiatives to identify and nurture future leaders for the business.

Diversity and equality
The Group has an Equality and Diversity Policy and is committed to encouraging diversity across the business at all levels and to being inclusive. At the end of the year, the Board contained two female Directors, representing 29% of the Board although this will increase to three, representing 38% of the Board, on the appointment of Gina Jardine. In addition, one of our senior Board members is a woman and one of the Board members is from a non-white ethnic minority background.

Justin Atkinson
Chairman
9 March 2023

AUDIT COMMITTEE REPORT

The Committee continues to closely monitor the UK Government's response to the 'Restoring Trust in Audit and Corporate Governance' consultation so as to determine the potential future impact upon the Group. In anticipation of this, under the guidance of the Committee, management initiated a project to strengthen its internal control processes through the preparation of a formalised Group internal control framework."

Vince Niblett
Chairman

Membership

The members of the Committee as at 31 December 2022 were as follows:

- Vince Niblett (Chairman)
- Katherine Innes Ker
- Divya Seshamani
- Martin Sutherland

VINCE NIBLETT

Dear Shareholder

I am pleased to present my Audit Committee Report, which sets out how the Audit Committee (the Committee) has discharged its responsibilities during the year and provides an understanding of work done to provide assurance over the integrity of the Annual Report and Accounts for the year ended 31 December 2022.

Responsibilities

The principal responsibilities of the Committee are as follows:

Financial reporting

- Monitor the integrity of the Financial Statements, interim report, and any other announcements relating to the Group's financial performance or position.
- Review significant estimates and judgements disclosed within the Financial Statements and how each was addressed.
- Review and challenge where necessary the consistency of and any changes to significant accounting policies.
- Review the Annual Report and Accounts and provide assurance to the Board that they present a fair, balanced and understandable assessment of the Group's position and prospects.

External audit

- Review the effectiveness and independence of the external auditors, negotiate, and agree their remuneration and make recommendations to the Board in respect of their appointment.

Internal audit

- Review and approve the Group's internal audit plan and monitor progress against it. Evaluate the effectiveness of the Group's internal audit function.

Internal control

- Keep under review the adequacy and effectiveness of the Group's internal financial control and risk management systems.
- Monitor the effectiveness of the Group's procedures on whistleblowing, anti-bribery, corruption and anti-money laundering.
- Review modelling and analysis used to support the going concern assessment and long-term viability of the Group.

The full responsibilities of the Committee are set out in its Terms of Reference which are available on the Company's website. The terms of reference of the Audit Committee are approved by the Board and are reviewed annually to ensure they remain appropriate.

Meetings

During 2022 the Committee formally met on four occasions. In addition to the members of the Committee, other members of the Board and senior management, including the CEO, CFO, the Head of Internal Audit and Financial Accounting, representatives from co-sourced internal audit provider PwC, and the external auditor Ernst & Young joined the Committee meetings by invitation. The external auditor was invited to and attended each meeting of the Committee in 2022. The Company Secretary provided secretarial services to the Committee and attended meetings in this capacity.

In addition to the scheduled meetings, the Committee chair meets regularly with the CFO, Head of Internal Audit and Financial Accounting, external auditor and co-sourced internal audit provider, providing additional opportunity for open dialogue and feedback.

Key activities and highlights during the financial reporting cycle

During the year under review and to the date of this Annual Report the agenda items and principal activities of the Committee are outlined below.

Financial reporting

- Review of the Group's annual and interim Financial Statements and preliminary results' announcements, including accounting policies and compliance with accounting standards.
- Review of significant financial reporting issues and matters of judgement within the Financial Statements (further details of these can be found on pages 111 and 112).
- Review of trading updates issued during the year.
- Review and approval of the viability statement, including the scenarios modelled and assumptions made within.
- Review and approval of the going concern statement for the Group, and recommendation to the Board that the Directors can justifiably state that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities for at least the next 12 months.
- Review and approval of the Group's tax strategy.
- Review of the Annual Report and Accounts and advice to the Board on whether, taken as a whole, these are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

AUDIT COMMITTEE REPORT
CONTINUED

External audit

- Consideration of the external auditor's 2022 audit plan including the scope of audit work and the agreement of the 2022 audit fee.
- Consideration of the annual letter to those charged with governance and other reports prepared by the external auditor.
- Following the FRC audit quality team's review of Ernst & Young's audit of the Group's Consolidated Financial Statements for the year ended 31 December 2021, the FRC wrote to the Chairman of the Audit Committee setting out the scope of its review, its principal findings and areas of good practice identified. Overall the Audit Committee noted the review did not raise any findings to consider and accordingly, the Committee is satisfied it was a high quality audit.
- Received updates from the external auditors on the UK Government's response to the 'Restoring Trust in Audit and Corporate Governance' consultation and understanding of the implications this may have on the Group and Committee going forward.

Internal audit

- Monitoring of progress against the 2022 internal audit programme, following consideration of the risks facing the Group.
- Setting of the 2023 internal audit programme.
- Monitor and review the performance of the co-sourced internal audit function confirming that its operating charter remains appropriate.
- Review of the audit reports prepared by the internal audit function with subsequent oversight of the implementation of recommended improvements.
- Received updates from the internal audit function on the UK Government's response to the 'Restoring Trust in Audit and Corporate Governance' consultation and understanding of the implications this may have on the Group and Committee going forward.

Internal control

- Approved and critically assessed a review performed by the co-sourced internal audit provider on the effectiveness of the Group's entity level controls.
- Approved the initial design, scope and timeline of a project to strengthen control documentation through a dedicated financial control framework, in line with expected regulatory developments in this area.
- Received regular updates from management on the progress of the project to strengthen the Group's control framework.

Other

- Received compliance updates from the Company Secretary in relation to whistleblowing.
- Reviewed an update of the Committee's Terms of Reference, ensuring they remain in line with best practice.

FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
2022

GOVERNANCE

Significant financial reporting risks and judgement areas considered

The Committee, in carrying out its responsibilities, is required to assess whether suitable accounting policies have been adopted and consistently applied in the preparation of the Financial Statements.

The Committee consider the following to be the most significant financial reporting matters based on their potential effect on the Group's Financial Statements. During the year and to the date of this report, the Committee have reviewed and challenged papers prepared by management, confirming these remain appropriate for the Group and relevant in the approval of the Financial Statements for the year ended 31 December 2022.

Revenue recognition

The Group recognises revenue on a point in time basis when performance obligations are met, which is usually on delivery to the customer, but may vary by product and under different agreements. In addition to this, a number of contracts also contain volume driven rebate mechanisms.

Committee action

The Committee reviewed and understood the Group policy covering the recognition of revenue and the recording of rebate obligations. This review was supported by presentation by management of the systems and controls surrounding revenue recognition, as identified through work on the financial control framework.

Additionally, the Committee received and reviewed the results of an audit performed in 2022 by the internal audit function over rebate processes and controls, which was concluded as satisfactory.

Following discussion, and further considering the summarised result of substantive testing and data analysis performed by the external auditor, the Committee is satisfied that, under all arrangements, the point at which control passes to the customer has been suitably considered and reflected and there are appropriate systems and controls in place to ensure revenue is recognised appropriately.

Restoration and decommissioning provisions

The Group makes provisions for liabilities in respect of restoration and decommissioning based upon both third-party advice and management's judgement of the appropriate level of liability likely to arise in the future.

Committee action

The Committee considered the work performed by management and the steps taken to ensure accuracy of provision, including use of third-party experts and comparisons of estimate to actual costs incurred. This was presented alongside reporting from the external auditor, which detailed work performed over the appropriateness of the discount rates applied by management, useful lives attached to sites, management input data and the work of independent experts engaged.

This allowed the Committee the ability to critically review and challenge the basis and amounts of provisions as at 31 December 2022, understand Group policy and be satisfied that there are appropriate systems and controls in place to ensure the restoration and decommissioning provision is appropriately stated in the Financial Statements.

Inventory valuation and provisioning

Inventory carrying value in the Financial Statements is stated after recognising inventory provisions, with particular reference to the judgemental nature of the obsolescence provision, referred to as the capping provision. The capping provision uses past sales data, with manual adjustments for new products to calculate the provision. This requires a degree of commercial judgement when determining saleability and price of certain finished goods.

Committee action

The Committee has been presented with a summary of work performed by management, outlining the Group's valuation of its finished goods inventory, including the level of provisions recognised against potential obsolescence. Provisions were discussed by the Committee, with consideration to the current economic uncertainties and their impact on stock held by the Group.

In addition, the work of the external auditor was considered, including the procedures carried out in relation to the carrying value of the Group's inventory. This included attending stock counts, assessing reasonableness of adjustments and sample testing.

Taking this into consideration, the Committee was able to concur with management's assessment that there are appropriate policies, systems and controls in place to ensure the carrying value of the Group's inventories is appropriately stated.

Impairment

The Group holds significant assets in the form of brands, land and buildings and plant and machinery. At the interim and year-end balance sheet dates, these assets were considered for indicators of impairment. At 31 December 2022, management performed an assessment of indicators of impairment, followed by full assessments for certain cash-generating units within the Group as required, and determined that no impairment existed at the year-end.

Committee action

The Committee has critically reviewed the processes adopted by management in assessing whether, in their judgement, any indicators of impairment existed and whether any detailed impairment testing should be undertaken, with consideration to the current economic uncertainties and their impact on market conditions. The Committee have carefully considered these reviews and the associated impairment assessments as well as the assumptions and sensitivities applied by management in undertaking the impairment testing.

Following this review, the Committee concurred with management's conclusion that no impairments should be recognised due to continued profitable trading. After reviewing management reports and consulting where necessary with the external auditor, the Committee is satisfied that the estimates adopted, and the accounting treatments applied in the preparation of the Financial Statements are appropriate.

AUDIT COMMITTEE REPORT
CONTINUED

Alternative performance measures: exceptional items

Exceptional items are disclosed separately in the Financial Statements where management believes it is necessary to show an alternative measure of performance (APM) in presenting the financial results of the Group. Management assesses the nature, size and incidence of items when judging what should be disclosed separately.

Committee action

The Committee assessed the categories of items proposed for inclusion as exceptional items and considered their appropriateness in line with regulatory guidance. In doing so the Committee sought views from the external auditor as to the appropriateness of items categorised by management as exceptional. Upon conclusion of this review, the Committee concurred with management's analysis of proposed exceptional items and their disclosure as an APM.

Alternative performance measure: accounting for carbon credits

Under the UK Emissions Trading Scheme, the Group receives an annual allocation of free carbon credits, which are used to satisfy a portion of the Groups carbon emissions liability as incurred over the compliance period, which falls in line with the accounting period of the Group. These are recorded at nil value within the Financial Statements. As this allocation is less than the total carbon compliance liability incurred by the Group over the compliance period, additional carbon credits are purchased to satisfy the shortfall.

The liability for the shortfall is measured, up to the level of credits purchased, at the cost of the purchased credits. Where the liability to surrender carbon credits exceeds the carbon allowances purchased, the shortfall is measured at the prevailing market price and remeasured at the reporting date. The Group's free allocation of carbon credits is based on expected emissions over the full compliance period, which is in line with the Group's financial year. As such, management believes the operationally aligned method for measurement recognises these free allowances over the full financial year using a weighted average basis, aligned proportionately with the production which drives carbon emissions, in line with management reporting. This weighted average basis was presented as an APM in the interim financial statements.

The interim statutory results showed carbon credits as being utilised on a first in, first out basis, fully utilising the Group's free allocation of carbon credits before recognising any liability to purchase further credits. The above differing treatments only affect the interim results for the Group and had no impact on the full year Financial Statements.

Committee action

The Committee received an update from management and the external auditor on the appropriateness of the Group accounting policy for the treatment of carbon credits, including the measurement basis at both interim and year-end reporting dates. The Committee reviewed and understood the relevant accounting standards underpinning the policy and discussed with both the external auditor and management the appropriateness of disclosing measurement on a weighted average basis as an APM within the interim Financial Statements.

The Committee concluded that its presentation provided additional clarity on performance and that sufficient reconciliations and disclosures were provided by management with sufficient prominence.

Risk management and internal controls

The Committee is focused upon financial risks and controls. Operational risk management is contained within the Terms of Reference of the Risk and Sustainability Committee. The Audit Committee and the Risk and Sustainability Committee work closely together, and members of the Audit Committee also serve on the Risk and Sustainability Committee. In addition, key members of the Internal Audit function may, by invitation, also attend meetings of the Risk and Sustainability Committee. Details regarding the activities of the Risk and Sustainability Committee can be found on pages 115 to 117.

Restoring Trust in Audit and Corporate Governance consultation

The Committee continues to closely monitor the UK Government's response to the 'Restoring Trust in Audit and Corporate Governance' consultation so as to determine the potential future impact upon the Group and any additional obligations this may place on the Board and Committee. In anticipation of this, management initiated a project to strengthen its financial controls through the preparation of a formalised control framework. The Committee recognise that this project will strengthen and continue to embed a strong control environment across the Group and received updates on progress, control findings and actions during the year.

Risk management and internal control systems

In order to allow the Board to discharge its obligations with regard to Principle O of the revised Code the Board requested that the co-sourced Internal Audit provider carry out a review of the effectiveness of the Group's entity level controls. This was presented to the Committee alongside an internally prepared paper on risk and internal control systems, which management prepare on an annual basis. The Audit Committee assessed the findings of this review and is able to confirm to the Board 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 the approval of the Annual Report and Accounts;
- they are regularly reviewed by the Board along with the Risk and Sustainability and the Audit Committees where appropriate; and
- the systems accord with the Financial Reporting Council (FRC) guidance on risk management, internal control, and related financial business reporting.

Internal audit

The internal audit function exists to provide the Board and management with independent assurance that internal controls and risk management processes are both appropriate and operating effectively.

A co-sourced internal audit function is in place, this is headed by an in-house Head of Internal Audit and supplemented by auditing resource and expertise from PwC as required. The Committee continues to believe that this operating model is the most suitable for the Group as it combines strong internal business knowledge and understanding with a wide pool of external experience and specialist skillsets to deliver the most effective and responsive solution.

The internal audit function operates to an agreed 12-month audit programme which is set by the Committee after considering recommendations from the internal audit function as well as Executive Management. Internal audit programmes are designed following an assessment of risk and materiality. The internal audit function also retains the ability to bring in independent specialists to assist with audit work where more specialist knowledge and understanding is required.

During 2022 the function performed work covering areas, including: payroll processes; query management controls following new software implementation and a review of controls around rebate processes. Further, a review of entity level controls, focusing on evaluating the effectiveness of risk management and internal control systems as outlined by the FRC, was requested by the Committee.

The outcomes of these were presented to the Audit Committee ahead of approval of the Financial Statements for the year ended 31 December 2022. These set out any control weaknesses identified as well as management's actions to address control recommendations.

The Chairman of the Audit Committee regularly meets with the Head of Internal Audit and the co-sourced provider. Other members of the Committee and the Board will also meet with the Head of Internal Audit on a periodic basis. The Head of Internal Audit and the co-sourced provider have regular and confidential access to the Chairman of the Committee.

Committee experience and competence

Provision 24 of the revised Code requires that the Board should satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which it operates.

The Board have concluded that Vince Niblett meets the recent and relevant financial experience requirement. Vince Niblett was previously a Partner at international professional services firm Deloitte, where he held a number of senior roles including membership of the UK Board of Directors and Global Managing Director, Audit & Enterprise Risk Services before retiring in 2015. Vince is a Chartered Accountant and also a Non-Executive Director and Chairman of the Audit Committee at Big Yellow Group plc and Target Healthcare REIT plc.

The Board also considers the wider Committee to have the required competence, skills, and experience and that it is operating effectively and is providing robust challenge to the Executive Directors and the wider business.

Fair, balanced and understandable

At the request of the Board, the Audit Committee has considered whether the 2022 Annual Report is fair, balanced and understandable and whether it provides the necessary information for the Group's shareholders to assess the Group's position, performance, business model and strategy.

As part of its review the Committee considered:

- the messaging and balance of key disclosures in the strategic report;
- presentation of APMs, including the balance between statutory and non-statutory measures;
- advice from external professional advisers on complex matters where appropriate;
- reviews performed by senior management over the Annual Report and Accounts;
- disclosures related to the Group's sustainability objectives, as well as climate risk and opportunities; and
- consistency of reporting within the Annual Report and Accounts, including disclosure of judgements and estimates.

The Committee has concluded that the disclosures, and the process and controls underlying their production, were appropriate to enable it to determine that the 2022 Annual Report and Accounts is fair, balanced and understandable.

Viability statement and going concern

Ahead of the publication of the full year financial results for 2022, the Committee undertook a detailed review of the prospects of the Group to ensure ongoing viability. A viability statement was prepared which carefully considered possible adverse scenarios resulting from current economic uncertainties, against a budgeted base case. This was used to support a recommendation to the Board that the Directors can justifiably state that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities to the end of 2026. The viability statement is included in the risk management and key risks section of the Strategic Report.

AUDIT COMMITTEE REPORT
CONTINUED

The Committee also reviewed and challenged the going concern statement included in the Directors' Report along with the underlying assessment prepared to support this statement.

External audit, auditor independence and objectivity
The Committee is responsible for making recommendations to the Board regarding the appointment, re-appointment, and removal of the external auditor. It keeps under review the scope of the audit, the audit findings, its cost effectiveness and the independence and objectivity of the auditor.

The Company has complied with the Competition and Markets Authority final order on mandatory tendering and the requirements of the Audit Directive (2014/56/EU). It is the Company's intention to put the audit out to tender at least once every 10 years. Ernst & Young have held the appointment as Auditor since the Company was incorporated in 2016.

The Group's policy is to rotate the lead audit partner every five years. Anup Sodhi was appointed as audit partner in 2021.

The Committee receives the formal letter addressed to those charged with governance provided by the external auditors on completion of the annual external audit which summarises the key findings and observations arising from the audit along with how management have responded to these findings. In addition, the external auditors provide confidential feedback to the Committee as to how members of the management team have conducted themselves during the audit process.

In addition, the Chairman of the Committee regularly meets with the external audit partner outside of the formal committee meetings.

Non-audit services policy
The Group's non-audit services policy restricts the external auditor from performing certain non-audit services in accordance with the Revised Ethical Standard 2016 issued by the Financial Reporting Council. The Revised Ethical Standard 2019 introduced further restrictions on services not closely linked to the audit, law or regulation and the Group is operating in compliance with these regulations.

The amounts paid to Ernst & Young for non-audit services during the year are disclosed in note 5 of the Financial Statements. The only non-audit service provided in the year was in respect of the review of the interim financial statements and results announcement. Ernst & Young also has its own policies and procedures in place to ensure it maintains its independence and objectivity and regularly reports to the Committee on its independence.

Whistleblowing, fraud and the Bribery Act
The Board has reviewed and approved the Group's policies and procedures covering whistleblowing, anti-bribery and corruption including the controls in place to detect fraud and to ensure compliance with both competition and anti-bribery legislation. The Group maintains a zero-tolerance approach to breaches of this legislation and certain employees in commercial roles, selected using a risk-based approach, are provided with dedicated training and guidance appropriate to their roles.

The Group operates a MySafeWorkplace anonymous incident reporting system, allowing employees to report any wrongdoing or concerns with confidentiality assured. There were no concerns notified to the Group that required the attention of the Committee during the year and up to the date of this report.

The Report of the Audit Committee has been approved by the Board and signed on its behalf by:

Vince Niblett
Chairman of the Audit Committee
9 March 2023

RISK AND SUSTAINABILITY COMMITTEE REPORT

DIVYA SESHAMANI

"In 2022 the Committee focused on emerging risks and cost inflation, in particular energy procurement, whilst at the same time ensuring that sustainability and the complex risks it presents receive sufficient Board attention."

Divya Seshamani
Chairman

Membership
The members of the Committee are appointed by the Board. At 31 December 2022 the members of the Committee were as follows:

- Divya Seshamani (Chairman)
- Justin Atkinson
- Stephen Harrison
- Ben Guyatt
- Katherine Innes Ker
- Vince Niblett
- Martin Sutherland

RISK AND SUSTAINABILITY COMMITTEE REPORT CONTINUED

Dear Shareholder

I am pleased to present the report of the Risk and Sustainability Committee (the Committee) for 2022. The purpose of the Committee is to assist the Board in ensuring that all key business risks, including health and safety, sustainability, operational and commercial are identified in a timely manner and, where possible, mitigated effectively and proactively throughout the Group.

Activities during the year

The Committee met on four occasions during the year, alternating in focus between health and safety risk and sustainability-related risks, alongside wider risk management topics.

In addition to the Committee members, other members of the management team with responsibilities covering health and safety, sustainability, commercial, operations and internal audit regularly attended and actively contributed to the meetings.

Responsibilities

Working in conjunction with the Audit Committee, the role of the Committee is to assist the Board in fulfilling its oversight responsibilities ensuring the Group properly identifies and manages the key risks it faces, alongside the implementation of its sustainability policy and monitoring of those targets. Responsibilities of the Committee are summarised as below:

Risk management

- Define and continually review the Group's appetite for risk.
- Review the effectiveness of risk management processes in determining whether all risks are being identified, evaluated, monitored, and managed appropriately.
- Review of the Group risk register and consider its appropriateness and completeness along with the appropriateness of the mitigating actions being taken.
- Consider emerging risks which have the potential to impact the business.
- Review the effectiveness of the Group's risk management function, ensuring that sufficient resources are devoted to this area and that these resources are appropriately skilled.

Health and safety

- Review of the health and safety policy, considering whether it complies with legislation and best practice, and recommend improvements as appropriate.
- Implement changes in the health and safety policy as necessary.

Sustainability

- Oversee the Group's sustainability policies.
- Define the level of the Group's ambitions with regards to reducing environmental impact and addressing climate-related risk.
- Set challenging environmental targets and monitor progress against these.
- Monitor the Group's compliance with the requirements of TCFD and other reporting protocols as appropriate.
- Ensure that the Group's sustainability policy satisfies its desired outcomes and monitor achievement against the targets set.

The Committee's full Terms of Reference are available on the Company's website.

The Terms of Reference of the Risk and Sustainability Committee are approved by the Board and are reviewed annually to ensure they remain appropriate.

Risk management

Throughout the year and to the date of this Annual Report, the risk register for the Group has been reviewed and updated by management, considering completeness, likelihood, and impact of risks, along with controls and actions in place to mitigate risks. Emerging and principal risks for the Group (as described in the Strategic Report on pages 76 to 86) are reviewed regularly and the full risk register is presented to the Board at least annually.

During 2022, Committee attention has been directed towards a number of evolving risks, including, but not limited to: supply chain issues and cost inflation, in particular increasing energy costs. The Committee considered the likely implications and potential mitigations of each risk, along with the Group's appetite for such risk. As a result of the sudden and unprecedented increases in energy prices, the Group's energy procurement policy was reviewed and approved by the Committee, and the Committee received periodic updates throughout the year on energy prices, strategy and current position.

In reviewing emerging risks and management response to the changing risk environment, the Committee considered how well risk management was embedded throughout the business, and how increasing focus on risk management is better equipping the business to identify and respond to the rapidly emerging threats posed by the fast-evolving market and supply chain conditions. The Committee continue to review emerging risks alongside the Group's principal risks to provide assurance that all risks continue to be afforded proper attention. Further, the Group's approach to risk management was reviewed by the Group's co-sourced internal audit function at the request of the Audit Committee in 2022. Further details of this review can be found on page 112 of the Audit Committee Report. The recommendations identified during the review, have been implemented and management have developed action plans to ensure further improvement.

Further information regarding the risks faced by the Group is included in the risk management section of the Strategic Report on pages 76 to 86.

Health and safety

Health and safety remains our number one priority and accordingly continued to be an area of significant focus for the Committee during the year. The Committee considered and provided input into the Group's health and safety strategy, which in the year saw a greater focus on safety behaviours and culture, with external behavioural training delivered across the whole business, following our Road Map to Zero Harm and Golden Rules.

During the year, the health and safety team continued to make progress in delivering the Road Map to Zero Harm, assisted by Steve Jeynes, Production Director.

The Committee carried out the following health and safety related duties in the year:

- considered health and safety policy and practices against developments in best practice;
- reviewed health and safety incidents along with management's response to these incidents, identifying key learnings and further improvements that can be made to existing practices;
- reviewed the outcomes of the safety walks undertaken by members of the Board during the year; and
- evaluated the effectiveness of the Group's health and safety function.

Sustainability

Sustainability was the focus of two of the four Committee meetings held during the year, with these meetings also being attended by the Group's Head of Sustainability and other members of management as appropriate.

The Committee has undertaken the following sustainability-related tasks during the year:

- review and monitor of the Group's performance against its sustainability targets;
- consideration of and review of the Group's long-term energy supply strategy and evaluation of the risks and benefits of investing in renewable energy generation;
- approval of the solar Power Purchase Agreement (PPA) which will supply approximately 70% of the Group's electricity requirement from 2024 along with an investment of around £2.5m in roof mounted solar at the new Desford brick factory;
- receipt of updates regarding the Group's progress on sustainability initiatives including reduction of plastic packaging and the adoption of emerging technologies. The latter including the use of hydrogen and biomass as replacement fuels for natural gas along with carbon capture and storage; and
- review of the Group's sustainability and climate reporting and disclosure including the scenario-based modelling required by TCFD.

Health and safety walks

Throughout 2022 the Board continued to engage in visible felt leadership with the workforce, something that is seen as critical in positively influencing culture from the top.

Each Board member is expected to undertake at least two safety focused site visits, 'safety walks', at the Group's operating facilities. During these visits the Directors take the opportunity to engage directly and informally with employees on matters relating to health and safety. The Committee considers the feedback from each of these safety walks and regularly reviews progress against identified actions.

These safety walks are well received by our employees and demonstrate the Board's commitment towards visible felt leadership. In addition, consistent with the objective of fostering a greater awareness of, and responsibility for risk management at an operating site level, the visits also consider wider site-specific risks and mitigations without diminishing the importance placed on health and safety. In 2022 the Committee members were also invited to attend the Group's externally presented behavioural safety programme, which was rolled out across the business during the year.

Divya Seshamani
Chairman of the Risk and Sustainability Committee
9 March 2023

REMUNERATION COMMITTEE REPORT

KATHERINE INNES KER

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the financial year ended 31 December 2022, which sets out our role, along with the revised Remuneration Policy to be put to a binding vote at the forthcoming AGM. This Report provides details on the link between remuneration and the Group's long-term strategic goals, and how it aligns to the interests of the Executive Directors, senior management, employees and our shareholders."

Structure of the report

Membership

The members of the Committee as at 31 December 2022 were as follows:

- Katherine Innes Ker (Chairman)
- Justin Atkinson
- Martin Sutherland
- Divya Seshamani
- Vince Niblett

Dear Shareholder

I am pleased to present, on behalf of the Board, the 2022 Directors' Remuneration Report. This contains the Annual Remuneration Report, explaining how the current Remuneration Policy (the 'Policy') has been implemented during 2022, and also the new Directors' Remuneration Policy, which will be put forward for a binding shareholder vote at the 2023 Annual General Meeting (AGM).

The Group aims to attract and retain talented people to deliver sustainably high levels of performance ensuring the ongoing success of the Group. Our Remuneration Policy aligns the Group's strategic goals with the pay and incentives of Executive Directors, senior management, employees, and with the long-term interests of our shareholders. Alongside this, the Policy is designed to create an environment of achievement and delivery, with appropriate reward for good performance and for behaviours which support the culture promoted throughout the Group, without incentivising the taking of unnecessary risks, and is designed to be both transparent and understandable.

The Committee is comfortable that the Policy has operated as intended during the year and that no major changes are required. The Committee has reviewed the contents of the Policy, and the changes to the revised Policy highlighted within this report are minor in their nature and are necessary in ensuring Policy remains aligned to best practice.

2022 overview

Remuneration in context

In making decisions in relation to the Executive Directors' remuneration outcomes for 2022, the Committee has taken into account key measures of the Group's performance, as well as the experience of wider stakeholders as outlined below.

Strategic progress

The following highlights the key achievements against our strategic objectives in 2022:

- Commissioning of the new Desford brick factory within both stated timescales and the original £95m budget.
- Commencement of the redevelopment of the Wilnecote brick factory with recommissioning expected in quarter four of 2023.
- Signed contracts for the construction of our first brick slip production facility at our Accrington factory.
- Entry into a 15-year Power Purchase Agreement (PPA), which will see us receive around 70% of our electricity from a dedicated solar farm, commencing in 2024.

Financial performance

- Strong financial performance in 2022 delivering a result ahead of the pre-pandemic comparator.
- Successfully delivering multiple price increases to recover ongoing cost inflation.
- Significantly improved performance for our Bison Flooring business.

Employees

We are committed to the provision of an inclusive working environment and ensuring the fair reward of all employees, regardless of seniority across the business. In addition to the Executive Directors and senior management, the Committee considers wider workforce remuneration and conditions.

The Committee also continued its commitment to encouraging employee share ownership by approving the offer and subsequent grant of share options under the Forterra Sharesave Plan. There was continued uptake of this offer from employees with over half of our workforce continuing to save in this way.

In line with established protocols, wages and salaries were reviewed at the beginning of 2022 with an increase of 3% awarded to salaried employees. In response to rapidly rising inflation, this was supplemented by an additional 2.4% cost of living increase effective 1 April, giving a total increase of 5.4%. Following pay negotiations with the shop floor workforce, an increase for all non-salaried employees also of 5.4% was agreed in March 2022 and backdated to January 2022.

To further support our workforce with the cost of living challenges a £50 supermarket voucher was given to all employees in August 2022. This was followed by an additional one-off £500 award for those employees on earnings (base salary and shift allowance combined) of less than £50,270 per annum (the income at which higher rate income tax becomes payable) which was paid in December 2022.

During the year the Company met with representatives from the Employee Forum on a quarterly basis, with discussion topics including pay, inflation and cost of living challenges.

Shareholders

We remain in close contact with major shareholders with the Executive Directors regularly meeting shareholders to discuss business performance, strategy, capital allocation, sustainability and other matters. During 2022 we focused on ensuring our strategy was well communicated and understood and we received positive feedback from shareholders on this front. The Chairman of the Board is always available to discuss matters with major shareholders and held a number of meetings during the year. Ahead of proposing the amendments to our Remuneration Policy, in my position as Senior Independent Non-Executive Director and Chair of the Remuneration Committee, I wrote to major shareholders seeking feedback on proposed amendments to the Policy and we have acted upon the feedback received, which included a desire for environmental targets to be incorporated into future Performance Share Plan awards.

2022 salary and fees

The base salaries of the Chief Executive Officer, Stephen Harrison; the Chief Financial Officer, Ben Guyatt; the Chairman's fee; and the Non-Executive Directors' base fee were increased by 3% in January 2022. The additional cost of living increases provided to the workforce were not awarded to either the Executive or the Non-Executive Directors.

REMUNERATION COMMITTEE REPORT
CONTINUED

2022 annual bonus

Reflecting the Company's strong financial performance during the year and fulfilment of personal objectives, the 2022 annual bonus will be paid in March 2023.

The profit before tax (PBT) as stated before exceptional items of £70.6m exceeded the maximum target of £66.2m and the Executive Directors will receive 100% of the maximum profit-related element of their bonus. When added to the achievement against personal objectives, Stephen Harrison, Chief Executive Officer (CEO) earned 89% of his maximum potential annual bonus for 2022 and Ben Guyatt, Chief Financial Officer (CFO) earned 91% of his maximum potential annual bonus for 2022.

No adjustments or discretion has been applied to the formulaic outcome for the 2022 annual bonus as the Committee believed that this was appropriate in light of the strong performance achieved during the year.

Under the Deferred Annual Bonus Plan, an amount equal to 10% of salary plus 50% of any further bonus earned will be paid in cash, with the balance paid in shares, with vesting deferred for three years.

Performance Share Plan (PSP) awards vesting in 2022

The 2019 PSP award was due to vest in March 2022. This award was granted with half of the award subject to an earnings per share (EPS) performance condition and half subject to a total shareholder return (TSR) performance condition, both measured over three financial years from grant. Neither the EPS nor the TSR performance conditions were met and therefore the 2019 PSP awards did not vest.

Performance Share Plan (PSP) awards granted during the year 2022

The 2022 grant of awards under the PSP was made in accordance with the Policy at 150% of salary for the CEO, Stephen Harrison, and 125% of salary for the CFO, Ben Guyatt.

The performance targets applicable to this award are disclosed within this Report. The awards are structured in the same way as the 2021 awards with half of the awards granted subject to an EPS performance condition and the other half subject to a TSR performance condition.

2023 overview

2023 Remuneration Policy and implementation

The current Remuneration Policy was approved by shareholders at the 2020 AGM and received 95.68% of the votes cast, in favour. This Policy is now due for renewal and will be put to shareholders at the 2023 AGM in May. The Remuneration Committee has conducted a thorough review of the current Remuneration Policy to ensure it remains appropriate to support the business and meets the latest standards of best practice, together with all regulatory developments. We have concluded that the Policy remains fit for purpose, and have made some minor changes which are detailed opposite. A shareholder consultation has been conducted with our top 20 shareholders who together represent approximately 75% of the share register. These responses and views have been considered by the Committee, and where concerns were expressed, these have been taken into account. Whilst not considered a change in the Policy, the consultation stated that the Committee intended to incorporate sustainability metrics aligned with the Company's sustainability strategy into the PSP over the course of the next Policy cycle. There was a clear preference expressed by shareholders that these should be included in the next awards. In response, we will be including both decarbonisation and plastic reduction as two additional metrics in the 2023 PSP awards, each accounting for 10% of the award.

Changes to Remuneration Policy

Element	Proposed Changes
Base salary	No changes proposed to Policy
Benefits	No changes proposed to Policy
Pension	No changes proposed to Policy
Annual bonus	No changes proposed to Policy
Long-term incentives	No changes proposed to Policy
Malus and clawback	No changes proposed to Policy
Shareholding requirements – in-employment and post-employment	The post-employment shareholding requirement is increased to 200% for two years with cliff vesting, to align with best practice
Recruitment/promotion	No changes proposed to Policy
Service contracts	No changes proposed to Policy

The revised Remuneration Policy can be found on pages 124 to 134 and will be put to a binding shareholder vote at the 2023 AGM on 23 May 2023. The Committee believes that the revised Policy meets the objectives to attract, retain, motivate and develop the best talent, and to align the interests of the Executive Directors, senior management, and employees with the strategic goals of the Group and with the long-term interests of our shareholders.

Chief Executive Officer succession

In May 2022 Chief Executive Officer Stephen Harrison, informed the Board of his intention to retire after 10 years in the role, and will remain with the Company until stepping down ahead of the 2023 AGM. Neil Ash has been appointed as his successor and will join the Company as Chief Executive Officer Designate in April 2023. Details of the terms of Stephen Harrison's retirement and the terms of Neil Ash's appointment as Chief Executive Officer can be found on page 121, 122 and 140.

2023 salary and fees

In line with the Policy, the Committee considered the base salaries of the Executive Directors, Stephen Harrison (CEO) and Ben Guyatt (CFO) and awarded a 5% increase effective 1 January 2023. This was in line with the increases awarded to the salaried employees of the Group. The Executive Directors determined that the base fee payable to the Non-Executive Directors should be increased by the same amount. The additional fees payable for chairing a committee and for the Senior Independent Director remained unchanged.

In line with the increases awarded to the salaried employees of the Group, the Committee recommended that the fee payable to Chairman was increased by 5% effective 1 January 2023.

In 2023 the Executive and Non-Executive Directors received annual increases in common with the salaried workforce. This is in contrast to 2022, where the Directors did not receive the 2.4% additional cost of living award provided to the wider workforce hence only receiving an increase of 3%.

In addition to the 5% increase awarded to salaried employees in January 2023, those employees whose earnings (defined as base salary and shift allowance where applicable) were less than £35,000 per annum, received an additional £1,000 (pro-rated for part-time employees) on their base salary. This resulted in the lowest paid employees receiving an annual increase of up to 9%. At the time of writing the 2023 collective bargaining negotiations with shop floor workers were ongoing, with the negotiated award expected to be backdated to 1 January 2023.

2023 annual bonus

The Committee reviewed the operation of the Annual Bonus Plan during the year. The objective is to achieve a balance between financial performance and, through a clear link with objectives and reward, ensure that the right behaviours are being driven. It was agreed that financial performance and personal business objectives continue to form the basis of the 2023 annual bonus.

The following metrics and weighting will apply for the 2023 annual bonus:

- 75% of maximum opportunity: profit before tax; and
- 25% of maximum opportunity: non-financial/strategic objectives.

With a softening of market conditions and demand for our products expected to decline in 2023 and with this reflected in the analysts' expectations of 2023 performance, thresholds will be set accordingly with a significant stretch to the maximum opportunity. These targets will be reported retrospectively following the end of the performance period, as they are considered to be commercially sensitive. These targets reflect the continued strength of the Group's key markets and current trading conditions.

Stephen Harrison (CEO) will continue to be eligible to participate in the 2023 annual bonus plan and any payment will be calculated on a pro-rated basis for time served up to the termination date. This payment will be made in 2024.

2023 Performance Share Plan (PSP) awards

Grant levels for the 2023 PSP will be in line with the prior year at 125% of salary for Ben Guyatt (CFO). Stephen Harrison, CEO will not participate in the 2023 PSP award. An award of 150% of base salary will be made to Neil Ash, the Chief Executive Officer Designate.

The performance targets to be applied to the 2023 PSP awards are disclosed within this Remuneration Committee Report. The Committee have added two sustainability metrics focused on decarbonisation and reduction in the use of plastic packaging which will total 20% of the award with EPS now accounting for 40% and TSR 40%.

REMUNERATION COMMITTEE REPORT
CONTINUED

In respect of the portion of the award subject to a TSR performance condition the index comprises the unweighted FTSE 250 participants (excluding investment trusts). This is unchanged from 2021.

Payments for loss of office

It was announced on 24 May 2022 that Stephen Harrison was to step down as Chief Executive Officer. It has since been confirmed that he will retire as a Director ahead of the 2023 AGM which is to be held on 23 May 2023, although he will remain as an employee until 24 May 2023. Details of the remuneration payments to be made to Stephen Harrison are set out below.

Salary and benefits

Stephen Harrison will continue to receive his salary and contractual benefits up to 24 May 2023. No compensation for loss of office will be payable.

2023 bonus

The Remuneration Committee has determined that Stephen will be treated as a good leaver.

As a part financial year will have been worked, Stephen will be eligible to participate in the 2023 annual bonus scheme as detailed on page 121, with entitlement pro-rated for his period of service.

Share-based incentives

The following will apply to existing share-based incentive arrangements, in line with the Company's Remuneration Policy:

- *Deferred Annual Bonus Plan (DABP)*
  Share options granted under the 2022 and 2023 DABP will vest at the date of cessation of employment.
- *Performance Share Plan (PSP)*
  In line with the scheme rules applicable to good leavers, awards granted in 2020, 2021 and 2022 will vest at normal vesting date, pro-rated for time served and tested for performance. Stephen Harrison will not be granted any awards in respect of 2023.

Payments to new Director

It was announced on 22 November 2022 that Neil Ash will be appointed as Chief Executive Officer. Neil will join the business as Chief Executive Designate on 3 April 2023 and will become Chief Executive Officer ahead of the 2023 AGM. Details of the remuneration payments to be made to Neil Ash are set out as follows.

Salary and benefits

Neil Ash's annual base salary from 3 April 2023 will be £477,750.

2023 bonus

Neil will participate in the 2023 annual bonus scheme, pro-rated from 3 April and subject to performance criteria being achieved as detailed on page 121. In addition, the Remuneration Committee has agreed to fully compensate Neil in cash for the loss of any 2022 bonus earned with his previous employer, Etex. This amount is expected to be determined in April and will be disclosed in the 2023 Annual Report and Accounts.

Share-based incentive

Neil will participate in share-based incentive arrangements, in line with the Company's Remuneration Policy from 2023. In addition, the Remuneration Committee will make an award of Forterra shares to the value of Neil's Etex LTIP due to vest in April 2023. This award will go towards building up the minimum shareholding requirement. The number of shares is expected to be determined in April 2023 and will be disclosed in the 2023 Annual Report and Accounts. Neil will also participate in the 2023 PSP award.

Shareholder engagement

We take a keen interest in our shareholders' views on executive remuneration and welcome any feedback on the Remuneration Committee Report. As described previously, in connection with the review of the Remuneration Policy, we carried out an engagement exercise with our top shareholders, who were generally supportive of the proposed approach. We responded immediately to the views expressed through the inclusion of sustainability metrics in the 2023 PSP award.

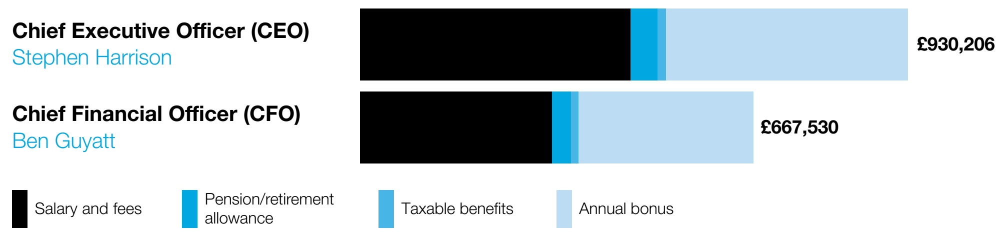
This Remuneration Committee Report will be subject to an advisory vote and the revised Remuneration Policy subject to a binding vote at the 2023 AGM. Our goal has been to be clear and transparent in the presentation of this report and I look forward to your support on these resolutions.

Katherine Innes Ker
Chair of the Remuneration Committee
9 March 2023

Note:
This report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code and the Listing Rules.

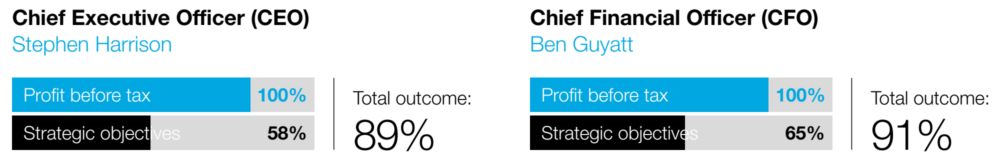
REMUNERATION AT A GLANCE

Single total figure of remuneration

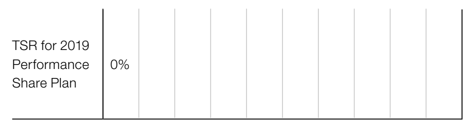


Annual bonus

Profit before tax + Strategic/non-financial objectives = Total outcome



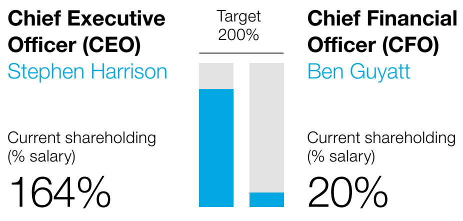
Performance Share Plan (PSP)



The long-term incentives reported against 2022 comprises the total amount vested under the TSR condition of the 2019 grant (£nil).

Directors' shareholdings

Share ownership plays a key role in aligning the interests of our Executive Directors with the interests of shareholders. Our Executive Directors are expected to build up and maintain a 200% of salary shareholding in Forterra.



REMUNERATION COMMITTEE REPORT
SUMMARY OF REMUNERATION POLICY

Introduction
As described in the Chairman's introduction, our revised Remuneration Policy will be put forward to a binding shareholder vote at the 2023 AGM. Subject to shareholder approval, it is intended that the new Policy will apply until the 2026 AGM. The proposed Policy as set out opposite describes the pay structures that the Company will operate and summarises the approach that the Committee will adopt in certain circumstances such as the recruitment of new Directors and/or the making of any payments for loss of office. The Remuneration Committee carefully considered the current Policy and concluded that it remains broadly appropriate to support the needs of the business. The revised Policy therefore incorporates only minor changes to align with evolving market best practice.

Policy overview
The Committee has responsibility for determining the remuneration of the Chairman, Executives and Non-Executive Directors and other senior management. The Committee's terms of reference are available on the Company's website.

The Company's Remuneration Policy has been designed based on the following key principles:

- to promote the long-term success of the Group, with stretching performance targets which are rigorously applied;
- to provide appropriate alignment between the Group's strategic goals, shareholder returns and executive reward; and
- to have a competitive mix of base salary and short and long-term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Group's performance.

The remuneration arrangements have been structured with due consideration of the UK Corporate Governance Code and both best practice and market practice for UK listed companies.

FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
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GOVERNANCE

Factor	How our remuneration policy aligns
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Martin Sutherland remains the designated Non-Executive Director to represent the views of employees to the Board, and when appropriate this will include decisions on remuneration across the business. This is facilitated through the Employee Forum.
	We proactively consult our shareholders on any changes to the Remuneration Policy and seek their views.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Remuneration Policy includes a single annual bonus plan and a single long-term incentive plan (the Performance Share Plan) which are clearly communicated.
	The rationale for each element of the policy is clearly explained in the Remuneration Policy tables.
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 Committee has discretion to override formulaic out-turn of performance incentives and scale back if it considers it appropriate to do so.
	Awards made under long-term incentive plans are subject to malus and clawback provisions.
	Post-vesting holding periods and shareholding requirements align the interests of management and shareholders and promote a long-term approach to performance and risk management.
	Performance metrics are aligned with the Company's strategy, incentivising delivery of sustained performance over the long-term.
	Defined limits are set on the maximum awards which can be earned.
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 Remuneration Policy sets out potential levels of vesting available for varying degrees of performance.
	The Remuneration Report illustrates the total remuneration opportunity for Executive Directors under various performance scenarios.
	There is full and transparent retrospective disclosure of targets within the Remuneration Report and the degree to which long-term incentive awards were achieved.
Proportionality 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.	The use of long-term incentive plans and post-vesting holding periods ensure focus on sustained performance over the long-term.
	The Committee has discretion to override formulaic out-turn of performance incentives and scale back if it considers it appropriate to do so to ensure poor performance is not rewarded.
Alignment to culture Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	The Remuneration Policy places a focus on share ownership through shareholding requirements and incentive plans, incentivising delivery of sustained, long-term performance in the Company.

REMUNERATION COMMITTEE REPORT

SUMMARY OF REMUNERATION POLICY CONTINUED

The Remuneration Policy for Directors

Subject to shareholder approval at the May 2023 AGM, arrangements for Executive and Non-Executive Directors will be in line with the revised Remuneration Policy in 2023.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Salary **2023 Policy change** No change.	Salary is a fixed payment that reflects an individual's experience and role and may be increased to reflect capability and performance. To recruit and retain executives.	Salaries are paid monthly and are normally reviewed annually with changes effective from 1 January but by exception may be reviewed more frequently if the Committee determines this is appropriate. In reviewing salaries, the Committee considers: • remuneration practices within the Group; • market benchmarks based on companies of broadly comparable size and/or operating in similar sectors; • role, competence and performance; and • the general increase awarded to salaried employees. Higher increases may be awarded to new Executive Directors who were hired at below market rates but with the intention to move to a market competitive rate over time, subject to individual performance.	It is anticipated that salaries will generally be increased in line with increases awarded to salaried employees. However, in certain situations such as where there has been an increase in the scope, responsibility or complexity of the role or there has been a significant change in the size, value or complexity of the Group, increases may be higher to remain market competitive.	Individual and Group performance is taken into account when determining the annual increase. The rationale for any such increase will be disclosed in the Annual Report on Remuneration.
Benefits **2023 Policy change** No change.	The Company's aim is to offer competitive and cost-effective benefits valued by participants and to help recruit and retain executives.	A range of benefits are provided to Executive Directors that may include a company car (or car allowance), private medical and permanent health insurance, business travel insurance and life assurance/death in service cover. Relocation (or other related expenses) and tax equalisation arrangements may be offered as appropriate to ensure Directors are no worse or better off in a case of relocation. Any reasonable business-related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.	The cost of providing market competitive benefits may vary from year-to-year depending on the cost to the Company from third party providers. The Committee will continue to monitor the cost of benefits to ensure that the overall benefit costs do not increase by more than the Committee considers appropriate in the circumstances.	No performance metrics apply.

The Remuneration Policy for Directors continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Pension **2023 Policy change** No change.	To provide a market-competitive cost-effective contribution towards post-retirement benefits.	Executive Directors receive a contribution towards their retirement provision which may be paid as a contribution to a personal pension scheme or a cash allowance in lieu of pension or a mix of both.	The Company contribution to retirement allowances is up to 10% of salary, which is aligned to that offered to all employees.	No performance metrics apply.
Annual bonus **2023 Policy change** No change.	The Annual Bonus Plan is to incentivise Executive Directors to achieve annual financial and/or strategic targets. Bonus deferral provides a retention mechanism and provides further alignment with shareholders' interests.	Bonus payments are determined by the Committee after the year-end, based on performance against the targets set around the start of the year. The Committee aims to set out in the Annual Report on Remuneration the nature of the targets and their weighting for the forthcoming financial year and details of the performance conditions, the weightings and targets applied and the level of achievement against these targets for the financial year being reported on. The first 10% of salary is payable in cash. Up to half of any remainder of the bonus may then be deferred into shares as either conditional awards or nominal cost options under the Deferred Annual Bonus Plan (DABP). Such awards vest after a period of three years subject to continued employment. No further performance conditions apply. In line with good practice, recovery and withholding provisions apply (see note 1). An additional payment (in the form of cash or shares) may be made in respect of shares that vest to reflect the value of dividends that would have been paid on those shares during the vesting period.	The maximum opportunity under the annual bonus scheme is 100% of salary. Bonus starts to be earned at the threshold level (up to 25% of the maximum depending on the performance metric).	The bonus may be based on the achievement of an appropriate mix of challenging financial, operational or strategic measures. Typically, financial measures will account for the majority of the bonus opportunity and may include measures such as profit or cash flow. Other financial measures that support the key short-term priorities of the business may be used. The targets applying to financial metrics will take into account the internal plan and external expectations of the business at the time they are set. If operational, individual or strategic measures are included, where possible a performance range will be set although this will depend on the measure chosen. The measures, targets and weightings may be varied by the Committee year-on-year based on the Company's strategic priorities at the time (see note 2). The payment of any bonus is at the absolute discretion of the Committee which may scale-back the formulaic out-turn of the bonus if it considers it appropriate to do so.

REMUNERATION COMMITTEE REPORT

SUMMARY OF REMUNERATION POLICY CONTINUED

The Remuneration Policy for Directors continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Long-term incentives **2023 Policy change** No change.	The Performance Share Plan (PSP) incentivises Executive Directors and selected senior management to deliver sustained performance over the long-term. The Plan also acts as a method of retaining key management over the medium-term. Aligns the interests of the Executive Directors and shareholders and assists Executive Directors in building up a substantial shareholding.	Awards are granted annually in the form of nominal or nil cost options under the PSP and vest after no less than three years. Stretching performance conditions measured over a period of three years determine the extent to which awards vest. A holding period may apply to vested PSP awards under which Executive Directors will be required to retain the net of tax number of vested awards for at least two years from the date of vesting. In exceptional circumstances, the Committee may, at its discretion, allow participants to sell or dispose of some or all of these vested shares before the end of the holding period. Details of performance conditions for grants made in the year will be set out in the Annual Report on Remuneration. Award levels are reviewed annually (subject to the PSP individual limits) taking into account matters such as market practice, overall remuneration, the performance of the Company and the Executive Director being made the award. In line with good practice, recovery and withholding provisions may apply (see note 1). Dividends may accrue based on the value of dividends paid during the three-year vesting period and two-year holding period (if applicable).	The maximum annual award under the PSP that may be granted to an individual in any financial year is 200% of salary in normal circumstances (250% of salary in exceptional circumstances). The Committee expects to retain the current grant levels of 150% of salary for the CEO and 125% of salary for the CFO and these will be kept under review over the life of the policy. For each measure, up to 25% of the relevant part of the award would vest for achieving the threshold level of performance, normally increasing on a straight-line basis to 100% for achieving maximum performance.	Vesting is based on the achievement of one or more challenging performance targets set by the Remuneration Committee at the time of grant and measured over a three-year period. Measures may include EPS growth (or another financial metric) or TSR. TSR will apply for at least part of each award under the life of this policy. The Committee intend to add sustainability-driven targets of decarbonisation and plastic reduction to the 2023 awards. In determining the target range for any financial measures that may apply, the Committee ensures they are challenging by taking into account current and anticipated trading conditions, the long-term business plan and external expectations. The Committee retains the flexibility to vary the mix of metrics for each year's award in light of the business priorities at the time or to introduce new measures to support the long-term business strategy (see note 3).
All-employee share plans **2023 Policy change** No change.	To increase alignment between employees and shareholders in a tax efficient manner.	All-employee share schemes may be operated. Current schemes include: • Sharesave Plan (SAYE); • Share Incentive Plan (SIP); and • Other HMRC approved all-employee schemes may be introduced at the Committee's discretion.	Consistent with prevailing HMRC limits.	No performance metrics apply.

The Remuneration Policy for Directors continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Share ownership policy **2023 Policy change** The post-employment shareholding requirement is increased to 200% for two years with cliff vesting, to align with best practice.	To align interests of management and shareholders and promote a long-term approach to performance and risk management.	**In-post** Executive Directors are required to build up a shareholding in the Company equal to 200% of salary. Half of the net of tax number of vested PSP and DABP awards are expected to be retained until the guideline is met. The value of vested but unexercised awards subject to a two-year holding period will count towards the guideline on a net of tax basis. **Post-cessation** Leavers will be required to hold the lower of 200% of their in-post share ownership requirement or their actual holding on departure two years post-cessation. Shares acquired by or granted to an Executive Director prior to 1 January 2020 will not be counted towards the requirement. Shares purchased by an Executive Director, along with shares granted or acquired prior to appointment to the Board will also not be counted towards the requirement.	Not applicable.	No performance metrics apply.
Non-Executive Directors' fees **2023 Policy change** No change.	To attract and retain high-quality and experienced Non-Executive Directors.	The fees of the Non-Executive Directors are set by the Board and the Chairman's fee is set by the Committee (the Chairman does not take part in any discussion regarding his own fees). Fees are reviewed periodically. Non-Executive Directors receive a fee for carrying out their duties. Additional fees may be payable in relation to extra responsibilities undertaken such as chairing a Board Committee and/or a Senior Independent Director or other designated Non-Executive Director role. The Chairman and Non-Executive Directors are entitled to reimbursement of reasonable business-related expenses (including any tax thereon). They do not participate in any incentive arrangements and they do not receive a pension contribution. The level of fees reflects the time commitment and responsibility of their respective roles.	Details of current fees are set out in the Annual Report on Remuneration. As set out in the Company's Articles of Association, the total fees paid to Non-Executive Directors must not exceed £1m a year or any higher amount agreed by ordinary resolution at a general meeting.	No performance metrics apply.

Note 1: Recovery and withholding provisions. Recovery and withholding provisions apply to the Annual Bonus Plan, the DABP and the PSP. If, within three years of the payment of a bonus, grant of a deferred bonus award and/or vesting of a PSP award, it transpires that payment or vesting should not have occurred as a result of a material misstatement, error in calculation, gross misconduct has been discovered, corporate failure, material damage to the Company's reputation, failure of risk management, or any other circumstances that the Board considers to have a similar nature or effect the payment or vesting can be recovered or withheld, in part or in full, as appropriate.

Note 2: Annual bonus performance metrics. The annual bonus measures are reviewed annually and reflect key financial, strategic and operational priorities of the Group. Stretching financial targets are set by the Committee by taking account of the Company's business plan and external expectations. For 2023, it is intended that these will be based on profit and non-financial/strategic objectives reflecting the short-term priorities of the Group.

Note 3: PSP metrics. For 2023 awards the performance condition will be relative TSR and EPS with newly added sustainability-driven targets of decarbonisation and reduction in plastic packaging. The use of relative TSR provides a measure of the long-term success of the Company relative to appropriate peer or index comparators. EPS growth is a measure of the overall profitability of the business for investors over the longer-term and therefore helps align the interests of management with shareholders. The sustainability targets are aligned to the Group's previously stated sustainability targets and are also consistent with those recently incorporated into the Group's sustainability-linked credit facility.

REMUNERATION COMMITTEE REPORT

SUMMARY OF REMUNERATION POLICY CONTINUED

Recovery and withholding provisions

Recovery and withholding provisions apply to the Annual Bonus Plan, including the DABP, and the PSP. If, within three years of the payment of a bonus, grant of a deferred bonus award and/or vesting of a PSP award, it transpires that payment or vesting should not have occurred as a result of a material misstatement, error in calculation, gross misconduct has been discovered, corporate failure, material damage to the Company's reputation, failure of risk management, or any other circumstances that the Board considers to have a similar nature or effect the payment or vesting can be recovered or withheld, in part or in full, as appropriate.

Incentive plan discretions

The Committee will operate the Annual Bonus Plan, including the DABP, and the PSP according to their respective rules and summarised in the policy set out on previous pages. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include, but are not limited to, the following:

- who participates in the plan;
- the timing of grant and/or payment;
- the size of an award and/or payment;
- the choice of performance measures and targets for each incentive plan in accordance with the policy set out on previous pages and the rules of each plan;
- the ability to vary any performance conditions if circumstances occur which cause the Remuneration Committee to determine that the original conditions have ceased to be appropriate provided that any change is fair and reasonable and in the Committee's opinion, not materially less difficult to satisfy than the original condition;
- discretion to override formulaic outcomes and scale-back outcomes under the annual bonus and PSP;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction; and
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Remuneration policy for other employees

The Policy described above applies specifically to the Company's Executive and Non-Executive Directors and is designed with regard to the policy for employees across the Group as a whole. The Company aims to apply similar principles to the design of the remuneration arrangements for all employees. Executive Directors are entitled to receive a similar package of benefits and participate in the pension plan at the same level as other employees. However, differences do exist between the Company's policy for the remuneration of the Executive Directors and its approach to the payment of employees generally, reflecting market practice and different levels of seniority:

- there are differences in salary levels and in the levels of potential reward depending on seniority and responsibility, although a key reference point for executive salary increases is the average increase across the general workforce;
- a lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees;
- performance metrics attached to the annual bonus may differ to reflect the precise roles and responsibilities of the employee; and
- participation in the PSP is limited to the Executive Directors and certain selected senior employees.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of employee. They also reflect that, in the case of the Executive Directors and selected senior employees, a greater emphasis is placed on performance-related pay reflecting their influence over the Company's performance.

How the views of employees and shareholders are taken into account

In setting the remuneration for the Executive Directors, the Committee takes note of the overall approach to reward for employees in the Group, and salary increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. The Committee does not formally consult directly with employees on executive pay but does receive periodic updates on employee remuneration within the Group as necessary. In line with the UK Corporate Governance Code, Martin Sutherland remains the designated Non-Executive Director to represent the views of employees to the Board, and when appropriate this will include decisions on remuneration across the business. This is facilitated through the Employee Forum. During the year the management met with representatives from the Employee Forum on a quarterly basis. At each meeting a business performance update was provided, together with general topics impacting the Company including inflation, energy prices and the current cost of living challenges.

The Committee takes keen interest in shareholders' views on executive remuneration and welcomes any feedback on the approach taken. In connection with the review of the Remuneration Policy, the Committee carried out an engagement exercise with our top 20 shareholders, together representing approximately 75% of the shares in issue, who were generally supportive of the proposed approach. A specific theme of the feedback was for the quicker incorporation of sustainability-driven metrics into long-term incentive plans and this has been addressed with decarbonisation and plastic reduction to be incorporated into the PSP from 2023.

Service contracts and letters of appointment

Service contracts and letters of appointment are available for inspection at the Company's registered office.

Service contracts

The service contracts for the Executive Directors are terminable by either the Company or the Executive on 12 months' notice. The Company can terminate either Executive Director's service contract by payment of a cash sum in lieu of notice equivalent to the base salary and the cost that would have been incurred in providing the Executive Director with contractual benefits for any unexpired portion of the notice period (or alternatively the Company can choose to continue providing the contractual benefits). The payment in lieu may be paid as one lump sum or in monthly equal instalments over the notice period. If the Company chooses to pay in instalments the Executive Directors are obliged to seek alternative income over the relevant period and the payment of each monthly instalment will be reduced by the amount of such income earned. There are no enhanced provisions on a change of control.

At the discretion of the Committee, a contribution to reasonable outplacement costs in the event of termination of employment due to redundancy may also be made. The Committee also retains the ability to reimburse reasonable legal costs incurred in connection with a termination of employment and may make a payment for any statutory entitlements or to settle or compromise claims in connection with a termination of employment of any existing or future Executive Director as necessary. Relevant details will be provided in the Annual Report on Remuneration should such circumstances apply.

The table overleaf sets out, for variable pay elements, the Company's policy on payment for loss of office in respect of Executive Directors. In general, treatment will depend on the circumstances of departure and in particular whether a leaver is a 'good leaver'. Good leaver reasons include:

- death;
- injury;
- retirement;
- disability;
- redundancy;
- the employing company being sold outside the Group; or
- other circumstances at the discretion of the Committee.

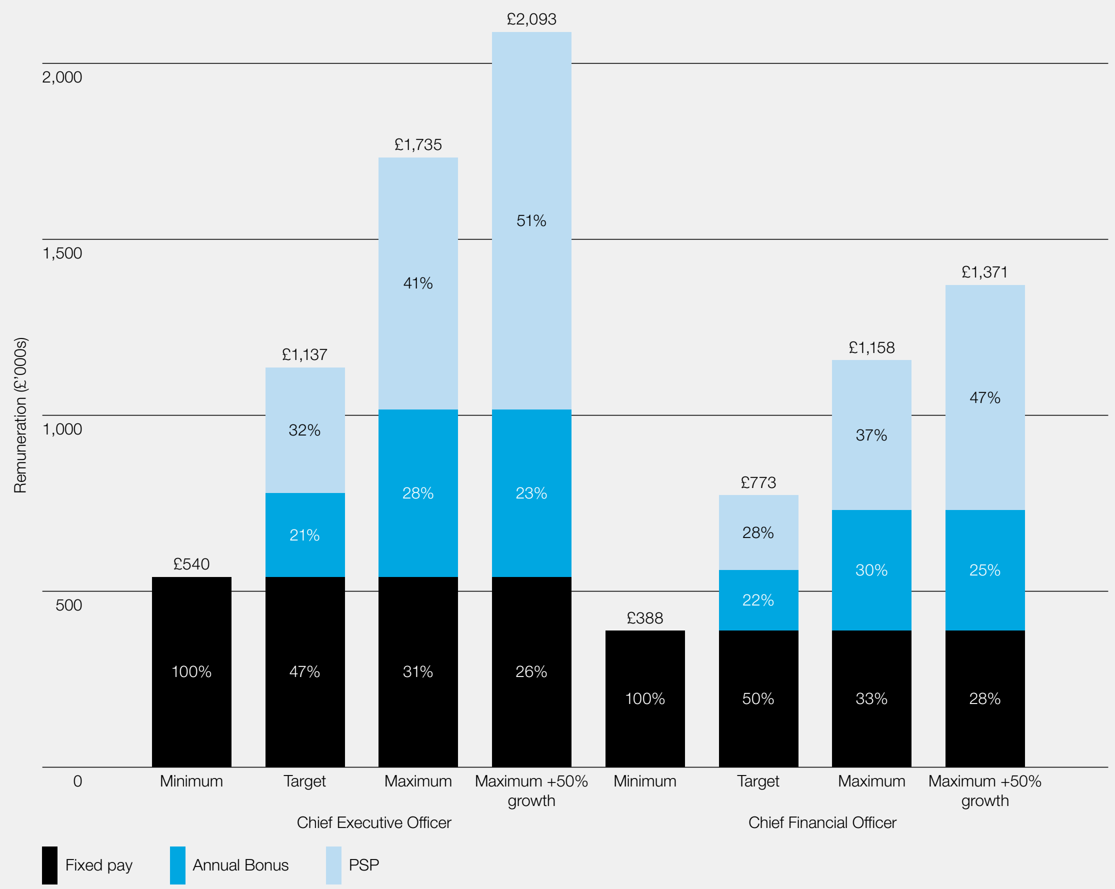
In any other circumstance, the leaver will be treated as a 'bad leaver'.

Board site visit to our new Desford brick factory.

REMUNERATION COMMITTEE REPORT
SUMMARY OF REMUNERATION POLICY CONTINUED

TOTAL REMUNERATION OPPORTUNITY

ILLUSTRATIONS OF APPLICATION OF THE REMUNERATION POLICY



Notes:
- Minimum is equivalent to fixed pay which comprises salary levels applying for 2023, the value of benefits in 2022 and a 10% retirement allowance.
- Target comprises fixed pay plus the value of the on-target bonus at 50% of the maximum bonus opportunity (100% of salary) plus the value of the on-target level of vesting under the PSP which is taken to be 50% of the expected 2023 grant level.
- Maximum comprises fixed pay plus maximum bonus plus the maximum value of the PSP (equal to 100% of the face value of the award at grant using the 2023 grant policy of 150% of salary for the CEO and 125% of salary for the CFO).
- Maximum + 50% share price growth comprising fixed pay plus maximum bonus plus the maximum value of the PSP at a 50% higher share price than when the PSP award was granted.

Policy on payment for loss of office
The following table summarises the key aspects of the Company's Remuneration Policy for Executive and Non-Executive Directors.

Element	Treatment
Annual Bonus Plan Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	No automatic or contractual right to bonus payment. *Good leavers:* a pro-rata bonus may become payable at the normal payment date for the period of employment and based on full-year performance. With rationale set out in the Annual Report on Remuneration. *Bad leavers:* no bonus is payable for the year of cessation. *Discretions:* to determine whether to pro-rate the bonus for time. It is the Committee's normal policy to pro-rate for time, however, there may be circumstances where this is not appropriate. Where this is the case it will be fully disclosed to shareholders.
Deferred Annual Bonus Plan	The use of post-vesting holding periods and long-term incentive plans ensure focus on sustained performance over the long-term. *Good leavers:* all deferred shares vest at the date of cessation. *Bad leavers:* awards lapse. *Discretions:* to vest deferred shares at the end of the original deferral period or to defer vesting in connection with a potential clawback event.
Performance Share Plan	*Good leavers:* awards vest at normal vesting date and pro-rated for time and tested for performance in respect of each subsisting PSP award. *Bad leavers:* awards lapse. *Discretions:* to vest and measure performance over the original performance period or vest and measure performance at the date of cessation or to defer vesting in connection with a potential clawback event. To determine whether to pro-rate the maximum number of shares for the time from the date of grant to the date of cessation (the Committee may need to round up to the nearest whole year). Normal policy is to pro-rate for time, however there may be circumstances where this is not appropriate. Where this is the case it will be fully disclosed to shareholders.
Shareholding requirements	All leavers will be required to hold the lower of 200% of their in-post share ownership requirement or their actual holding on departure for two years post-cessation. Shares acquired by or granted to an Executive Director prior to 1 January 2020 will not be counted towards the requirement. Shares purchased by an Executive Director along with any shares granted or acquired prior to appointment to the Board, will also not be counted towards the requirement.

Change of control
The Committee's policy on the vesting of incentives on a change of control is summarised below:

Element	Treatment
Annual Bonus Plan	Pro-rated for time and performance to the date of the change of control.
Deferred Annual Bonus Plan	Subsisting DABP awards will vest on a change of control.
Performance Share Plan	The number of shares subject to existing PSP awards will vest on a change of control pro-rated for time and performance to the date of the change of control. *Discretions:* to determine whether to pro-rate the maximum number of shares from the time from the date of grant to the date of the change of control (the Committee may round-up to the nearest whole year). Normal policy is to pro-rate for time, however there may be circumstances where this is not appropriate.

REMUNERATION COMMITTEE REPORT

SUMMARY OF REMUNERATION POLICY CONTINUED

Letters of appointment

The Chairman and Non-Executive Directors have letters of appointment and are subject to annual re-election at the AGM. The appointment letters for the Non-Executive Directors provide that no compensation is payable on termination. The appointments are terminable by the Company on not less than 30 days' notice or immediately in the event that the appointment is terminated by the shareholders (or where shareholder approval is required but not forthcoming).

Approach to recruitment and promotions

The recruitment package for a new Executive Director would be set in accordance with the terms of the Company's approved Remuneration Policy. Currently, this would facilitate a maximum annual bonus payment of no more than 100% of salary and PSP award of up to 200% of salary (other than in exceptional circumstances (including recruitment), where up to 250% of salary may be made).

On recruitment, salary may (but need not necessarily) be set below the normal market rate, with phased increases as the Executive Director gains experience. The rate of salary should be set so as to reflect the individual's experience and skills. The pension offered to new Executive Directors will be set in line with the current policy and in alignment with the majority of employees in the Group.

In addition, on recruitment the Company may compensate for amounts foregone from a previous employer (using the exemption to the requirement for prior shareholder approval under Listing Rule LR 9.4.2R if necessary) taking into account the quantum foregone and, as far as reasonably practicable, the extent to which performance conditions apply, the form of award and time to vesting date.

For an internal appointment, any variable pay element awarded in respect of their prior role should be allowed to pay-out according to its outstanding terms. Any other ongoing remuneration obligations existing prior to appointment may continue, provided that, if they are outside the approved policy, they are put to shareholders for approval at the earliest opportunity.

For all appointments, the Committee may agree that the Company will meet appropriate relocation costs.

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy in force at that time.

Policy on external appointments

Subject to Board approval, Executive Directors are permitted to take on a single paid non-executive position with an unconnected company and to retain their fees in respect of such position. Where appropriate, details of outside directorships held by the Executive Directors and any fees that they received are provided in the Annual Report on Remuneration. Stephen Harrison holds outside appointments in the capacity of representing the Group on trade associations and similar bodies and receives no remuneration in respect of these. In 2022 he was also appointed Independent Non-Executive Director of Epwin Group Plc.

Legacy arrangements

For the avoidance of doubt, any remuneration or loss of office payments that are not in line with this Policy may be made if the terms were agreed before the approval of this Policy, including those disclosed in the Prospectus. In addition, authority is given to the Company to honour any commitments entered into at a time when the relevant employee was not a Director of the Company.

REMUNERATION COMMITTEE REPORT

ANNUAL REPORT ON REMUNERATION

Single total figure of remuneration (audited)

Executive Directors

		Fixed			Variable				
Executive Directors	Period	Salary and fees	Taxable benefits[1]	Retirement allowance	Annual bonus[2]	Long-term incentives[3]	Total	Total fixed remuneration	Total variable remuneration
Stephen Harrison	**2022**	**£458,923**	**£14,654**	**£45,893**	**£410,736**	**–**	**£930,206**	**£519,470**	**£410,736**
	2021	£443,373	£15,555	£44,337	£435,809	–	£939,074	£503,265	£435,809
Ben Guyatt	**2022**	**£325,690**	**£12,079**	**£32,569**	**£297,192**	**–**	**£667,530**	**£370,338**	**£297,192**
	2021	£314,650	£11,957	£31,465	£307,505	–	£665,577	£358,072	£307,505

1. Taxable benefits in the year comprised a company car/allowance and private medical insurance.
2. Details of the bonus targets and their level of satisfaction and resulting bonus earned are set out below.
3. The long-term incentives reported against 2022 comprises the total amount vested under the TSR condition of the 2019 PSP grant which vested on 29 March 2022 (at £nil). The 2020 PSP is measured on TSR only and will vest on the 17 September 2023 and therefore the value of this award is not included in the table above.

Base salary (audited)

The base salaries of the Chief Executive Officer, Stephen Harrison; the Chief Financial Officer, Ben Guyatt; the Chairman's fee; and the Non-Executive Directors' base fee were increased by 3% in January 2022. No additional cost of living increases received by the wider workforce were awarded to either the Executive or the Non-Executive Directors.

Pension and benefits (audited)

The Group operates a defined contribution personal pension plan. Both Executive Directors receive a 10% retirement allowance which they may use to make contributions into the Group personal pension scheme should they wish. The Group does not operate a defined benefit pension scheme.

A range of benefits are provided to the Executive Directors including a company car (or car allowance), private medical, permanent health insurance and life assurance/death in service cover.

Annual bonus (audited)

The 2022 bonus awards payable to the Executive Directors were agreed by the Committee having considered the Company's results. Details of the targets used to determine bonus entitlements and to the extent that they have been satisfied are shown below. These figures are shown in the single figure table at the top of this page.

The Committee considered the formulaic outcomes based on achievement of the financial and strategic objectives and concluded that these were appropriate given holistic performance achieved and so did not apply any discretion to adjust these outcomes.

					Percentage of maximum value achieved		Bonus achieved	
	Weighting	Threshold performance required	Maximum performance required	Actual performance achieved	Stephen Harrison	Ben Guyatt	Stephen Harrison	Ben Guyatt
PBT (before exceptional items)	75%	£53.0m	£66.2m	£70.6m	100%	100%	£344,192	£244,267
Strategic objectives	25%				58%	65%	£66,544	£52,925
Total (% of maximum)	100%				89%	91%		
Total							**£410,736**	**£297,192**

REMUNERATION COMMITTEE REPORT

ANNUAL REPORT ON REMUNERATION CONTINUED

Strategic objectives

2022 strategic objectives	Objectives	Assessment of achievement	% Bonus payable
Stephen Harrison	Objectives linked to: Delivery of long-term strategy including completion of the new Desford brick factory to timetable and within budget (greatest weighting); progression of other major capital investment projects included within the £200m investment pipeline; improvements to strategic communications, enhancing awareness of Group strategy within the investor community; progress the Group's sustainability strategy through partnering with technology providers.	The new Desford brick factory has been commissioned in accordance with expectations and within the original £95m budget at a time of exceptional inflationary pressures. Our strategic and capital allocation priorities were clearly articulated through 2022 with positive shareholder feedback received. Progress was made in progressing as yet unannounced investment projects including the identification of potential raw material supplies. Demonstrable progress was made against the Group's sustainability strategy with partnerships formed covering both alternative fuels and carbon capture.	58%
Ben Guyatt	Objectives linked to: Delivery of long-term strategy including completion of the new Desford brick factory to timetable and within budget (greatest weighting); improvements to strategic communications, enhancing awareness of Group strategy within the investor community; progress the Group's sustainability strategy through delivery of an electricity Power Purchase Agreement (PPA), ensuring compliance with The Taskforce on Climate-Related Financial Disclosures (TCFD) and engagement with sustainability ratings agencies; progression towards delivery of a full internal financial control framework in preparation for potential regulatory changes arising out of the Government's 'Restoring Trust in Audit and Corporate Governance' consultation.	The new Desford brick factory has been commissioned in accordance with expectations and within the original £95m budget at a time of exceptional inflationary pressures. Our strategic and capital allocation priorities were clearly articulated through 2022 with positive shareholder feedback received. The PPA was signed in 2022 providing green energy with 15-year pricing certainty at extremely competitive rates relative to the current market with construction now underway and an option also exercised to receive power from this facility a year early in 2024. The Group has complied in full with the requirements of TCFD and has engaged with a number of sustainability ratings agencies. Demonstrable progress was delivered in preparing the Group's internal financial control framework documentation.	65%

A full breakdown of the bonus and payments and share award deferral is set out below:

	Bonus total	Paid in cash	Paid in shares
Stephen Harrison	**£410,736**	£228,314	£182,422
Ben Guyatt	**£297,192**	£164,880	£132,312

Long-term incentives (audited)

2019 Performance Share Plan

The 2019 PSP awards vested on 29 March 2022. The total shareholder return (TSR) element of this award is included in this year's single figure table, however this vested at nil. The earnings per share (EPS) condition for this award was measurable over a three-year performance period to 31 December 2021 and was previously reported in the 2021 Annual Report and Accounts.

	2019 PSP Performance condition	Weighting	% vesting (max. 100%)	Date of end of performance period	Date of vesting	Share price on vesting	Total shares vesting	Value of vesting shares
Stephen Harrison	EPS growth	50%	0.00%	31-Dec-21	29-Mar-22	£2.40	–	–
	Dividend equivalent on EPS						–	–
	TSR	50%	0.00%	29-Mar-22	29-Mar-22	£2.40	–	–
	Dividend equivalent on TSR						–	–
	Total		**0.00%**				**–**	**–**
Ben Guyatt	EPS growth	50%	0.00%	31-Dec-21	29-Mar-22	£2.40	–	–
	Dividend equivalent on EPS						–	–
	TSR	50%	0.00%	29-Mar-22	29-Mar-22	£2.40	–	–
	Dividend equivalent on TSR						–	–
	Total		**0.00%**				**–**	**–**

Performance condition	% of award subject to condition	Growth	% of PSP award which will vest
Annual growth in basic EPS before exceptional items over a pro forma 2018 EPS of 26.5p	50%	<5% per annum	0%
		5% per annum	25%
		11% per annum or above	100%
Company's total TSR against Index TSR	50%	<Index TSR	0%
		At Index TSR	25%
		Index TSR plus 25 percentage points	100%

Vesting is measured on a straight-line basis between the above performance points.

2020 Performance Share Plan

PSP awards granted in 2020 are subject to following the performance conditions:

Performance condition	% of award subject to condition	Growth	% of PSP award which will vest
Company's total TSR against Index TSR	100%	<Index TSR	0%
		At Index TSR	25%
		Index TSR plus 25 percentage points	100%

Vesting is measured on a straight-line basis between the above performance points.

The index comprises the following companies: Barratt Developments, Bellway, Berkeley Group Holdings, Countryside Properties, Crest Nicolson Holdings, Grafton Group, Grainger, Howdon Joinery Group, Ibstock, Kingspan Group, Marshalls, Michelmersh Brick Holdings, Persimmon, Polypipe Group, Redrow, SIG, St. Mowden Properties, Taylor Wimpey, Travis Perkins and Vistry Group.

The 2020 PSP awards have a vesting date of 17 September 2023. Performance against the conditions applicable to these awards will be assessed at this point and the full details will be disclosed in next year's Annual Report and Accounts.

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION CONTINUED

Performance Share Plan awards made during the year

On 17 March 2022 the following awards were granted to Executive Directors.

	Type of award	Basis of award granted[1]	Share price used to determine number of options granted	Number of shares over which award was granted	Face value of award	% of face value that would vest at threshold performance	Vesting determined by performance over
Stephen Harrison	Nominal (1p) cost option	150% of salary of 458,923	£2.31	298,002	£688,385	25%	Three years to 17 March 2025
Ben Guyatt	Nominal (1p) cost option	125% of salary of £325,690	£2.31	176,239	£407,112	25%	Three years to 17 March 2025

1. The number of options granted was calculated using the salary in place for each Executive Director at the date of grant on 17 March 2022.

Performance condition	% of award subject to condition	Growth	% of PSP award which will vest
Annual EPS growth (before exceptional items) reported for the year ended 31 December 2023 relative to 2021 base year	50%	<11% Equal to 11% 26% or above	0% 25% 100%
Company's total TSR against Index TSR – measured at 31 December 2023	50%	<Median Median Upper quartile or above	0% 25% 100%
Vesting is measured on a straight-line basis between the above performance points.			

1. The number of options was determined using a share price of £2.31 being an amount equal to the average mid-market closing price for the five days prior to grant.

The Index comprises the unweighted FTSE 250 participants (excluding investment trusts).

The EPS targets were set based on the Board's expectations for the future performance of the business and the wider economy in March 2022 and were considered stretching at the time.

Non-Executive Directors (audited)

The table below sets out the single total figure for remuneration and breakdown for each Non-Executive Director.

Roles	Roles	Period	Fees	Total
Justin Atkinson	Non-Executive Chairman	**2022**	**£153,780**	**£153,780**
		2021	£148,566	£148,566
Divya Seshamani	Independent Non-Executive Director	**2022**	**£63,240**	**£63,240**
		2021	£59,845	£59,845
Martin Sutherland	Independent Non-Executive Director	**2022**	**£56,240**	**£56,240**
		2021	£54,333	£54,333
Katherine Innes Ker	Senior Independent Non-Executive Director	**2022**	**£73,240**	**£73,240**
		2021	£71,446	£71,446
Vince Niblett	Independent Non-Executive Director	**2022**	**£63,240**	**£63,240**
		2021	£61,359	£61,359

FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
2022

GOVERNANCE

Directors' shareholding and share interests

Share ownership plays a key role in the alignment of our Executive Directors with the interests of shareholders. Our Executive Directors are expected to build up and maintain a 200% of salary shareholding in Forterra. Where an Executive Director does not meet this guideline, then they are required to retain at least 50% of the net of tax vested shares under the Company's share plans until the guideline is met. The number of shares held by the Directors as at 31 December 2022 are as follows.

	Shareholding requirement (% salary)	Current shareholding (% salary)[1]	Beneficially owned[2]	Deferred shares not subject to performance conditions[3]	Unvested PSP (nominal cost options subject to performance conditions)[4]	Unvested PSP (nominal cost options not subject to performance conditions)	Unvested DABP (nominal cost options not subject to performance conditions)[5]	Outstanding Sharesave awards[6]	Shareholding requirement met
Executive Directors									
Stephen Harrison	200%	164%	285,803	461	864,972	–	84,687	12,080	No
Ben Guyatt	200%	20%	35,217	461	511,542	–	59,715	12,080	No
Non-Executive Directors									
Justin Atkinson	n/a	–	35,256	–	–	–	–	–	n/a
Divya Seshamani	n/a	–	7,538	–	–	–	–	–	n/a
Martin Sutherland	n/a	–	10,064	–	–	–	–	–	n/a
Katherine Innes Ker	n/a	–	3,564	–	–	–	–	–	n/a
Vince Niblett	n/a	–	11,946	–	–	–	–	–	n/a

1. As at 31 December 2022. This is based on a closing share price of £1.866 and the year-end salaries of the Executive Directors. Values are not calculated for Non-Executive Directors as they are not subject to shareholding requirements.
2. Includes shares owned by connected persons.
3. This relates to shares awarded granted under the Forterra All-Employee Share Incentive Plan (SIP) and does not include dividend shares accrued on the free share awards. The balance includes the free share awards made in May 2016 of 277 shares, and the free share award from 2021 of 184 shares.
4. This relates to PSP awards granted in the form of nominal (1p) cost options and subject to performance criteria.
5. This relates to DABP awards relating to the partial deferral of the 2022 annual bonus granted in the form of nominal (1p) cost options which are not subject to performance criteria.
6. During 2020, grants were made under the 2020 Sharesave Scheme with an exercise price of £1.49, resulting in a 20% discount at grant date and an exercise date of 1 December 2023.

Summary of share option awards

	Type of award	Date granted	At 1 January 2022	Awarded during the year	Vested during the year	Lapsed/ cancelled during the year	At 31 December 2022
Stephen Harrison	PSP	Mar-22	–	298,002	–	–	**298,002**
	DABP	Mar-22	–	84,687	–	–	**84,687**
	PSP	Apr-21	222,112	–	–	–	**222,112**
	PSP	Sep-20	344,858	–	–	–	**344,858**
	PSP	Mar-19	223,824	–	–	(223,824)	**–**
	DABP	Mar-19	35,652	–	(35,652)	–	**–**
	SAYE	Oct-20	12,080	–	–	–	**12,080**
Total							**961,739**
Ben Guyatt	PSP	Mar-22	–	176,239	–	–	**176,239**
	DABP	Mar-22	–	59,715	–	–	**59,715**
	PSP	Apr-21	131,356	–	–	–	**131,356**
	PSP	Sep-20	203,947	–	–	–	**203,947**
	PSP	Mar-19	48,962	–	–	(48,962)	**–**
	SAYE	Oct-20	12,080	–	–	–	**12,080**
Total							**583,337**

REMUNERATION COMMITTEE REPORT

ANNUAL REPORT ON REMUNERATION CONTINUED

PSP awards granted in 2021 are subject to the following performance conditions:

Performance condition	% of award subject to condition	Target	% of PSP award which will vest
Absolute EPS (before exceptional items) reported for the year ended 31 December 2023	50%	<18.2p Equal to 18.2p 23.5p or above	0% 25% 100%
Company's total TSR against Index TSR – measured at 31 December 2023	50%	<Median Median Upper quartile or above	0% 25% 100%
Vesting is measured on a straight-line basis between the above performance points.			

The Index comprises the unweighted FTSE 250 participants (excluding investment trusts).

Payments to past Directors/payments for loss of office (audited)

There were no payments to past Directors or for loss of office during 2022.

Stephen Harrison as informed the Board of his intention to step down as Chief Executive Officer ahead of the 2023 AGM. Loss of office details can be found in the Remuneration Committee Chairman's letter on page 122.

Implementation of the Remuneration Policy for the year ending 31 December 2023

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 December 2023, subject to approval of the revised Policy at the 2023 AGM, is set out below.

Appointment of Neil Ash

As announced in November 2022, Neil Ash will be taking up the role of Chief Executive Officer on 3 April 2023.

The details of Neil Ash's remuneration on appointment can be found in the Remuneration Committee Chair's letter on page 122.

Base salary

The 2023 review of Executive Directors' and all employees' salaries took place in December 2022 and a 5.0% increase has been applied in line with the general increase awarded to all salaried staff. The increases took effect from 1 January 2023.

	2023	2022	% Increase
Stephen Harrison	**£481,869**	£458,923	5.0%
Neil Ash	**£477,750**	–	–
Ben Guyatt	**£341,975**	£325,690	5.0%

Pension and benefits

The Committee intends that the implementation of its policy in relation to pension and benefits will be in line with the proposed Remuneration Policy for the year ended 31 December 2023.

Annual bonus

The maximum annual bonus for the year ending 31 December 2023 will be 100% of salary for Executive Directors. Awards will be determined based on a combination of the Group's financial results, being profit before tax (75%) and strategic performance (25%).

The specific financial targets were confirmed in early 2023. These are considered commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Annual Report on Remuneration along with details as to their achievement to the extent that they do not remain commercially sensitive. The strategic objectives for 2023 are also considered commercially sensitive. Stretching targets aligned to the Group's strategy have been set.

In determining the level of any bonus award to be deferred into shares under the Deferred Annual Bonus Plan, the first 10% of salary of any bonus and 50% of any further bonus earned will be paid in cash with the balance deferred in shares for three years.

Performance Share Plan (PSP)

The Committee expects to grant 2023 awards under the PSP in April 2023. In response to shareholder feedback, for the first time these awards will include stretching targets aligned to the Group's previously announced sustainability targets of decarbonisation and a reduction in the use of plastic packaging. These are also aligned to the sustainability targets recently embedded into the Group's new sustainability-linked credit facility.

40% of the awards shall be subject to a stretching EPS performance condition which reflects the Board's aspirations for growth supported by the investments in the brick factories at Wilnecote and Desford but also recognising the short-term contraction in the Group's key markets as well as the increased rate of UK corporation tax which will have an adverse impact on EPS. Accordingly, the growth targets are lower than those set in the prior year but are still considered by the Board to be highly stretching. 40% of the awards will be subject to a TSR performance condition with the comparator group being the unweighted FTSE 250 participants (excluding investment trusts). The final 20% of the awards will be determined by sustainability-based targets of decarbonisation and a reduction in the use of plastic packaging aligned to the Group's stated sustainability targets (as laid out in the Sustainability Report on pages 48 and 49). The sustainability targets are intensity-based and reflect a reduction in the intensity (emissions and plastic usage per tonne of output) so as outcomes are not distorted by fluctuations in production driven by market demand.

The Committee therefore expects to grant 2023 PSP awards as follows:

	Type of award	Basis of award granted[1]	Vesting determined by performance over
Neil Ash	Nominal (1p) cost option	150% of salary of £477,750	Three years to December 2025
Ben Guyatt	Nominal (1p) cost option	125% of salary of £341,975	Three years to December 2025

Performance condition	% of award subject to condition	Growth	% of PSP award which will vest
Annual basic EPS growth (before exceptional items) over a 2022 EPS of 26.4p	40%	<4% Equal to 4% 11% or above	0% 25% 100%
Company's total TSR against TSR of index members – measured at 31 December 2025	40%	<Median Median Upper quartile or above	0% 25% 100%
Reduction in Group's clay product carbon emissions intensity versus 2019 baseline measured at 31 December 2025	10%	<10% 10% 18% or above	0% 25% 100%
Reduction in Group's plastic packaging intensity versus 2019 baseline measured at 31 December 2025	10%	<25% 25% 50% or above	0% 25% 100%
Vesting is measured on a straight-line basis between the above performance points.			

1. The number of options will be determined using a share price equal to mid-market closing price for the five days prior to grant.

Fees for Chairman and Non-Executive Directors

The Company's approach to Non-Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the chairmanship of Board Committees.

	2023	2022	% Increase
Non-Executive Chairman	**£161,469**	£153,780	5.0%
Non-Executive Director base fee	**£59,052**	£56,240	5.0%
Additional fees:			
Senior Independent Director	**£10,000**	£10,000	–
Audit Committee Chairman	**£7,000**	£7,000	–
Remuneration Committee Chairman	**£7,000**	£7,000	–
Risk and Sustainability Committee Chairman	**£7,000**	£7,000	–

REMUNERATION COMMITTEE REPORT

ANNUAL REPORT ON REMUNERATION CONTINUED

Chief Executive Officer's remuneration history

The table below sets out the total Chief Executive Officer's remuneration for 2022, together with the percentage of maximum annual bonus awarded in that year. A summary of remuneration paid will be provided and built up over time until 10 years of data is shown.

	2022	2021	2020	2019	2018	2017	2016
Single total figure	**£930,206**	£939,074	£748,689	£1,052,599	£893,054	£762,476	£985,806[4]
Annual bonus (% of maximum)	**89.5%**	97.8%	–	–	60.5%	72.0%	50.3%
PSP vesting (% of maximum)	**–**[5]	–	45.0%[3]	72.0%[2]	36.9%[1]	–	–

1. Relates to element of 2016 PSP award subject to an EPS growth performance measure with a measurement period ending 31 December 2018.
2. Relates to the element of 2017 PSP award subject to an EPS growth performance measure with a measurement period ending 31 December 2019 and the element of the 2016 PSP award subject to the TSR measure with the period ending 26 April 2019.
3. Relates to the average of 2018 PSP award subject to an EPS growth performance measure with a measurement period ending 31 December 2020 and the element of the 2017 PSP award subject to the TSR measure with the period ending 26 April 2019.
4. Includes one-off bonus agreed prior to IPO of £400,000.
5. 2019 PSP award subject to the TSR measure with the period ending 29 March 2022, vested at nil. The 2020 PSP is measured on TSR only and will vest on 17 September 2023 and therefore the value of this award is not included in the table above.

Change in Executive and Non-Executive Directors' remuneration compared with employees

The Committee ensures that the Executive Directors' remuneration outcomes remain appropriate and consistent with the wider workforce. The pay awards and bonus outcomes in the year are consistent with the wider workforce.

	Changes 2021 to 2022			Changes 2020 to 2021		
	Base salary change[4]	Benefits change	Annual bonus	Base salary change[2]	Benefits change	Annual bonus
Stephen Harrison (CEO)	3.5%	(5.8)%	(5.8)%	6.8%	(9.7)%	100.0%[1]
Ben Guyatt (CFO)	3.5%	1.0%	(3.4)%	6.8%	0.1%	100.0%[1]
Martin Sutherland (NED)	3.5%	–	–	6.8%	–	–
Katherine Innes Ker (NED)	3.5%	–	–	6.8%	–	–
Justin Atkinson (NED)	3.5%	–	–	6.8%	–	–
Vince Niblett (NED)	3.5%	–	–	6.8%	–	–
Divya Seshamani (NED)	3.5%	–	–	6.8%	–	–
Average for all other employees[3]	5.4%	23.5%	(11.4)%	1.5%	4.8%	215.9%

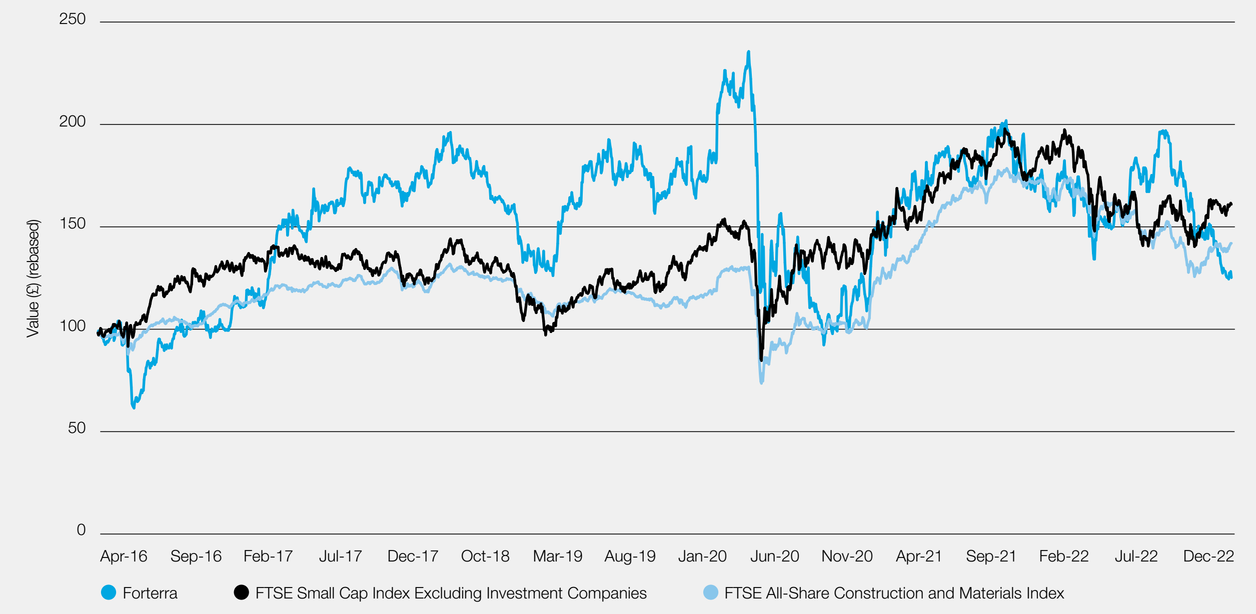
1. No bonus was payable to Ben Guyatt or Stephen Harrison in 2020. The bonus for 2021 is therefore presented as a 100% increase.
2. The percentage presented is calculated using base salary considering the three month voluntary deduction in salary of 20% taken by the Executive and Non-Executive Directors during 2020 due to the Covid-19 pandemic.
3. The average base salary increase for all other employees is based on the average increase awarded in 2020 and 2021 and does not include the impact of furlough.
4. The Executive and Non-Executive Directors received a 3.0% increase in 2022 but when full year earnings are compared to 2021 where an increase was awarded mid year, the year on year increase was 3.5%

Performance graph

The graph opposite illustrates the Company's total shareholder return (TSR) performance relative to the constituents of the FTSE Small Cap index excluding investment companies and against the FTSE All-Share Construction and Materials index both of which the Company is a constituent of, from the start of conditional share dealing on 20 April 2016. The graph shows performance of a hypothetical £100 invested and its performance over that period.

Total shareholder return

This graph shows the value, by 31 December 2022, of £100 invested in Forterra plc on 20 April 2016, compared with the value of £100 invested in the FTSE SmallCap (excluding Investment Trusts) and the FTSE All Share Construction and Materials on a daily basis. The other points plotted are the values at intervening financial year-ends.



Chief Executive Officer pay ratio

The CEO to average employee pay ratio in 2022 was 21.7 times. This is measured as the ratio of the CEO single total figure remuneration earned in the year to average (mean) employee remuneration. The Remuneration Committee is steadfastly committed to ensuring that the reward of the CEO and other senior executives is commensurate with performance. Accordingly, as laid out graphically in the Remuneration Policy, a significant element of the Chief Executive's total pay is variable and is determined based on the performance of the Company and is dependent on share price performance.

	2022	2021
Ratio of CEO single total figure remuneration to average employee remuneration	**22:1**	23:1

The Regulations require us to disclose the ratio of the Chief Executive's pay, using the amount set out in the single total figure table, to that of the median, 25th and 75th percentile total remuneration of full-time equivalent UK employees.

The table below shows the relevant data for Forterra's employees for 2022, calculated using Option B as set out in the legislation.

Year	Method of calculation adopted	25th percentile pay ratio (Chief Executive: UK employees)	Median pay ratio (Chief Executive: UK employees)	75th percentile pay ratio (Chief Executive: UK employees)
2022	**Option B**	**32:1**	**23:1**	**19:1**
2021	Option B	27:1	24:1	21:1
2020	Option B	19:1	19:1	18:1

Pay details for the individuals whose 2022 remuneration is at the median, 25th percentile and 75th percentile amongst UK-based employees are as follows:

	Chief Executive	25th percentile	Median	75th percentile
Salary	£458,923	£26,770	£37,587	£40,000
Total pay and benefits	£930,206	£29,447	£41,345	£48,253

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION CONTINUED

The median, 25th percentile and 75th percentile employees used to determine the above ratios were identified by using gender pay gap data and full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) of all UK-based employees of the Group as at April 2022 (i.e. Option B) under the Regulations. The Committee selected this calculation methodology as it was felt to produce the most consistent result.

Gender Pay Reporting

Forterra continues to be committed to ensuring its policies and practices adopt fair and equal principles when it comes to all aspects of diversity and inclusion. Our Gender Pay Reporting statistics (adhering to reporting guidelines) for the year ended April 2022 are as follows:

2022 Mandatory Metrics

Metric[1,2]	2022	2021	2020[3]
Mean gender pay gap (%)	**15.1%**	11.4%	7.8%
Median gender pay gap (%)	**25.1%**	21.6%	7.6%
Mean gender bonus gap (%)	**7.3%**	66.2%	46.7%
Median gender bonus gap (%)	**6.4%**	70.0%	59.2%

1. The mean and median gender pay gap has been calculated using April 2022 pay, allowances, bonuses, share exercises, recognition awards and other relevant metrics.
2. Executive and Non-Executive Directors are excluded from the gender pay gap report as they are employed by Forterra plc and not Forterra Building Products Ltd.
3. 2020 Gender Pay Gap report not representative due to employees being placed on furlough as a direct consequence of the global pandemic.

Whilst the mean hourly rate pay gap has increased by 3.7% in 2022 compared to 2021, consideration must be given to the majority of our female workforce being in non-operational roles. 97% of our female population work in office-based roles that do not attract shift allowance. As a consequence, year-on-year the mean and median gender pay gap will continue to widen. The situation is further compounded by shift allowances increasing at the same rate as base pay at annual pay reviews, for the majority of employees who are not on a fixed shift allowance rate.

The percentage of females receiving bonus has risen from 32.2% in 2021 to 83.1% in 2022. This can be attributed to production levels being high in 2021/2022 and employees receiving production bonuses in both operational and non-operational roles. Also, as stretch targets had been successfully achieved in the 2021 financial year, higher bonus payments were paid in March 2022.

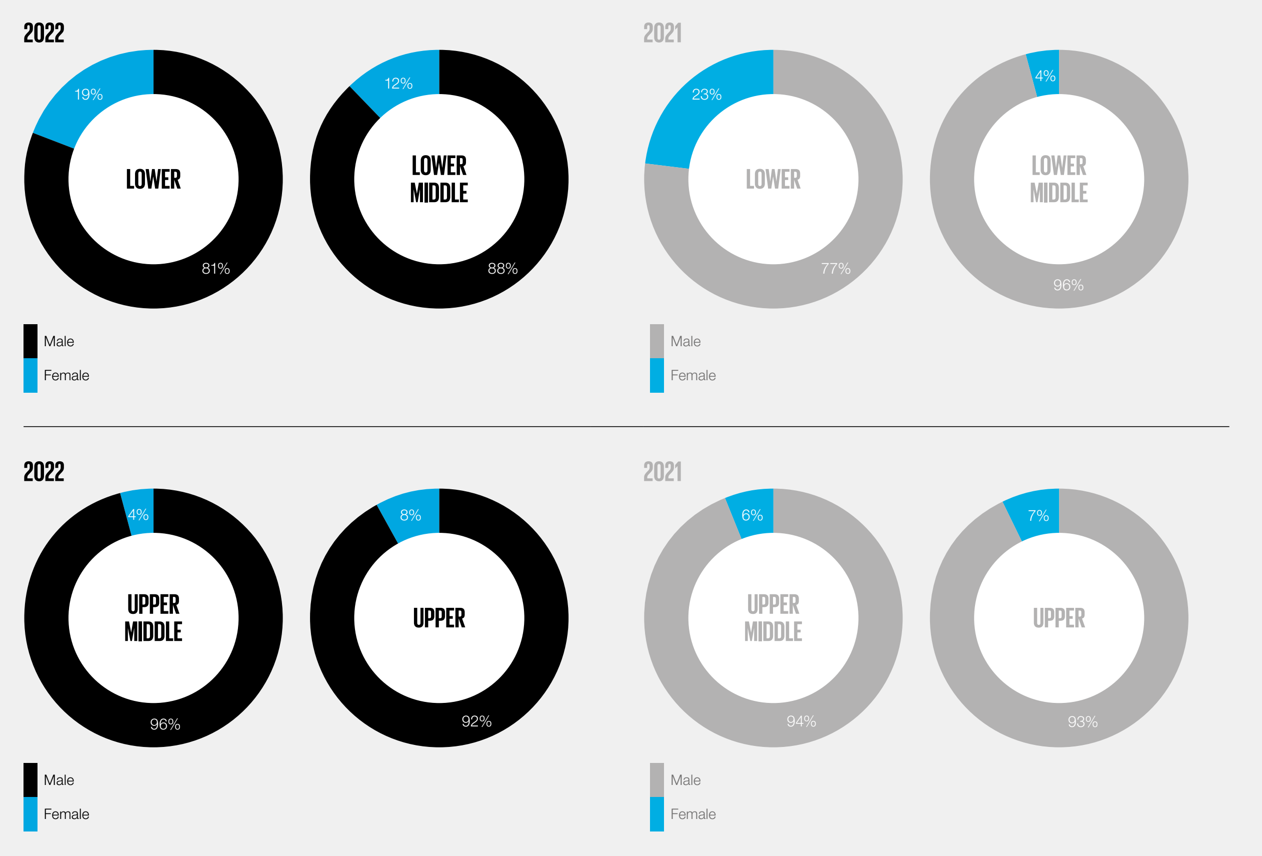
Metric[1]	2022	2021	2020
Male employees receiving bonus (%)	**66.2%**	48.6%	70.7%
Female employees receiving bonus (%)	**83.1%**	32.2%	81.8%

1. The mean and median gender pay gap has been calculated using April 2021 to March 2022 bonuses, share exercises, recognition awards and other relevant metrics.

When comparing April 2022 to April 2021 we have seen improvements with more females moving up to the upper and lower middle quartiles, with a reduction of females in the lower quartile.

We continue our commitment to increase gender diversity and, in particular, within operational roles. During 2022 we successfully recruited our second female factory manager, a female night shift production supervisor and a number of female shop floor operatives.

THE GENDER PAY SPLIT WITHIN EACH QUARTILE (%)



REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION CONTINUED

Relative importance of total spend on pay
The following table shows the Company's actual spend on pay for all employees compared to distributions to shareholders in 2022.

	Disbursements from profit	
	2022 £m	2021 £m
Total spend on pay, including Directors	**113.6**	96.8
Distributions to shareholders by way of dividend	**24.2**[2]	13.7[1]

1. Final 2020 dividend of £0.028 per share paid in July 2021 and interim dividend of £0.032 per share paid in October 2021.
2. Final 2021 dividend of £0.067 per share paid in July 2022 and interim dividend of £0.046 per share paid in October 2022.

Cascade of incentives

The remit of the Remuneration Committee includes not only the remuneration of the Executive Directors but also the members of the Executive Committee. In making remuneration decisions in respect of the Executive Directors and senior management the Committee also monitors and considers the remuneration of the wider workforce to ensure that pay is fair throughout the Group.

Level	Participation in PSP	Participation in bonus	Participation in SAYE
Executive Directors	✓	✓	✓
Executive Committee	✓	✓	✓
Senior Managers	✓	✓	✓
Managers		✓	✓
Employees		✓[1]	✓

1. All salaried staff participate in the Forterra staff bonus scheme. Arrangements for hourly paid staff vary by location with a number of facilities offering production-related bonuses as part of a total remuneration package. Other facilities may have a higher level of base pay and no bonus arrangements.

Advisers to the Remuneration Committee

The Remuneration Committee has access to independent advice where it considers it appropriate. During the year, the Committee sought advice from Willis Towers Watson. Willis Towers Watson also provides other remuneration and benefits services to the Group and the Committee is satisfied no conflict of interest exists in the provision of these services. The Committee is satisfied that the advice received by Willis Towers Watson in relation to executive remuneration matters during the year was objective and independent. Willis Towers Watson is a member of the Remuneration Consultants Group and abides by the Remuneration Consultants Group Code of Conduct, which requires its advice to be objective and impartial. The fees paid to Willis Towers Watson during the year totalled £84,584.

Statement of shareholder voting

A high level of shareholder support was received for our Remuneration Report at our 2022 AGM, as summarised below:

Level	Votes for	Votes against	Votes withheld
An advisory vote on the approval of the 2022 Annual Report on Remuneration	180,571,812 99.17%	1,510,048 0.83%	22,039

Approval

This Remuneration Committee Report, comprising the Annual Statement, Remuneration Policy Summary and Annual Report on Remuneration has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Katherine Innes Ker
Chair of the Remuneration Committee
9 March 2023

DIRECTORS' REPORT

The Directors present their report for the financial year ended 31 December 2022. The information required by the Listing Rules (DTR 4.1.8R) is contained in the Strategic Report and the Directors' Report. Forterra plc is incorporated in England and Wales with company number 09963666.

Non-financial information statement
The following information that would otherwise be presented in this Directors' Report is included in other appropriate sections of this Annual Report and Accounts. The table below additionally identifies the pages of this Annual Report where we discuss the information required to comply with the Non-Financial Reporting Regulations set out in sections 414CA and 414CB of the Companies Act 2006.

Subject matter	Section and page reference
Likely future developments in the business	Strategic Report, pages 26 to 33
Risk management	Strategic Report, pages 76 to 86
Financial instruments	Consolidated Financial Statements, pages 183 to 185
Employees	Strategic Report, pages 6, 42 and 49, 62 to 66 and Governance, pages 100 and 101
Environmental issues	Strategic Report, pages 42 to 75
Non-financial KPIs	Strategic Report, pages 34 and 35
Social matters	Strategic Report, pages 42 to 75
Human rights	Strategic Report, page 64
Anti-bribery and corruption	Strategic Report, page 61, and Governance, page 114
Research and development activities	Strategic Report, pages 32 and 33, 42 and 43, 58 to 61

The following disclosures required under LR 9.8.4R can be found elsewhere in the Annual Report as laid out below:

Subject matter	Section and page reference
Directors' long-term incentive schemes	Annual Report on Remuneration, pages 136 to 146

Dividends
An interim dividend was paid on 14 October 2022 to shareholders on the register at 22 September 2022. Subject to securing shareholder approval at the 2023 AGM, the Directors are proposing a final dividend for the financial year ended 31 December 2022 of 10.1p per Ordinary Share, this brings the total dividend for the year to 14.7p. If approved at the AGM, payment of the final dividend will be made to shareholders registered at the close of business on 16 June 2023 and will be paid on 7 July 2023.

Directors
The Directors of the Company who served during the year and to the date of this report are listed on page 88. Details of the Directors' interests in the share capital of the Company are set out on page 139 of the Annual Report on Remuneration.

Articles of Association
The Company's Articles of Association give powers to the Board to appoint Directors. Newly appointed Directors are required to retire and submit themselves for re-election by the shareholders at the first Annual General Meeting following their appointment. In practice however, all Directors are expected to retire and seek re-election on an annual basis.

The Board of Directors may exercise all of the powers of the Company subject to the provisions of relevant laws and the Company's Memorandum and Articles of Association. These include specific provisions and restrictions regarding the Company's ability to borrow money and to issue and repurchase shares.

FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
2022

GOVERNANCE

DIRECTORS' REPORT
CONTINUED

The Articles of Association may be amended in accordance with the provisions of the Companies Act 2006 by way of a special resolution of the Company's shareholders.

Share capital and control

Details of the Company's share capital are included within note 25 of the Consolidated Financial Statements on page 189.

As at 31 December 2022 there were 212,803,389 Ordinary Shares of 1p nominal value in issue. The Company has one class of shares, Ordinary Shares of 1p nominal value, which carry equal rights to dividends, voting and return of capital on winding up of the Company. There are no restrictions on the transfer of securities in the Company and there are no restrictions on any voting rights other than those prescribed by law, nor is the Company aware of any arrangement which may result in restrictions on the transfer of securities or voting rights nor any arrangement whereby a shareholder has waived or agreed to waive dividends.

The Company has established two separate employee benefit trusts for the purposes of satisfying awards under the Company's share-based incentive schemes. The Company has established a Trust in connection with the Group's Share Incentive Plan (SIP) which holds Ordinary Shares in trust for the benefit of employees of the Group. The Trustees of the SIP Trust may vote in respect of Forterra shares held in the Trust but only as instructed by participants in the SIP in accordance with the deed and rules governing the scheme. The Trustees will not otherwise vote in respect of the shares held in the SIP Trust. As at 31 December 2022 the Trust held a total of 450,684 shares in the Company, with a nominal value of 4,507p and at a weighted average purchase consideration of 165p per share.

The Company has also established The Employee Benefit Trust (EBT) to satisfy awards vesting under the Performance Share Plan (PSP), the Deferred Annual Bonus Plan (DABP) and the Sharesave Scheme. On 14 December 2022 the EBT announced a planned programme of share purchases, acquiring 150,000 Ordinary Shares of 1p per month. As at 31 December 2022 the EBT held a total of 5,853,928 shares in the Company, with a nominal value of 58,539p and at a weighted average purchase consideration of 259p per share.

Substantial shareholdings

At 31 December 2022 the Company, in accordance with the Disclosure Guidance and Transparency Rules, has been notified of the following interests of greater than 3% in its Ordinary Share capital. This information is correct at the date of notification and it should be noted that these holdings may have changed since they were notified to the Company.

	31 December 2022			9 March 2023	
	Nature of holding	Number of shares disclosed	% interest in voting rights	Number of shares disclosed	% interest in voting rights
Vulcan Value Partners	Indirect	**23,934,686**	**11.25**	23,934,686	11.25
Lansdowne Partners	Indirect	**22,802,737**	**10.72**	22,802,737	10.72
FitzWalter Capital Partners	Indirect	**11,189,441**	**5.26**	11,189,441	5.26
Mondrian Investment Partners	Indirect	**11,114,401**	**5.22**	11,114,401	5.22
MFS Investment Management	Indirect	**10,550,158**	**4.96**	10,550,158	4.96
Jupiter Asset Management	Indirect	**10,340,000**	**4.86**	10,340,000	4.86

Information provided to the Company in accordance with the Disclosure Guidance and Transparency Rules is publicly available via the Regulatory News Service and on the Company's website.

Significant agreements (change of control)

The Company's committed credit facilities as described in note 19 of the Consolidated Financial Statements on page 181 are subject to provisions that require the mandatory prepayment of the facilities on a change of control. For this purpose, a change of control is defined as any person or group of persons acting in concert gaining direct or indirect control of the Company. For the purposes of this definition, control of the Company means the holding beneficially (directly or indirectly) of the issued share capital of the Company having the right to cast more than 30% of the votes capable of being cast in general meetings of the Company.

There are no agreements between the Group and its Directors and employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) in the event of a takeover bid.

Political donations

The Group made no donations during the year to any political party or other political organisation.

Going concern

At the balance sheet date, the cash balance stood at £34.3m with an undrawn balance of £130m available against the Group's £170m Revolving Credit Facility (RCF) which now extends to January 2027. The Group meets its working capital requirements through these cash reserves and facilities and closely manages working capital to ensure sufficient daily liquidity and prepares financial forecasts under various scenarios to ensure sufficient liquidity over the medium-term.

The Group have modelled financial scenarios for the period to 31 March 2024, including both plausible downside and reverse stress test, reflecting both macro-economic and industry-specific projections. It has been determined that the circumstances necessary to create either a cash shortfall or a breach of the covenants under the Group's credit facility would need to be so severe, that in the opinion of the Board there is no reasonably plausible likelihood of these occurring.

Should a scenario occur which is even more severe than the Board presently considers as plausible there are further mitigations available to the Board including cost reduction, reducing or delaying capital expenditure and a reduction or curtailment in the quantum of dividend distributions.

Taking account of all reasonably plausible changes in trading performance, the current financial position of the Group, and the mitigations available the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period to 31 March 2024. The Group therefore adopts the going concern basis in preparing these Consolidated Financial Statements.

Statement of disclosure of information to the auditor

Each Director of the Company confirms that as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and that each of the Directors has taken all the steps they ought to have taken individually as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting (AGM)

The 2023 AGM will be held on 23 May 2023. Full details are contained in the Notice convening the AGM, which is being sent to shareholders with this Annual Report.

Approved by the Board and signed on its behalf by:

Ashley Thompson
Company Secretary
9 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 2006 to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the profit or loss of the Group for the financial year. Under that law, the Directors are required to prepare the Consolidated Financial Statements in accordance with the requirements of the Companies Act 2006 and UK-adopted international accounting standards and have elected to prepare the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and applicable law.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- in respect of the Consolidated Financial Statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- in respect of the Company Financial Statements, state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- 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 IFRS (and in respect of the Company Financial Statements, FRS 102) are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will 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 the Company, and which enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and as regards the Consolidated Financial Statements, Article 4 of the IAS Regulation. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are set out on pages 88 to 91 confirm that, to the best of their knowledge:

- the Consolidated Financial Statements of the Group, which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained within this document includes a fair review of the development and performance of the business and the position of the Group together with a description of principal risks and uncertainties that the Group faces.

Approved by the Board and signed on its behalf by:

Stephen Harrison
Chief Executive Officer
9 March 2023

Ben Guyatt
Chief Financial Officer

FINANCIAL STATEMENTS

In this section

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA PLC

Opinion

In our opinion:

- Forterra plc's Consolidated Financial Statements and Company Financial Statements (the 'Financial Statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Forterra plc (the Company) and its subsidiaries (the Group) for the year ended 31 December 2022 which comprise:

Group	Company
Consolidated Balance Sheet as at 31 December 2022	Balance sheet as at 31 December 2022
Consolidated Statement of Total Comprehensive Income for the year then ended	Statement of Changes in Equity for the year then ended
Consolidated Statement of Changes in Equity for the year then ended	Related notes 1 to 13 to the Company Financial Statements including a summary of significant accounting policies
Consolidated Statement of Cash Flows for the year then ended	
Related notes 1 to 28 to the Consolidated Financial Statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Consolidated Financial Statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Company 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 Company and we remain independent of the Group and the 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 Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained an understanding of management's going concern assessment process by performing our walkthrough of the Group's Financial Statement close process to assess as to whether it was appropriate.
- We performed a review of all borrowing and other financing facilities included in the cash forecasts and covenant calculations. This included obtaining evidence of the terms of the bank loan facilities and assessing their continued availability to the group through the going concern period and reviewed the forecast covenants compliance.
- We obtained management's going concern assessment, including the cash forecast and covenant calculations for the going concern period which covers a period up to 31 March 2024. The Group has modelled base case and severe but plausible scenarios in their cash forecasts and covenant calculations in order to incorporate unexpected changes to the performance and liquidity of the Group. These are explained on page 149 in the Directors' report and on page 165 in the summary of significant accounting policies notes.
- We tested the clerical accuracy of the model used to prepare the Group's going concern assessment.
- Using our understanding of the business, we evaluated and challenged the appropriateness of the forecasting method by considering past historical accuracy of management's forecasting and comparison of actual results from management accounts in the subsequent period with the forecasts.
- We have tested the main assumptions that included trading volumes and underlying EBITDA in each modelled scenario by comparing them with the Group's historical performance, economic and industry forecasts including the potential impact of climate change on the Group's business.
- We obtained management's reverse stress test to assess the reduction in EBITDA required to eliminate liquidity headroom or breach bank loan facility covenants and whether the reduction in EBITDA required has no more than a remote possibility of occurring. We also considered the mitigating factors included in the reverse stress test that are within control of the Group. This included review of the Group's non-operating cash outflows and evaluating the Group's ability to control these outflows as mitigating actions if required.
- We also reviewed the Group's and Company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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 Company's ability to continue as a going concern for a period up to 31 March 2024.

In relation to the Group and 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 statement in the Consolidated 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA PLC
CONTINUED

Overview of our audit approach

Audit scope	• The Group comprises of three components which represent the principal business units. We performed a full scope audit of the complete financial information for the main trading component and full scope audit procedures for the Company. For the other remaining component, we have performed review procedures. • The components where we performed full audit procedures accounted for 100% of profit before taxation and exceptional items, 100% of revenue and 100% of total assets.
Key audit matters	• Revenue recognition.
Materiality	• Overall Group materiality of £3.5m which represents 5% of profit before tax and exceptional items.

An overview of the scope of the 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 Consolidated Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts in the Financial Statements, we selected three components (2021: three components) which represent the principal business units within the Group.

Of the three components selected, we performed an audit of the complete financial information ('full scope components') for two of them (2021: two components). For the other component we have performed review procedures over the specific accounts within that component.

The reporting components where we performed audit procedures accounted for 100% (2021: 100%) of the Group's profit before tax and exceptional items, 100% (2021: 100%) of the Group's revenue and 100% (2021: 100%) of the Group's total assets.

The remaining component did not contribute to the Group's profit before tax and exceptional items, revenue or total assets. For this component, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Consolidated Financial Statements.

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 the Group. The Group has determined that the most significant future impacts from climate change on its operations will be from transitional risks associated with adapting the business to a lower carbon economy, along with both the longer-term acute risks associated with increasing severe weather events and the physical risks of long-term climate change. These are explained on pages 71 to 75 in the required Task Force for Climate related Financial Disclosures and on pages 76 to 86 in the principal risks and uncertainties. The Group have also explained their climate commitments on pages 48 and 49. 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 in its basis of preparation note their articulation of how climate change has been reflected in the Financial Statements, including how this aligns with their commitment to achieve net zero emissions by 2050. As explained in the basis of preparation note, there are no significant judgements and estimates relating to climate change.

Our audit effort in considering the impact of climate change on the Financial Statements was focused on the adequacy of the Group's disclosures, supported by our climate change internal specialists, and the conclusion that there is no material impact from climate change on the carrying values of assets with indefinite or long lives, or on the Consolidated Financial Statements for the Group. We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the Financial Statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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
Revenue recognition (Revenue net of rebates £455.5m, 2021: £370.4m) Refer to the Audit Committee Report (page 111); Accounting policies (page 166); and note 2 of the Consolidated Financial Statements (page 165). We believe that there may be an incentive for management to manipulate revenue. There is a risk that management may override controls to overstate revenue by recording fictitious revenue transactions through inappropriate manual journals posted to revenue.	We have understood the accounting for revenue recognition which included identifying key controls over the process and reviewing the revenue recognition policy. We also assessed that the policy for all revenue streams is in compliance with IFRS 15, the revenue accounting standard. We performed data analytic techniques over the full amount of revenue recognised in the year and tested the correlation of revenue to receivables and cash. We traced a sample of transactions through to cash receipts to verify the occurrence of revenue. Where the process did not follow our expectations, we investigated and tested a sample of transactions to ensure their validity by agreeing back to source documentation. We have tested a sample of journal entries posted to revenue throughout the year that were not in accordance with our expectations. We identified such journal entries by applying a number of parameters. This included analysing and selecting journals for testing due to size, preparer or being manually posted. We verified the journals to originating documentation to confirm that the entries were valid. We performed full scope audit procedures over this risk area, which covered 100% of the risk amount.	Based on our procedures we did not identify any evidence of material misstatement in the revenue recognised.

In the prior year, our auditor's report included a key audit matter in relation to impairment of tangible and intangible assets. In the current year, this has been excluded from key audit matters as our prior year experience reflects that the cash generating units (CGUs) had been profitable and there was sufficient head room for CGUs which were further assessed for impairment. Given the continued profitability and short payback period of the CGUs in this year, we did not consider impairment of tangible and intangible assets as a significant risk and have not included in our key audit matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA 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 £3.5m (2021: £2.5m), which is 5% (2021: 5%) of profit before tax and exceptional items. We believe that profit before tax and exceptional items provides us with the most relevant performance measure to the main users of the Consolidated Financial Statements and therefore have determined materiality on that number.

We determined materiality for the Company to be £1.6 million (2021: £1.5 million), which is 0.5% (2021: 0.5%) of total assets.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £2.6m (2021: £1.9m). We have set performance materiality at this percentage due to our understanding of the Group and Company and our past experience with the audit, which indicates a lower risk 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 £1.1m to £2.6m (2021: £1.1m to £1.9m).

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 £0.17m (2021: £0.13m), 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 199, including the Strategic Report set out on pages 1 to 86, Governance, set out on pages 87 to 150 and additional information set out on page 200, 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
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the 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.

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA PLC
CONTINUED

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 149;
- 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 86;
- 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 149;
- Directors' statement on fair, balanced and understandable set out on page 113;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 117;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 112 and 113; and
- The section describing the work of the Audit Committee set out on page 109.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 150, 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 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 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.

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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 directly relevant to the specific assertions in the Financial Statements are those that relate to the reporting frameworks (IFRS, FRS 102, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect in the determination of the amounts and disclosures in the Financial Statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to occupational health and safety, environmental laws and data protection.
- We understood how Forterra plc is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and any correspondence received from regulatory bodies where appropriate.
- We assessed the susceptibility of the Consolidated Financial Statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and the risk of management override of controls to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter, and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures, as mentioned in the key audit matters section for revenue recognition included testing journal entries and were designed to provide reasonable assurance that the Financial Statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations to the extent that this could result in a material misstatement to the financial statements. Our procedures involved understanding the process and controls to identify non-compliance, identifying journals indicating large or unusual transactions, enquiries of legal counsel, Group management, internal audit, divisional management and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at *https://www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee we were re-appointed by the Company at the AGM on 24 May 2022. The engagement letter was signed on 8 March 2021 to audit the Financial Statements for the year ending 31 December 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering the years ending 31 December 2016 to 31 December 2022.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Anup Sodhi
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor Luton
9 March 2023

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £m	2021 £m
Revenue	4	**455.5**	370.4
Cost of sales		**(292.9)**	(240.7)
Gross profit		**162.6**	129.7
Distribution costs		**(57.7)**	(51.2)
Administrative expenses		**(33.6)**	(27.4)
Other operating income	6	**3.7**	9.0
Operating profit	5	**75.0**	60.1
EBITDA before exceptional items		**89.2**	70.4
Exceptional items	8	**2.3**	6.1
EBITDA		**91.5**	76.5
Depreciation and amortisation	13, 14, 23	**(16.5)**	(16.4)
Operating profit		**75.0**	60.1
Finance expense	9	**(2.1)**	(3.3)
Profit before tax		**72.9**	56.8
Income tax expense	10	**(14.1)**	(11.3)
Profit for the year attributable to equity shareholders		**58.8**	45.5
Other comprehensive income/(loss)			
Effective portion of changes in cash flow hedges		**0.8**	(0.2)
Total comprehensive income for the year attributable to equity shareholders		**59.6**	45.3
Earnings per share		**Pence**	Pence
Basic earnings per share	12	**27.2**	19.9
Diluted earnings per share	12	**26.8**	19.7

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Intangible assets	13	**23.6**	17.7
Property, plant and equipment	14	**233.7**	201.4
Right-of-use assets	23	**18.1**	16.5
		275.4	235.6
Current assets			
Inventories	15	**43.0**	32.8
Trade and other receivables	16	**44.3**	39.1
Income tax asset		**–**	1.0
Cash and cash equivalents	17	**34.3**	41.5
Derivative asset	21	**0.6**	–
		122.2	114.4
Total assets		**397.6**	350.0
Current liabilities			
Trade and other payables	18	**(89.6)**	(75.6)
Loans and borrowings	19	**(0.2)**	(0.6)
Lease liabilities	23	**(4.7)**	(4.5)
Provisions for other liabilities and charges	22	**(14.3)**	(9.9)
Derivative liability	21	**–**	(0.2)
		(108.8)	(90.8)
Non-current liabilities			
Loans and borrowings	19	**(40.0)**	–
Lease liabilities	23	**(13.3)**	(12.0)
Provisions for other liabilities and charges	22	**(10.0)**	(9.7)
Deferred tax liabilities	24	**(5.0)**	(2.7)
		(68.3)	(24.4)
Total liabilities		**(177.1)**	(115.2)
Net assets		**220.5**	234.8
Capital and reserves attributable to equity shareholders			
Ordinary shares	25	**2.1**	2.3
Retained earnings		**233.4**	213.4
Cash flow hedge reserve		**0.6**	(0.2)
Other reserve	25	**–**	23.9
Reserve for own shares	25	**(15.8)**	(4.6)
Capital redemption reserve		**0.2**	–
Total equity		**220.5**	234.8

The notes on pages 165 to 192 are an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors on 9 March 2023 and signed on their behalf by:

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 £m**	2021 £m
Cash flows from operating activities			
Profit before tax		**72.9**	56.8
– Finance expense	9	**2.1**	3.3
– Exceptional items	8	**(2.3)**	(6.1)
Operating profit before exceptional items		**72.7**	54.0
Adjustments for:			
– Depreciation and amortisation	13, 14, 23	**16.5**	16.4
– Profit on disposal of property, plant, equipment and leases		**(0.4)**	(1.5)
– Movement on provisions		**4.1**	6.4
– Purchase of carbon credits		**(10.3)**	(6.4)
– Settlement of carbon credits		**4.7**	–
– Share-based payments	26	**3.4**	2.5
– Other non-cash items		**(0.8)**	–
Changes in working capital:			
– Inventories		**(10.2)**	0.2
– Trade and other receivables		**(5.2)**	(3.4)
– Trade and other payables		**14.5**	13.0
Cash generated from operations before exceptional items		**89.0**	81.2

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 £m**	2021 £m
Cash generated from operations before exceptional items		**89.0**	81.2
Cash flows relating to operating exceptional items		**–**	(0.6)
Cash generated from operations		**89.0**	80.6
Interest paid		**(2.4)**	(2.8)
Tax paid		**(11.0)**	(9.6)
Net cash inflow from operating activities		**75.6**	68.2
Cash flows from investing activities			
Purchase of property, plant and equipment		**(42.1)**	(33.0)
Purchase of intangible assets		**(2.0)**	(1.6)
Proceeds from sale of property, plant and equipment		**0.4**	0.2
Exceptional proceeds from sale of property, plant and equipment		**2.5**	14.7
Exceptional costs incurred in the sale of property, plant and equipment		**–**	(0.3)
Net cash used in investing activities		**(41.2)**	(20.0)
Cash flows from financing activities			
Repayment of lease liabilities	23	**(5.3)**	(5.3)
Dividends paid	11	**(24.2)**	(13.7)
Drawdown of borrowings		**40.0**	5.0
Repayment of borrowings		**–**	(20.0)
Purchase of shares by Employee Benefit Trust		**(12.2)**	(5.0)
Proceeds from sales of shares by Employee Benefit Trust		**0.4**	1.2
Payments made to acquire own shares		**(40.3)**	–
Financing fees		–	(0.4)
Net cash used in financing activities		**(41.6)**	(38.2)
Net cash (decrease)/increase in cash and cash equivalents		**(7.2)**	10.0
Cash and cash equivalents at the beginning of the period		**41.5**	31.5
Cash and cash equivalents at the end of the period	17	**34.3**	41.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Ordinary shares £m	Capital redemption reserve £m	Reserve for own shares £m	Cash flow hedge reserve £m	Other reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 January 2021		2.3	–	(2.0)	–	41.5	162.3	204.1
Profit for the year		–	–	–	–	–	45.5	45.5
Other comprehensive loss		–	–	–	(0.2)	–	–	(0.2)
Total comprehensive (loss)/ income for the year		–	–	–	(0.2)	–	45.5	45.3
Dividends paid	11	–	–	–	–	–	(13.7)	(13.7)
Movement in other reserves	23	–	–	–	–	(17.6)	17.6	–
Purchase of shares by Employee Benefit Trust		–	–	(5.0)	–	–	–	(5.0)
Proceeds from sale of shares by Employee Benefit Trust		–	–	1.2	–	–	–	1.2
Share-based payments charge		–	–	–	–	–	2.5	2.5
Share-based payments exercised		–	–	1.2	–	–	(1.2)	–
Tax on share-based payments	24	–	–	–	–	–	0.4	0.4
Balance as at 31 December 2021		2.3	–	(4.6)	(0.2)	23.9	213.4	234.8
Profit for the year		**–**	**–**	**–**	**–**	**–**	**58.8**	**58.8**
Other comprehensive income		**–**	**–**	**–**	**0.8**	**–**	**–**	**0.8**
Total comprehensive income for the year		**–**	**–**	**–**	**0.8**	**–**	**58.8**	**59.6**
Dividends paid	11	**–**	**–**	**–**	**–**	**–**	**(24.2)**	**(24.2)**
Movement in other reserves	23	**–**	**–**	**–**	**–**	**(23.9)**	**23.9**	**–**
Purchase of shares by Employee Benefit Trust		**–**	**–**	**(12.2)**	**–**	**–**	**–**	**(12.2)**
Proceeds from sale of shares by Employee Benefit Trust		**–**	**–**	**0.4**	**–**	**–**	**–**	**0.4**
Payments made to acquire own shares		**(0.2)**	**0.2**	**–**	**–**	**–**	**(40.3)**	**(40.3)**
Share-based payments charge		**–**	**–**	**–**	**–**	**–**	**3.4**	**3.4**
Share-based payments exercised		**–**	**–**	**0.6**	**–**	**–**	**(0.6)**	**–**
Tax on share-based payments	24	**–**	**–**	**–**	**–**	**–**	**(1.0)**	**(1.0)**
Balance as at 31 December 2022		**2.1**	**0.2**	**(15.8)**	**0.6**	**–**	**233.4**	**220.5**

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Forterra plc (Forterra or the Company) and its subsidiaries (together referred to as the Group) are domiciled in the United Kingdom. The address of the registered office of the Company and its subsidiaries is 5 Grange Park Court, Roman Way, Northampton, NN4 5EA. The Company is the parent of Forterra Holdings Limited and Forterra Building Products Limited, which together comprise the Group. The principal activity of the Group is the manufacture and sale of bricks, dense and lightweight blocks, precast concrete, concrete block paving and other complementary building products.

Forterra plc was incorporated on 21 January 2016 for the purpose of listing the Group on the London Stock Exchange. Forterra plc acquired the shares of Forterra Building Products Limited on 20 April 2016, which to that date held the Group's trade and assets, before admission to the main market of the London Stock Exchange.

The Consolidated Financial Statements of the Group for the year ended 31 December 2022 were approved for issue by the Board of Directors on 9 March 2023.

2. Summary of significant accounting policies

(A) Basis of preparation

The accounting policies used in the preparation of the Consolidated Financial Statements of the Group are set out below. These accounting policies have been used consistently in all material respects across the periods presented. The Consolidated Financial Statements have been prepared in accordance with UK-adopted international accounting standards. The Consolidated Financial Statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand unless otherwise indicated.

In preparing the Consolidated Financial Statements management has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosure.

The Group has engaged in a detailed review of expected climate change impacts on the business and its assets and liabilities to establish any adjustments required and what reporting is necessary in its Consolidated Financial Statements for the year ended 31 December 2022. The explanation below of how this has been included in the Consolidated Financial Statements should be read in conjunction with the climate-related risk and governance section on pages 68 to 75 of the Sustainability Report within this Annual Report and Accounts. This process has been completed to ensure material accuracy of the financial reporting and that disclosure of relevant information complies with the requirements of IAS 1. The process has involved a review of reporting segments and each element of the Group's commitment to reach net zero by 2050, to identify if any of these items is expected to be materially impacted in a negative or positive way by weather, legislative, societal or revenue/cost changes.

The conclusion of the review was that, while there will undoubtedly be impacts on the Group, the 100% UK focused nature of the operations of the business significantly reduces the risk profile of the Group to impacts from weather-related changes. The changes necessary to achieve net zero will not have a materially adverse impact on the cash flows of the Group and indeed, warmer climates may present some opportunities as disclosed on pages 69 to 75 of the Sustainability Report within this Annual Report and Accounts. Societal and legislative impacts are not considered to have a material impact on any one segment such that we need to break out reporting in a different way to previous years. Judgements are not considered to be significant, although clearly understanding of climate change is developing with time. Management review has concluded that there is no material impact for inclusion within modelling scenarios for viability purposes and given the profitability and short payback period of the cash generating units (CGUs), no issues were identified that would impact the carrying values of such tangible and intangible assets. Given the cash generation and facilities available, no significant issues were identified that would impact viability over the forecast period and as such therefore that no further disclosure is required.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in note 3.

(B) Going concern

The Group sets out on pages 36 to 41 of its Strategic Report the financial position, performance, cash flows and borrowing facilities of the Group, and on page 86 its viability statement. In addition, note 21 to the Consolidated Financial Statements includes the Group's objectives, policies and procedures for financial risk management, including details of exposure and response to foreign exchange, interest rate, credit and liquidity risks.

At the balance sheet date, the cash balance stood at £34.3m with an undrawn balance of £130m available against the Group's £170m Revolving Credit Facility (RCF) which now extends to January 2027. The Group meets its working capital requirements through these cash reserves and facilities and closely manages working capital to ensure sufficient daily liquidity and prepares financial forecasts under various scenarios to ensure sufficient liquidity over the medium-term.

The Group have modelled financial scenarios for the period to 31 March 2024, including both plausible downside and

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Summary of significant accounting policies continued

reverse stress test, reflecting both macroeconomic and industry-specific projections. It has been determined that the circumstances necessary to create either a cash shortfall or a breach of the covenants under the Group's credit facility would need to be so severe, that in the opinion of the Board there is no reasonably plausible likelihood of these occurring.

Should a scenario occur which is even more severe than the Board presently considers as plausible there are further mitigations available to the Board including cost reduction, reducing or delaying capital expenditure and curtailment in the quantum of dividend distributions.

Taking account of all reasonably plausible changes in trading performance, the current financial position of the Group, and the mitigations available the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period to 31 March 2024. The Group therefore adopts the going concern basis in preparing these Consolidated Financial Statements.

(C) New standards, amendments and interpretations

The accounting policies adopted in the preparation of these Consolidated Financial Statements are consistent with those followed in the preparation of the Consolidated Financial Statements for the year ended 31 December 2021, except for the adoption of new standards effective as at 1 January 2022.

The following amendments apply for the first time in 2022, none of which had a material impact on the Consolidated Financial Statements:

- Amendments to IFRS 3, Business combinations; IAS 16 Property, plant and equipment; IAS 37 Provisions, contingent liabilities and contingent assets.

At the date of approval of these Consolidated Financial Statements there were a number of standards, amendments and interpretations that have been published and are effective for accounting periods beginning on or after 1 January 2023. These have not been applied in these Consolidated Financial Statements and are not expected to have a material impact when adopted. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(D) Basis of consolidation

The Group controls an entity when it is exposed to, or has rights to, variable returns and has the ability to affect those returns through its power over the entity. A subsidiary is an entity over which the Group has control. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-Group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

(E) Foreign currency translation

The presentational currency of the Group is pounds sterling; the currency of the primary economic environment in which the Group operates.

Foreign currency transactions are translated into the presentational currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, or from the translation of monetary assets and liabilities denominated in foreign currencies at period end, are recognised in the Group's Consolidated Statement of Total Comprehensive Income.

(F) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts for goods supplied, net of rebates, discounts, returns and value added taxes. The Group recognises revenue when performance obligations are met, as follows:

- Bricks and Blocks – on delivery of goods.
- Bespoke Products – on delivery of goods, or, for supply and fit contracts, on delivery and installation. Delivery and installation are construed as two separate performance obligations however the pattern of installation is in a manner that the obligation is satisfied at the same time as the delivery of products, thus there is no time lag between the two performance obligations and hence revenue is recognised on installation.
- Bill and hold arrangements, for both reporting segments – when the customer obtains control of the goods, which arises when facts and circumstances indicate that control has passed and when all of the following criteria are met: (i) the reason for the arrangement is substantive; (ii) the product has been identified separately as belonging to the customer; (iii) the product is ready for delivery in accordance with the terms of the arrangement; and (iv) the Group does not have the ability to use the product or sell the product to another customer.

The Group provides volume-based rebates to certain customers, typically on an annual basis. Revenue is recognised net of rebates paid or accrued. In total £21.9m (2021: £19.9m) has been deducted from revenue in relation to rebates in the year.

(G) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the Executive Committee which has been identified as the chief operating decision maker.

2. Summary of significant accounting policies continued

(H) Exceptional items

The Group presents as exceptional items on the face of the Consolidated Statement of Total Comprehensive Income, those material items of income and expense, which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the period.

(I) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset, costs attributable to bringing the asset to working condition for intended use, the initial estimate of any decommissioning obligation and associated changes to those estimates. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate assets. Subsequent costs are included in the asset's carrying value where they meet the recognition criteria.

Assets are derecognised on disposal. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of an asset and are recognised in the Consolidated Statement of Total Comprehensive Income. Where estimated future economic benefit falls below the carrying value of an asset or group of assets, the asset is impaired.

Land and assets under construction are not depreciated. For the other categories of property, plant and equipment, depreciation is charged to cost of sales, distribution and administrative expenses within the Consolidated Statement of Total Comprehensive Income on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of assets are as follows:

- Buildings: up to 50 years
- Plant and machinery: 2 to 40 years

Asset residual values are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount of an asset is written down if it is in excess of recoverable amount.

Repairs and maintenance expenses do not meet the recognition criteria and are recognised as an expense in the Consolidated Statement of Total Comprehensive Income.

(J) Intangible assets

(I) Goodwill

Goodwill arises on the acquisition of businesses, trade and assets where consideration paid exceeds the fair value at the acquisition date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs) that benefit from the synergies of the combination. Each unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of fair value less costs to sell and value in use. Any impairment is recognised immediately as an expense in the Consolidated Statement of Total Comprehensive Income and is not subsequently reversed.

(II) Brand

Intangible assets are not amortised if they have an indefinite useful life but are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

(III) Carbon credits

Purchased carbon credits are recorded at cost within intangible assets. The asset is surrendered at the end of the compliance period reflecting the consumption of the economic benefit and is recorded as being utilised. As a result, no amortisation is booked but an impairment charge may be recognised. Further details of the Group's policy in accounting for carbon credits are disclosed under section (U) of this note.

(IV) Other intangible assets

Other intangibles consists of clay rights, merchant relationships, software development costs. These are attributable to both reportable segments. All other intangible assets have finite lives and are carried at cost less accumulated amortisation. Amortisation for all intangible assets, including those internally generated, is charged to administrative expenses within the Consolidated Statement of Total Comprehensive Income on a straight-line basis over the estimated useful lives of the assets.

- Software: up to 7 years
- Clay rights: up to 12 years
- Merchant relationships: up to 8 years

(V) Impairment of tangible and intangible assets

The Group continues to evaluate tangible and intangible assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Judgements have remained consistent with prior periods.

The recoverable amount is defined as the higher of fair value less costs to sell and value in use, which in turn is the present value of the future cash flows expected to be derived from the asset.

Management sensitise value in use models to assess the level of sensitivity to each assumption. Within each model, accounting for reasonably possible changes in assumptions such as a 1% increase in discount rate, decrease in long-term growth rates, or a 10% fall in annual EBITDA does not eliminate headroom.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Summary of significant accounting policies continued

(J) Intangible assets continued

(VI) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility to complete the development so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- that the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to reliably measure development expenditure.

(K) Leases

The Group leases various premises, land, fleet vehicles, cars and plant and equipment. With the exception of land and property leases, contracts are typically made for fixed periods of 2 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Lease assets are recognised as a right-of-use asset, with a corresponding liability also recognised at the date at which the leased asset is available for use by the Group.

(I) Lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities for the Group include the net present value of fixed lease payments due over the lease term. The Group remeasures lease liabilities if there is a change in the cash flows resulting in a change in index or rate used to determine lease payments.

Lease payments are discounted using the interest rate implicit in the lease if readily available. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments made in relation to lease interest charges are presented within interest paid within cash flows from operating activities in the Consolidated Statement of Cash Flows. Principal lease repayments made are recognised within cash flows from financing activities.

(II) Right-of-use assets

Right-of-use assets for the Group are measured at cost. This is determined as the initial measurement of the lease liability and the balance of any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset. The useful life of right of use assets are as follows:

- Land and buildings: 8 to 14 years
- Plant, fleet and motor vehicles: 2 to 7 years

(III) 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 (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 to be low-value. Low-value assets comprise tools, IT equipment and small items of office equipment. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Total Comprehensive Income and presented within cash flows from operating activities within the Consolidated Statement of Cash Flows.

(L) Financial instruments

The Group determines the classification of financial assets and financial liabilities at initial recognition.

Allowances for expected credit losses are made based on the risk of non-payment taking into account ageing, previous experience, economic conditions and forward-looking data. Such allowances are measured as lifetime expected credit losses.

The principal financial assets and liabilities of the Group are as follows:

(I) Trade and other receivables (excluding prepayments)

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. All trade receivables are expected to be settled in one year or less.

Trade receivables are reported net of an allowance for expected credit losses. Losses are calculated by reviewing lifetime expected credit losses using historic and forward-looking data on credit risk. Expected loss allowances are recorded in a separate provision account with the loss being recognised within administrative expenses in the Consolidated Statement of Total Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(II) Trade and other payables (excluding statutory non-financial liabilities)

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method.

(III) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits.

(IV) Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses arising on the repurchase, settlement or otherwise

2. Summary of significant accounting policies continued

(L) Financial instruments continued

cancellation of liabilities are recognised respectively in finance income and finance expense.

(V) Derivative financial instruments

The Group uses derivative financial instruments, in particular forward foreign exchange contracts and options, to manage the financial risks arising from the business activities and the financing of those activities. The Group does not use derivative financial instruments for speculative purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(VI) Cash flow hedges

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Consolidated Statement of Total Comprehensive Income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The ineffective portion relating to the forward currency contracts is recognised as other expense. The amounts accumulated in Other Comprehensive Income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. For any other cash flow hedges, the amount accumulated in Other Comprehensive Income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

(M) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any costs expected to be incurred in production and sale. The Group applies an inventory provision for damaged, obsolete, excess and slow-moving inventory.

Raw materials are measured at the weighted average cost. This method perpetually applies a cost weighting to obtain an average cost of purchased inventory and inventory on hand in proportion to quantity.

Finished goods are measured at standard cost. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

(N) Provisions

Provisions are recognised in the Consolidated Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle that obligation and the amount can be reliably measured. If the effect is material the provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The change in provisions due to passage of time is recognised as a net finance expense.

Provisions for rebates are included in accrued liabilities and other payables.

Provisions are not made for future operating losses.

Provisions for product liability, legal claims and carbon emissions obligations are all made based on the best estimate of the likely committed cash outflow, using relevant information available at the reporting date. Management engages third- party valuation experts, as appropriate, when material and complex estimates are required.

(O) Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(P) Net finance expense

Finance expense

Finance expense comprises interest payable on borrowings from external and related parties, direct issue costs, interest paid on lease liabilities and unwinding of discount on long-term provisions. Finance expense is recognised in the Consolidated Statement of Total Comprehensive Income as it accrues using the effective interest method.

Finance income

Finance income comprises interest receivable on funds invested.

(Q) Current and deferred income tax

Income tax for the periods presented comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Total Comprehensive Income, unless it relates to items recognised directly in equity.

The current income tax charge is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Summary of significant accounting policies continued

(R) Employee benefits

The Group operates a defined contribution pension plan under which the Group pays fixed contributions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense.

(S) Share-based payments

The Group operates a number of equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of shares or options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of shares or options granted. At each balance sheet date the Group revises its estimates of the number of shares or options that are expected to vest and recognises the impact of the revision on original estimates, if any, in the Consolidated Statement of Total Comprehensive Income, with a corresponding adjustment to equity.

(T) Own shares held by employee benefit trust

The Group has established two separate employee benefit trusts for the purposes of satisfying awards under the Group's share-based incentive schemes. Shares in the Group acquired by the Trusts are deducted from equity until shares are cancelled, reissued or disposed.

(U) Accounting for carbon credits

The Group's factories operate under the UK (Emission Trading Scheme) carbon pricing system. Purchased carbon credits are recorded at cost within intangible assets. A liability is recognised based on the level of emissions recorded in the relevant compliance period. Up to the level of allowances held, the liability is measured at the cost of purchase. Where the liability to surrender carbon credits exceeds the carbon allowances held, the provision is recognised for the shortfall measured at the prevailing market price and remeasured at the reporting date. Subsequent movements in the provision are recognised in the Statement of Total Comprehensive Income.

Due to the nature of carbon credits purchases being to satisfy obligations incurred through the Group's operations, the purchased balance is included in cash flows from operating activities within the Consolidated Statement of Cash Flows.

3. Significant accounting estimates and judgements

The preparation of the Consolidated Financial Statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

(A) Accounting estimates

(I) Provisions

Provisions for restoration and decommissioning obligations are made based on the best estimate of the likely committed cash outflow. Management seeks specialist input from third-party experts to estimate the cost to perform necessary remediation work at the reporting date. These experts undertake site visits in years where scoping identifies there is a change in operations in the year which could suggest a change in these estimates, or at sites that have not been visited recently. Desktop reviews are undertaken to inform the estimates for other sites. If the cost estimates increased by 10% the value of provisions would change by c.£1.2m (2021: c.£1.1m). The useful lives of quarrying sites are based on the estimated mineral reserve remaining and manufacturing facilities linked to the useful life of site property, plant and equipment. Changes to these useful lives do not have a significant impact on the provision.

The estimation of inflation and discount rates is also considered to be judgemental and can have a significant impact on net present value. Management reference information from the Bank of England when making such estimates. If the inflation or discount rate were changed and the spread between them increased by 1% the value of provisions would increase and decrease respectively by c.£2.5m (2021: c.£2.6m).

(B) Accounting judgements

(I) Inventory valuation and provisioning

Inventory carrying value is stated after recognising inventory provisions. The accounting for potential inventory obsolescence is assessed using past sales data, with manual adjustments for new products to calculate the capping provision. This requires a degree of commercial judgement when determining saleability and price of certain finished goods.

(II) Exceptional items

Exceptional items are disclosed separately in the Consolidated Financial Statements where management believes it is necessary to show an alternative measure of performance in presenting the financial results of the Group. Management assesses the nature, size and incidence of items when judging what should be disclosed separately. In the current year, management considers the sale of disused land to meet this criterion, and in 2021, the closure and subsequent sale of the Swadlincote facility. Exceptional items are further detailed in note 8.

4. Segmental reporting

Management has determined the operating segments based on the management reports reviewed by the Executive Committee that are used to assess both performance and strategic decisions. Management has identified that the Executive Committee is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating segments'.

The Executive Committee considers the business to be split into three operating segments: Bricks, Blocks and Bespoke Products.

The principal activity of the operating segments are:

- Bricks: Manufacture and sale of bricks to the construction sector;
- Blocks: Manufacture and sale of concrete blocks and permeable block paving to the construction sector; and
- Bespoke Products: Manufacture and sale of bespoke products to the construction sector.

The Executive Committee considers that for reporting purposes, the operating segments above can be aggregated into two reporting segments: Bricks and Blocks and Bespoke Products. The aggregation of Bricks and Blocks is due to these operating segments having similar long-term average margins, production processes, suppliers, customers and distribution methods.

The Bespoke Products range includes precast concrete (marketed under the 'Bison Precast' brand), chimney and roofing solutions, each of which are typically made-to-measure or customised to meet the customer's specific needs. The precast concrete flooring products are complemented by the Group's full design and nationwide installation services, while certain other bespoke products, such as chimney flues, are complemented by the Group's bespoke specification and design service.

Costs which are incurred on behalf of both segments are held at the centre and these, together with general administrative expenses, are allocated to the segments for reporting purposes using a split of 80% Bricks and Blocks and 20% Bespoke Products. Management considers that this is an appropriate basis for the allocation.

The revenue recognised in the Consolidated Statement of Total Comprehensive Income is all attributable to the principal activity of the manufacture and sale of bricks, both dense and lightweight blocks, precast concrete, concrete paving and other complementary building products.

Substantially all revenue recognised in the Consolidated Statement of Total Comprehensive Income arose within the UK.

Segmental revenue and results

		2022			2021		
	Note	**Bricks and Blocks £m**	**Bespoke Products £m**	**Total £m**	Bricks and Blocks £m	Bespoke Products £m	Total £m
Segmental revenue		**370.2**	**90.1**	**460.3**	298.1	76.1	374.2
Intersegment eliminations				**(4.8)**			(3.8)
Revenue				**455.5**			370.4
EBITDA before exceptional items		**85.5**	**3.7**	**89.2**	70.5	(0.1)	70.4
Depreciation and amortisation	13, 14, 23	**(15.0)**	**(1.5)**	**(16.5)**	(14.7)	(1.7)	(16.4)
Operating profit/(loss) before exceptional items		**70.5**	**2.2**	**72.7**	55.8	(1.8)	54.0
Exceptional items	8	**2.3**	**–**	**2.3**	–	6.1	6.1
Operating profit		**72.8**	**2.2**	**75.0**	55.8	4.3	60.1
Finance expense	9			**(2.1)**			(3.3)
Profit before tax				**72.9**			56.8

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Segmental reporting continued

Segmental assets

		2022			2021		
	Note	**Bricks and Blocks £m**	**Bespoke Products £m**	**Total £m**	Bricks and Blocks £m	Bespoke Products £m	Total £m
Property, plant and equipment	14	**222.6**	**11.1**	**233.7**	190.5	10.9	201.4
Intangible assets	13	**21.7**	**1.9**	**23.6**	16.6	1.1	17.7
Right-of-use assets	23	**17.6**	**0.5**	**18.1**	15.5	1.0	16.5
Inventories	15	**36.8**	**6.2**	**43.0**	28.6	4.2	32.8
Segment assets		**298.7**	**19.7**	**318.4**	251.2	17.2	268.4
Unallocated assets				**79.2**			81.6
Total assets				**397.6**			350.0

Property, plant and equipment, intangible assets, right-of-use assets and inventories are allocated to segments and considered when appraising segment performance. Trade and other receivables, income tax assets, cash and cash equivalents and derivative assets are centrally controlled and unallocated.

Other segment information

		2022			2021		
	Note	**Bricks and Blocks £m**	**Bespoke Products £m**	**Total £m**	Bricks and Blocks £m	Bespoke Products £m	Total £m
Property, plant and equipment additions	14	**40.2**	**1.2**	**41.4**	31.2	0.7	31.9
Intangible asset additions	13	**11.4**	**1.1**	**12.5**	7.6	0.4	8.0
Right-of-use asset additions	23	**6.6**	**0.2**	**6.8**	12.1	0.3	12.4

Customers representing 10% or greater of revenues

	2022			2021		
	Bricks and Blocks £m	**Bespoke Products £m**	**Total £m**	Bricks and Blocks £m	Bespoke Products £m	Total £m
Customer A	**49.6**	**1.9**	**51.5**	41.7	1.3	43.0
Customer B	**43.7**	**1.1**	**44.8**	35.9	2.0	37.9

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5. Operating profit

Profit from operations is stated after charging

	Note	**2022 £m**	2021 £m
Depreciation and amortisation	13, 14, 23	**16.5**	16.4
Lease expense	23	**3.6**	3.3
Share-based payments	26	**3.4**	2.5

Depreciation and amortisation in the current year includes depreciation on right-of-use assets recognised under IFRS 16. Lease expenses relate to short-term leases and leases of low-value assets outside of the scope of IFRS 16, as detailed within note 23.

Auditor's remuneration

	2022 £m	2021 £m
Audit and non-audit services:		
Fees payable for the audit of the Company and Consolidated Financial Statements	**0.1**	0.1
Fees payable for the audit of the subsidiary Financial Statements	**0.3**	0.3
	0.4	0.4

Non-audit services in the year totalled £0.1m.

6. Other operating income

	Note	**2022 £m**	2021 £m
Profit on sale of property, plant and equipment		**0.4**	1.5
Exceptional profit on sale of Swadlincote factory	8	**–**	6.7
Exceptional profit on sale of disused land	8	**2.3**	–
Other income		**1.0**	0.8
		3.7	9.0

The other income balance contains amounts relating to rental income and revenue from waste contracts.

7. Employee costs

Employment costs for the Group during the year

	Note	**2022 £m**	2021 £m
Wages and salaries		**94.3**	80.9
Pension costs		**6.9**	5.8
Social security costs		**9.0**	7.6
Share-based payments	26	**3.4**	2.5
		113.6	96.8

The total share-based payment cost in the year includes national insurance contributions of £0.4m (2021: £0.1m).

Average number of employees

	2022 £m	2021 £m
Administration	**202**	192
Production and distribution	**1,667**	1,600
	1,869	1,792

Pension costs

Throughout the period under review the Group provided pension benefits to employees through defined contribution schemes and by way of a retirement allowance to some members of senior management.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. Exceptional items

	2022 £m	2021 £m
Closure and sale of Swadlincote factory	–	6.1
Sale of disused land	2.3	–
	2.3	6.1

2022 exceptional items

In March 2022 the Group completed the sale of an area of disused land for total proceeds of £2.5m. Taking into account asset net book values and the associated costs of sale, the profit on disposal totalled £2.3m.

2021 exceptional items

In 2021 the Group announced the closure of the bespoke precast concrete factory at Swadlincote. This followed the decision made by management to mothball the hollowcore facility co-located at the site in 2020, the impairment charge for which was recognised as an exceptional item in 2020. Following the announcement of closure, the site was subsequently sold in 2021. In line with the treatment of the closure of the hollowcore production facility in 2020, the second stage of this site closure and subsequent sale was disclosed as an exceptional item in 2021. The total recognised gain of £6.1m was broken down into a profit on sale of the land and buildings and plant and machinery at the site of £6.7m, combined with associated redundancy costs of £0.6m. Within the profit on sale, the Group received gross sales proceeds of £14.7m relating to the sale of the facility and associated equipment.

Presentation of exceptional Items

The £2.3m profit on disposal of disused land in 2022, and the £6.7m profit on sale of land and buildings at the Swadlincote site in 2021 are presented within other operating income in the Statement of Total Comprehensive Income for each year. Redundancy costs of £0.6m incurred in 2021 in relation to the Swadlincote factory closure are presented in cost of sales within the Statement of Total Comprehensive Income.

2022 tax on exceptional items

The sale of the disused land and the Swadlincote factory both gave rise to a chargeable gain subject to corporation tax and the redundancy costs incurred in relation to the closure and sale of Swadlincote were tax deductible.

9. Finance expense

	Note	2022 £m	2021 £m
Interest payable on loans and borrowings		1.6	2.6
Interest payable on lease liabilities	23	0.4	0.3
Other finance expense		0.1	0.4
		2.1	3.3

10. Taxation

	Note	2022 £m	2021 £m
Current tax			
UK corporation tax on profit for the year		(12.3)	(9.1)
Prior year adjustment on UK corporation tax		(0.5)	–
Total current tax		(12.8)	(9.1)
Origination and reversal of temporary differences	24	(1.3)	(1.4)
Effect of change in tax rates	24	(0.3)	(0.8)
Effect of prior period adjustments	24	0.3	–
Total deferred tax		(1.3)	(2.2)
Income tax expense		(14.1)	(11.3)

	2022 £m	2021 £m
Current tax		
Profit before taxation	72.9	56.8
Expected tax charge	(13.9)	(10.8)
Expenses not deductible for tax purposes	0.3	0.3
Effect of prior period adjustments	(0.2)	–
Effect of change in deferred tax rate	(0.3)	(0.8)
Income tax expense	(14.1)	(11.3)

The expected tax charge is calculated using the statutory tax rate of 19% (2021: 19%) for current tax. Deferred tax is calculated at the rate at which the provision is expected to reverse.

In the March 2021 Budget, the Chancellor of the Exchequer confirmed an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023. The Finance Bill 2021 had its third reading on 24 May 2021 and is now enacted. There has been no change in the Finance Bill 2022.

11. Dividends

	2022 £m	2021 £m
Amounts recognised as distributions to equity holders in the year		
Interim dividend of 4.6p per share (2021: 3.2p)	9.6	6.3
Final dividend of 6.7p per share in respect of prior year (2021: 2.8p)	14.6	7.4
	24.2	13.7

The Directors are proposing a final dividend for 2022 of 10.1p per share, making a total payment for the year of 14.7p (2021: 9.9p). This is subject to approval by the shareholders at the AGM and has not been included as a liability in the Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Earnings per share

The calculation of earnings per Ordinary Share is based on earnings after tax and the weighted average number of Ordinary Shares in issue during the year. Earnings per share before exceptional items is presented as an alternative performance measure to provide an additional year-on-year comparison excluding the impact of exceptional items as detailed within note 8, and their associated tax impact.

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares. The Group has four types of dilutive potential Ordinary Shares, being: those share options granted to employees under the Sharesave Scheme where the exercise price is less than the average market price of the Company's Ordinary Shares during the year; unvested shares granted under the Deferred Annual Bonus Plan; unvested shares granted under the Share Incentive Plan; and unvested shares within the Performance Share Plan that have met the relevant performance conditions at the end of the reporting period.

		Before exceptional items		Statutory	
	Note	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Operating profit for the year		**72.7**	54.0	**75.0**	60.1
Finance expense	9	**(2.1)**	(3.3)	**(2.1)**	(3.3)
Profit before taxation		**70.6**	50.7	**72.9**	56.8
Income tax expense	10	**(13.6)**	(10.8)	**(14.1)**	(11.3)
Profit for the year		**57.0**	39.9	**58.8**	45.5
Weighted average number of shares (millions)		**216.2**	228.1	**216.2**	228.1
Effect of share incentive awards and options (millions)		**3.2**	2.3	**3.2**	2.3
Diluted weighted average number of Ordinary Shares (millions)		**219.4**	230.4	**219.4**	230.4
Earnings per share					
Basic (in pence)		**26.4**	17.5	**27.2**	19.9
Diluted (in pence)		**26.0**	17.3	**26.8**	19.7

13. Intangible assets

	Goodwill £m	**Brand £m**	**Carbon credits £m**	**Other intangibles £m**	**Total £m**
Cost					
At 1 January 2022	**405.7**	**11.1**	**6.4**	**22.0**	**445.2**
Additions	**–**	**–**	**10.3**	**2.2**	**12.5**
Disposals	**–**	**–**	**(4.7)**	**–**	**(4.7)**
At 31 December 2022	**405.7**	**11.1**	**12.0**	**24.2**	**453.0**
Accumulated amortisation					
At 1 January 2022	**(405.7)**	**(4.7)**	**–**	**(17.1)**	**(427.5)**
Charge for the year	**–**	**–**	**–**	**(1.9)**	**(1.9)**
Disposals	**–**	**–**	**–**	**–**	**–**
At 31 December 2022	**(405.7)**	**(4.7)**	**–**	**(19.0)**	**(429.4)**
Net book value at 31 December 2022	**–**	**6.4**	**12.0**	**5.2**	**23.6**
Net book value at 1 January 2022	**–**	**6.4**	**6.4**	**4.9**	**17.7**

	Goodwill £m	Brand £m	Carbon credits £m	Other intangibles £m	Total £m
Cost					
At 1 January 2021	406.5	11.1	–	21.1	438.7
Additions	–	–	6.4	1.6	8.0
Disposals	(0.8)	–	–	(0.7)	(1.5)
At 31 December 2021	405.7	11.1	6.4	22.0	445.2
Accumulated amortisation					
At 1 January 2021	(406.5)	(4.7)	–	(16.5)	(427.7)
Charge for the year	–	–	–	(1.3)	(1.3)
Disposals	0.8	–	–	0.7	1.5
At 31 December 2021	(405.7)	(4.7)	–	(17.1)	(427.5)
Net book value at 31 December 2021	–	6.4	6.4	4.9	17.7
Net book value at 1 January 2021	–	6.4	–	4.6	11.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Intangible assets continued

The brand category comprises the acquired Thermalite and Bison Precast brands, components of the Bricks and Blocks and Bespoke Products reportable segments respectively.

The other intangibles category consists of clay rights, merchant relationships, order book, patent and software development costs. These are attributable to both reportable segments. Additions in the period largely relate to costs incurred in upgrading Group IT systems.

Carbon credits have been purchased to satisfy compliance obligations of the Group, and whilst there is no obligation to utilise this within the next twelve months; a proportion of the year-end balance is expected to be surrendered within 2023. Due to the nature of carbon credits being part of the Group's operating activities, the purchased balance is included in cash flows from operating activities within the Consolidated Statement of Cash Flows.

Included in software additions is £0.5m (2021: £0.1m) of own work capitalised.

Impairment of intangible assets

Goodwill and intangible assets with indefinite useful lives

The Group no longer holds any carrying value associated with goodwill. Other intangible assets with indefinite useful lives consist of the Thermalite brand, which is allocated to the Aircrete blocks CGU within the Brick and Block reportable segment, and the Bison Precast brand which is allocated to the Bespoke Products segment. These are subject to annual impairment tests. The Group estimates recoverable amount using a value in use model by projecting pre-tax cash flows over the estimated useful life. The key assumptions underpinning recoverable amounts are forecast EBITDA, discount rates, long-term growth rates and capital expenditure. The forecast revenues and EBITDA in the models are based on management's past experience and future expectations of performance. Maintenance Capex is based on planned levels in the short-term and recent trends in the longer-term. A pre-tax discount rate of 12.8% in 2022 (2021: 11.3%) has been derived from a WACC calculation and benchmarked against similar organisations operating within the sector and used to discount cash flows. Growth rates over the next five years vary by CGU between (7.1)% and 6.7% and are based on management's past experience and expectations of future market performance. These compare to growth rates at 31 December 2021 of between (5.4)% and 11.4%.

Terminal growth rates of 2.0% for 2022 (2021: 2.0%), are consistent across CGUs and reflect management's past experience, expectations of future market performance, longer-term industry forecasts and inflationary expectations.

The recoverable amounts in respect of indefinite life intangibles, as assessed by management using the above assumptions, is greater than the carrying amount and therefore no impairment has been recognised in 2022 (2021: £nil).

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14. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2022	**173.3**	**255.5**	**428.8**
Additions	**11.1**	**30.3**	**41.4**
Disposals	**(0.8)**	**(8.7)**	**(9.5)**
Change in the value of decommissioning assets	**0.5**	**–**	**0.5**
At 31 December 2022	**184.1**	**277.1**	**461.2**
Accumulated depreciation			
At 1 January 2022	**(55.0)**	**(172.4)**	**(227.4)**
Charge for the year	**(2.1)**	**(7.4)**	**(9.5)**
Disposals	**0.7**	**8.7**	**9.4**
At 31 December 2022	**(56.4)**	**(171.1)**	**(227.5)**
Net book value at 31 December 2022	**127.7**	**106.0**	**233.7**
Net book value at 1 January 2022	**118.3**	**83.1**	**201.4**

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2021	177.1	241.9	419.0
Asset reclass	0.5	(0.5)	–
Additions	6.1	25.8	31.9
Disposals	(10.7)	(11.7)	(22.4)
Changes in the value of decommissioning assets	0.3	–	0.3
At 31 December 2021	173.3	255.5	428.8
Accumulated depreciation			
At 1 January 2021	(56.9)	(175.0)	(231.9)
Charge for the year	(2.0)	(8.2)	(10.2)
Disposals	3.9	10.8	14.7
At 31 December 2021	(55.0)	(172.4)	(227.4)
Net book value at 31 December 2021	118.3	83.1	201.4
Net book value at 1 January 2021	120.2	66.9	187.1

Land and buildings comprise sites used for administration, distribution, manufacturing and mineral extraction. Each asset is used to generate operating cash flows and rates of depreciation reflect this use. Quarries and manufacturing facilities are classified under land and buildings. Quarrying enables manufacturing and is not carried out for any other economic purpose. The two are therefore not considered to be distinct.

At 31 December 2022, capital commitments not yet incurred totalled £34.3m.

Included within property, plant and equipment are assets under the course of construction of £95.5m (2021: £65.2m), comprising £47.3m (2021: £40.4m) for land and buildings and £48.2m (2021: £24.8m) for plant and machinery. At the year-end a total of £45.0m (2021: £39.3m) within land and buildings and £40.0m (2021: £20.6m) within plant and machinery related to the new brick factory at

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Property, plant and equipment continued

Desford and a total of £1.8m (2021: £nil) within land and buildings and £5.2m (2021: £nil) within plant and machinery related to the redevelopment of the brick factory at Wilnecote.

Impairment of tangible assets

Any impairment of tangible assets is determined in line with Group accounting policies. This process has not led to any impairments within 2022.

15. Inventories

	2022 £m	2021 £m
Raw materials	**12.4**	8.4
Work in progress	**2.0**	1.8
Finished goods	**25.4**	19.8
Other inventory	**3.2**	2.8
	43.0	32.8

Costs relating to raw materials and consumables included within cost of sales during the year were £98.4m (2021: £76.8m). Employment expenses within cost of sales totalled £73.4m (2021: £64.4m).

Write-downs of inventories recognised as an expense in the year were £1.8m (2021: £3.5m). Reversals of previous inventory write-downs in the period were £1.9m (2021: £2.9m). There is no significant difference between the replacement cost of inventories and their carrying amounts.

16. Trade and other receivables

	2022 £m	2021 £m
Trade receivables	**40.2**	35.4
Other receivables	**0.8**	1.0
Prepayments	**3.3**	2.7
	44.3	39.1

The ageing profile of trade receivables is:

	2022 £m	2021 £m
Trade receivables not yet due	**29.7**	25.8
1 to 30 days past due	**8.1**	6.9
31 to 60 days past due	**1.3**	1.1
61 to 90 days past due	**0.4**	0.5
Over 90 days past due	**0.7**	1.1
	40.2	35.4

Included within trade receivables are balances which are past due at the balance sheet date but have not been provided for. These balances relate to customers who have no recent history of default and whose debts are considered to be recoverable.

Procedures are in place to ensure that customer creditworthiness is assessed and monitored sufficiently and that appropriate credit limits are in place and enforced. Provisions for impairment are calculated by reviewing lifetime expected credit losses using historic and forward-looking data on credit risk. An analysis of the provision movement is as follows:

	2022 £m	2021 £m
At 1 January 2022	**1.0**	1.0
Statement of Total Comprehensive Income charge	**–**	–
Written off	**–**	–
At 31 December 2022	**1.0**	1.0

17. Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand	**34.3**	41.5

Cash at bank and in hand is held in pounds sterling and euros. As at 31 December 2022, £1.8m was held in euros (2021: £0.1m).

18. Trade and other payables

	2022 £m	2021 £m
Trade payables	**44.0**	40.6
Payroll tax and other statutory liabilities	**10.2**	7.6
Accrued liabilities and other payables	**35.4**	27.4
	89.6	75.6

19. Loans and borrowings

	2022 £m	2021 £m
Current loans and borrowings		
Interest	**0.2**	0.6
Non-current loans and borrowings		
Revolving credit facility	**40.0**	–
	40.2	0.6

The Group refinanced its banking facilities in July 2020, securing a facility of £170m until July 2024. The facility agreement included the option for the Group to request, subject to bank approval, an additional extension for a further year to July 2025. The extension was approved, with the facility then committed until 1 July 2025. The interest rate under this facility is calculated based on SONIA plus a margin adjustment spread.

In January 2023 the Group subsequently completed a refinancing of its existing banking facilities. The facility remains at £170m until January 2027 with an extension option, subject to bank approval, extending the facility to June 2028. The interest rate is calculated using SONIA plus a margin and the credit spread adjustment has been removed. A new rachet has been added to the margin grid at the bottom end giving a 10 bps reduction when leverage is 0.5:1, making the lowest level of margin 1.65%, extending to a margin of 2.75% when leverage exceeds 2.5:1. An arrangement fee of £1.5m was paid in 2023 respect of this refinancing.

The amended loan facility is now sustainability-linked and subject to a margin adjustment of 5 bps if the annual sustainability targets are met. There has also been a change to the lenders with Santander being replaced by Sabadell and Virgin Money (Clydesdale Bank plc).

The facility remains secured by fixed charges over the shares of Forterra Building Products Limited and Forterra Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. Net (debt)/cash

	Note	2022 £m	2021 £m
Cash and cash equivalents	17	**34.3**	41.5
Loans and borrowings	19	**(40.2)**	(0.6)
Lease liabilities	23	**(18.0)**	(16.5)
Net (debt)/cash		**(23.9)**	24.4

Reconciliation of net cash flow to net (debt)/cash

	Note	2022 £m	2021 £m
Cash flow generated from operations before exceptional items		**89.0**	81.2
Payments made in respect of exceptional operating items		**–**	(0.6)
Operating cash flow after exceptional items		**89.0**	80.6
Interest paid		**(2.4)**	(2.8)
Tax paid		**(11.0)**	(9.6)
Net cash used in investing activities		**(41.2)**	(20.0)
Dividends paid	11	**(24.2)**	(13.7)
Purchase of shares by Employee Benefit Trust		**(12.2)**	(5.0)
Proceeds from sale of shares by Employee Benefit Trust		**0.4**	1.2
New lease liabilities	23	**(6.8)**	(12.4)
Payments made to acquire own shares		**(40.3)**	–
Other financing movement		**0.4**	(0.5)
(Increase)/decrease in net debt		**(48.3)**	17.8
Net cash at the start of the period		**24.4**	6.6
Net (debt)/cash at the end of the period		**(23.9)**	24.4

21. Financial instruments

	Note	2022 £m	2021 £m
Financial assets at amortised cost			
Cash and cash equivalents	17	**34.3**	41.5
Trade and other receivables (excluding prepayments)	16	**41.0**	36.4
Derivative asset		**0.6**	–
		75.9	77.9

	Note	2022 £m	2021 £m
Financial liabilities at amortised cost			
Trade and other payables (excluding non-financial liabilities)	18	**79.4**	68.0
Loans and borrowings	19	**40.2**	0.6
Lease liabilities	23	**18.0**	16.5
Derivative liability		**–**	0.2
		137.6	85.3

The financial assets of the Group, cash and cash equivalents and trade and other receivables are derived directly from operations. For financial liabilities of the Group, trade and other payables are also derived directly from operations, however loans and borrowings, lease liabilities and derivatives are arranged periodically to finance operating and investing activities.

All financial assets and liabilities are held at amortised cost, with the exception of derivatives which are held at fair value.

Capital management

The Group manages capital (being loans and borrowings, cash and cash equivalents and equity) to ensure a sufficiently strong capital base to support the Group remaining a going concern, maintain investor and creditor confidence, provide a basis for future development of the business and maximise the return to stakeholders.

The Group manages its loans and borrowings to ensure continuity of funding. A key objective is to ensure compliance with the covenants set out in the Group's bank facility agreements.

In managing capital the Group may purchase its own shares on the open market. These purchases meet the Group's obligation to employees under the Group's share-based payment schemes.

There has been no change in the objectives, policies or processes with regard to capital management during the years ended 31 December 2021 and 31 December 2022.

Financial risk management

The Group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Group uses derivative financial instruments to periodically manage risks if it is judged to be prudent. The risk management framework governing the management of these and all other business risks is set by the Board.

Foreign exchange risk

The functional and presentational currency of the Group is pounds sterling although some transactions are executed in euros and US dollars. The transactional amounts realised or settled are therefore subject to the effect of movements in these currencies against pounds sterling. Foreign currency exposure is centrally managed by the Group's Treasury function using forward foreign exchange contracts and currency options.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Financial instruments continued

Principal rate of exchange: euro/sterling

	2022 £m	2021 £m
Period end	**1.16**	1.19
Average	**1.18**	1.16

In the current year the Group has entered into both foreign forward contracts and options over purchases of equipment for its Desford facility, the payments for which are denominated in euro. At 31 December 2022 a total of €1.3m remained undrawn under forward contracts, and €2.8m under option. The contracts have staggered maturity dates over the next three months.

The Group has also entered into a foreign forward contracts over purchases of equipment for the redevelopment of its Wilnecote facility, the payments for which are denominated in euro. At 31 December 2022 a total of €17.8m remained undrawn under these forward contracts. The contracts have staggered maturity dates over the next 13 months.

The Group classifies its forward exchange contracts as cash flow hedges and states them at fair value. The fair value of the cash flow hedges in place at 31 December 2022 is an asset of £0.6m (2021: liability of £0.2m), which is adjusted against the cash flow hedge reserve. During the year £0.8m (2021: loss £0.2m) has been recognised in Other Comprehensive Income.

Interest risk rate

The Group has secured its borrowings from a group of leading banks under a revolving credit facility. These facilities allow the Group to meet short, medium and long-term financing requirements at a margin over SONIA. The Group manages interest risk on an ongoing basis and reviews options available to hedge part of the variable rate risk.

A sensitivity analysis has been performed based on the exposure to interest rates at the balance sheet date. Based on the average borrowings drawn down in 2022, a 1.0% increase or decrease in interest rates, with all other variables held constant, will increase or decrease profit before taxation by £0.2m (2021: £nil) for the year ended 31 December 2022.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises on cash balances (including bank deposits and cash and cash equivalents) and credit exposure to customers through trade and other receivables. A financial asset is in default when the counterparty fails to pay its contractual obligations.

Financial assets are impaired when there is no reasonable expectation of recovery.

To dilute and mitigate the financial credit risk associated with cash balances the Group deposits cash and cash equivalents with multiple highly-rated counterparties.

Credit risk associated with trade receivables results from normal commercial operations. Procedures are in place to ensure that customer creditworthiness is assessed and monitored sufficiently and that appropriate credit limits are in place and enforced. Trade and other receivables are stated net of management estimated expected credit losses.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low. Impairments in the period were less than £0.1m (2021: less than £0.1m).

21. Financial instruments continued

Liquidity risk

The Group's borrowing facilities are available to ensure that there is sufficient liquidity to exceed maximum forecast cash flow requirements in all reasonably possible circumstances. The Group monitors cash flow on a weekly basis to ensure that headroom exists within current agreed facilities and updates the Executive Committee on liquidity and the sources of cash flow performance and forecasts.

The maturity profile of contractual undiscounted cash outflows, including expected interest payments, which are payable under financial liabilities at the balance sheet date is set out below:

2022	Less than one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	Greater than five years £m	Total £m
Trade and other payables (excluding non-financial liabilities)	**79.4**	**–**	**–**	**–**	**–**	**–**	**79.4**
Loans and borrowings	**41.3**	**1.1**	**1.1**	**1.1**	**1.1**	**–**	**45.7**
Lease liabilities	**5.1**	**3.9**	**3.1**	**2.9**	**2.5**	**1.7**	**19.2**
	125.8	**5.0**	**4.2**	**4.0**	**3.6**	**1.7**	**144.3**

2021	Less than one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	Greater than five years £m	Total £m
Trade and other payables (excluding non-financial liabilities)	68.0	–	–	–	–	–	68.0
Loans and borrowings	0.6	1.0	1.1	1.1	1.1	1.0	5.9
Lease liabilities	4.9	3.6	2.6	1.9	1.8	2.9	17.7
	73.5	4.6	3.7	3.0	2.9	3.9	91.6

There is no material difference between the carrying value and fair value of the Group's financial assets and liabilities.

A reconciliation of liabilities arising from financing activities has been detailed below:

	Note	1 January 2022 £m	Cash flow £m	Interest charge £m	New leases £m	31 December 2022 £m
Loans and borrowings	19	**0.6**	**38.0**	**1.6**	**–**	**40.2**
Lease liabilities	23	**16.5**	**(5.7)**	**0.4**	**6.8**	**18.0**

	Note	1 January 2021 £m	Cash flow £m	Interest charge £m	New leases £m	31 December 2021 £m
Loans and borrowings	19	15.5	(17.5)	2.6	–	0.6
Lease liabilities	23	9.4	(5.6)	0.3	12.4	16.5

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. Provisions for other liabilities and charges

	Restoration and decommissioning £m	Other provisions £m	Carbon credits £m	Total £m
At 1 January 2022	**11.5**	**2.1**	**6.0**	**19.6**
Charged/(credited) to the Consolidated Statement of Total Comprehensive Income:				
– Additional provisions	**0.6**	**1.4**	**9.3**	**11.3**
– Release of provisions	**–**	**(0.6)**	**–**	**(0.6)**
– Utilised amounts	**(0.1)**	**(1.2)**	**(4.7)**	**(6.0)**
– Unwind of discount	**–**	**–**	**–**	**–**
At 31 December 2022	**12.0**	**1.7**	**10.6**	**24.3**

Analysed as:

	2022 £m	2021 £m
Current	**14.3**	9.9
Non-current	**10.0**	9.7
	24.3	19.6

The other provisions balance is made up of provisions for lease dilapidations and product liability provisions.

Non-current provisions are discounted at a rate of 2.8% (2021: 2.3%).

The unwind of discount in the period is shown as a finance expense.

Restoration and decommissioning

The Group is required to restore quarrying sites to a state agreed with the planning authorities after extraction of raw materials ceases, and to decommission manufacturing facilities that have been constructed. Provisions for restoration and decommissioning obligations are made based on the best estimate of the likely committed cash outflow. Management seeks specialist input from third-party experts to estimate the cost to perform any necessary remediation work at the reporting date. These experts undertake site visits during the year, either where scoping identifies there is a change in operations which could change estimates, or to sites that have not been visited recently. Desktop reviews are undertaken to inform the estimates for remaining sites.

The useful lives of quarrying sites are based on the estimated mineral reserve remaining and manufacturing facilities linked to the useful life of site property, plant and equipment. Estimates of appropriate inflation and discount rates can also be judgemental, and can have a significant impact on net present value. Management reference information from the Bank of England when making such estimates. These provisions are discounted by applying a discount rate that reflects the passage of time. Estimates are revised annually and in the case of decommissioning provisions, are adjusted against the asset to which the provision relates, which is then subject to an impairment assessment. Future costs are expected to be incurred over the useful life of the sites, which is a period of up to 52 years.

The following table shows the timeline in which undiscounted costs in relation to the restoration and decommissioning provision are expected to become current:

	Current £m	1 to 20 years £m	21 to 40 years £m	40 years plus £m	Total £m
Restoration and decommissioning	**2.0**	**2.4**	**7.6**	**2.7**	**14.7**

23. Leases

The Group leases various premises, land, fleet vehicles, cars and plant and equipment. With the exception of land and property leases, contracts are typically made for fixed periods of 3 to 5 years. Lease terms are negotiated on an individual basis, and terms and conditions can vary.

In addition, the Group also leases machinery on a short-term basis (less than 12 months) and office equipment of low financial value. These leases are recognised on a straight-line basis as an expense in the Consolidated Statement of Total Comprehensive Income.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Land and buildings £m	Plant and machinery £m	Total £m
At 1 January 2021	3.0	6.0	9.0
Additions	–	12.4	12.4
Depreciation expense	(0.6)	(4.3)	(4.9)
At 1 January 2022	**2.4**	**14.1**	**16.5**
Additions	**–**	**6.8**	**6.8**
Disposals	**(0.1)**	**–**	**(0.1)**
Depreciation expense	**(0.5)**	**(4.6)**	**(5.1)**
At 31 December 2022	**1.8**	**16.3**	**18.1**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022 £m	2021 £m
At 1 January 2022	**(16.5)**	(9.4)
New leases	**(6.8)**	(12.4)
Interest	**(0.4)**	(0.3)
Payments	**5.7**	5.6
At 31 December 2022	**(18.0)**	(16.5)

	2022 £m	2021 £m
Current	**(4.7)**	(4.5)
Non-current	**(13.3)**	(12.0)

The following are the amounts recognised in the Statement of Total Comprehensive Income:

	2022 £m	2021 £m
Depreciation of right-of-use assets	**5.1**	4.9
Interest payable on lease liabilities	**0.4**	0.3
Expenses relating to short-term leases	**3.6**	3.3
	9.1	8.5

Leases of low financial value for the year ended 31 December 2022 were less than £0.1m (2021: less than £0.1m). During the years ended 31 December 2022 and 31 December 2021, the Group did not hold any lease contracts with variable payment terms.

The Group has several land and property lease contracts that include termination options, known as 'break clauses'. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these clauses are reasonably certain to be exercised.
At 31 December 2022, the Group has determined it is unlikely any break clause would be exercised, and full lease terms have been considered within the present value calculations.

At 31 December 2022, lease commitments that were contracted but had not yet commenced totalled £1.0m (2021: £nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Deferred tax

The analysis of deferred tax liabilities is as follows:

	2022 £m	2021 £m
Deferred tax liabilities to be incurred after more than 12 months	**(5.0)**	(2.7)

The movement in deferred tax assets/(liabilities) is as follows:

	Fixed assets £m	Provisions £m	Intangible assets £m	Share-based payments £m	Other £m	Total £m
At 1 January 2021	(3.5)	2.8	(0.8)	0.6	–	(0.9)
(Charged)/credited to Consolidated Statement of Total Comprehensive Income	(1.2)	(0.3)	–	0.1	–	(1.4)
Effect of changes in tax rates	(1.5)	0.7	(0.2)	0.3	(0.1)	(0.8)
Tax on items taken directly to equity	–	–	–	0.4	–	0.4
At 31 December 2021	**(6.2)**	**3.2**	**(1.0)**	**1.4**	**(0.1)**	**(2.7)**
(Charged)/credited to Consolidated Statement of Total Comprehensive Income	**(1.9)**	**–**	**–**	**0.6**	**–**	**(1.3)**
Effect of change in tax rates	**(0.6)**	**0.2**	**–**	**0.1**	**–**	**(0.3)**
Effect of prior period adjustments	**0.3**	**–**	**–**	**–**	**–**	**0.3**
Tax on items taken directly to equity	**–**	**–**	**–**	**(1.0)**	**–**	**(1.0)**
At 31 December 2022	**(8.4)**	**3.4**	**(1.0)**	**1.1**	**(0.1)**	**(5.0)**

Deferred tax is calculated on temporary differences between the tax base of assets and liabilities and their carrying amounts, using the corporation tax rate applicable to the timing of their reversal.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to offset and there is an intention to settle the balances net.

25. Share capital and other reserves

Share capital

Called up issued and fully paid Ordinary Shares.

	2022 Number	2022 £m	2021 Number	2021 £m
Allotted, called up and fully paid 1p Ordinary Shares				
At start of year	**228,647,196**	**2.3**	228,647,196	2.3
Shares cancelled through share buyback	**(15,843,807)**	**(0.2)**	–	–
At end of year	**212,803,389**	**2.1**	228,647,196	2.3

In January 2022 the Company announced a share buyback programme to purchase its own Ordinary Shares. The aggregate purchase cost of all Ordinary Shares acquired under this programme was £40.0m (excluding stamp duty and expenses) and all Ordinary Shares purchased under this programme were immediately cancelled. The share buyback programme completed in October 2022 and in total resulted in the repurchase and cancellation of 15,843,807 shares, representing 7.7% of the Ordinary Shares in issue at 31 December 2022 (excluding shares held in the Employee Benefit Trusts). The maximum and minimum prices paid were 299.0p and 198.6p per share respectively. The average price paid was 254.6p. Share-related expenses in relation to stamp duty and expenses were £0.3m.

Other reserve

In 2020, the Group raised net proceeds of £53.0m via an equity raise (consisting of £55.0m of gross proceeds less transaction costs incurred on issue of £2.0m). There was no tax impact on the fees. The placing was undertaken using a cash box 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 retained earnings as an other reserve. The net proceeds of £53.0m were immediately passed to Forterra Buildings Products Ltd by way of an intercompany loan and as such were not immediately distributable. The reserves qualify as distributable on settlement of intercompany funding arrangements. During 2022 a remaining balance of £23.9m (2021: £17.6m) became distributable and is presented within retained earnings, leaving a total other reserve balance of £nil (2021: £23.9m) at 31 December 2022.

Reserve for own shares

Own shares represent the cost of Forterra plc shares purchased in the market and held by employee benefit trusts to satisfy the future exercise of options under the Group's share option schemes. At 31 December 2022, two trusts were in place and consolidated within the Consolidated Financial Statements.

The first Trust holds 450,684 Ordinary Shares (2021: 488,698), relating to shares granted under two free share awards. The first of these was granted on 25 May 2016, the second on 10 February 2021. Shares granted under the 2016 award were issued by the Company. To satisfy the 2021 award, a total of 291,483 shares were purchased by the Company through the Trust. The total weighted average cost for shares held by the Trust at 31 December 2022 was 165p per share (2021: 165p), which is reflected in the reserve for own shares within the Consolidated Statement of Changes in Equity. The market value of shares held by the Trust at 31 December 2022 was £0.8m (2021: £1.3m).

The second Trust holds 5,853,928 (2021: 1,358,593) shares at an average cost of 259p per share (2021: 283p), reflected within the reserve for own shares within the Consolidated Statement of Changes in Equity. The market value of these shares at 31 December 2022 was £10.9m (2021: £3.7m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. Share-based payments

Total cost of share schemes:

	2022 £m	2021 £m
Share Incentive Plan (SIP)	**0.2**	0.2
Performance Share Plan (PSP)	**1.7**	1.0
Sharesave Plan (SAYE)	**1.4**	1.3
Deferred Annual Bonus Plan (DABP)	**0.1**	–
	3.4	2.5

The total cost of share schemes in the year includes national insurance contributions of £0.4m (2021: £0.1m).

Summary of share option and share award arrangements

The Group operates a number of share schemes for the benefit of employees, all of which are equity-settled (although the rules of the PSP and DABP allow for cash settlement in exceptional circumstances).

Share awards

Share Incentive Plan (SIP)

On 25 May 2016, 442,068, deferred free shares were awarded to all employees in service at this date. Shares to the value of £500 were issued which vested in May 2019, three years after the date of grant, subject to a three-year service condition. Further to this, on 10 February 2021, an additional £500 award was made to all serving employees, subject to the same service condition as in 2016. A total of 314,075 shares were granted under this award. Unexercised shares are held by the Employee Benefit Trust on behalf of the Group's employees and detailed within note 25.

Share options

Performance Share Plan (PSP)

Performance based awards granted to the Executive Directors and designated senior management which vest three years after the date of grant at 1p per share. The total number of shares vesting is dependent upon both service conditions being met and the performance of the Group over the three-year period. Performance is subject to total shareholder return (TSR) and earnings per share (EPS) conditions for all awards except 2020, each weighted 50%. The only performance condition attached to the PSP granted in 2020 is TSR. In addition to this, a holding period applies to vested PSP awards for the Executive Directors of Forterra plc, under which they are required to retain the number of vested awards, net of tax, for at least two years from the date of vesting.

Deferred Annual Bonus Plan (DABP)

A portion of the Executive Directors' annual bonus award is deferred into shares under a DABP, with a deferral period of three years. These awards are accrued as a bonus in the year to which they relate and are converted into deferred share awards after the year-end. During 2022, £0.4m (2021: £nil) has been removed from accruals and recognised directly within equity to reflect grants made under the scheme in relation to 2021 bonuses. At 31 December 2022 an amount of £0.3m (2021: £0.4m) has been recorded in accruals and is expected to be awarded in 2023 relating to bonus targets met in the year 2022.

26. Share-based payments continued

Sharesave (SAYE)

This HM Revenue and Customs approved scheme is available to all employees with schemes offered annually since 2016. Employees make monthly contributions of up to £500 per month into a linked savings account and these may be exchanged three years from each grant date for shares at an option price discounted by 20% from the offer date.

The aggregate number of share awards outstanding for the Group is shown below:

	PSP Number of options	DABP Number of options	SAYE Number of options
Outstanding at 1 January 2021	2,525,393	112,759	7,426,145
Awards granted	758,708	–	978,177
Awards exercised	(237,042)	(77,107)	(541,310)
Awards lapsed/forfeited	(564,418)	–	(658,397)
Outstanding at 1 January 2022	**2,482,641**	**35,652**	**7,204,615**
Awards granted	**1,025,793**	**144,402**	**1,338,245**
Awards exercised	**(61,245)**	**(35,652)**	**(205,673)**
Awards lapsed/forfeited	**(627,019)**	**–**	**(667,841)**
Outstanding at 31 December 2022	**2,820,170**	**144,402**	**7,669,346**

Options were exercised on a regular basis throughout the year. The average share price during the year was 244p.

Share options outstanding at the end of the year have the following vesting dates:

	2022 Number of options
PSP	
15 April 2020	**3,874**
17 September 2023	**1,053,124**
30 April 2024	**747,439**
17 March 2025	**1,015,733**
DABP	
17 March 2024	**144,402**
SAYE	
1 December 2022	**517,145**
1 December 2023	**5,106,608**
1 December 2024	**748,912**
1 December 2025	**1,296,681**
	10,633,918

The weighted average remaining contractual life of share options outstanding at 31 December 2022 was 1.5 years.

The average exercise price for share options outstanding ranged from 1p to 216p.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. Share-based payments continued

The fair value per option granted in year has been calculated using the following assumptions:

	PSP (Performance and service condition)	SAYE (Service condition)
Date of grant	17/03/2022	04/10/2022
Option pricing model	Monte Carlo	Black-Scholes
Share price on grant date (pence)	239.50	247.00
Exercise price (pence)	1.00	210.00
Expected volatility (%)	46.80%	48.50%
Vesting period (years)	3.00	3.15
Expected option life to exercise (years)	3.00	3.40
Expected dividend yield (%)	–	2.20%
Risk-free interest rate (%)	1.36%	4.10%
Fair value per option (pence)	195.9	96.0

Fair value per option under the PSP is calculated as the average for the TSR and EPS conditions.

Expected volatility is a measure of expected fluctuations in the share price over the expected life of an option. The measures of volatility used by the Group in its pricing model has been derived as the median volatility of companies within the comparator index that have been listed for the commensurate length of time.

27. Related party transactions

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors of the Company and the Directors of the Group's subsidiary companies fall within this category.

	2022 £m	2021 £m
Emoluments including taxable benefits	**(3.4)**	(3.2)
Share-based payments	**(1.4)**	(0.8)
Pension and other post-employment benefits	**(0.2)**	(0.3)
	(5.0)	(4.3)

Information relating to Directors' emoluments, pension entitlements, share options and long-term incentive plans appear in the Annual Report on Remuneration within pages 118 to 146.

28. Post balance sheet events

In January 2023 the Group completed on a refinancing of its existing banking facilities. Details of this are disclosed within note 19.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	**2022 £m**	2021 £m
Non-current assets			
Investment in subsidiary	6	**311.8**	309.4
Deferred tax asset	7	**0.3**	0.3
		312.1	309.7
Current assets			
Amounts due from Group undertakings	8	**–**	27.4
Total assets		**312.1**	337.1
Current liabilities			
Creditors – amounts falling due within one year	9	**(0.3)**	(0.3)
Amounts owed to Group undertakings	9	**(48.1)**	–
Total liabilities		**(48.4)**	(0.3)
Net current (liabilities)/assets		**(48.4)**	27.1
Total assets less current liabilities		**263.7**	336.8
Net assets		**263.7**	336.8
Capital and reserves			
Ordinary shares	10	**2.1**	2.3
Own share reserve		**(15.8)**	(4.6)
Other reserve		**–**	23.9
Capital redemption reserve		**0.2**	–
Retained earnings		**277.2**	315.2
Total equity		**263.7**	336.8

As permitted by section 408 of the Companies Act 2006, an entity profit or loss account is not included as part of the published Financial Statements of Forterra plc. The Company profit for the financial year ended 31 December 2022 was £0.2m (2021: £0.2m).

The notes on pages 195 to 198 are an integral part of these Financial Statements.

Approved by the Board of Directors on 9 March 2023 and signed on their behalf by:

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Ordinary shares £m	Own share reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 January 2021	**2.3**	**(2.0)**	**41.5**	**–**	**309.8**	**351.6**
Total comprehensive profit for the year	–	–	–	–	0.2	0.2
Dividends paid	–	–	–	–	(13.7)	(13.7)
Movement in other reserves	–	–	(17.6)	–	17.6	–
Purchase of shares by Employee Benefit Trust	–	(5.0)	–	–	–	(5.0)
Proceeds from sale of shares by Employee Benefit Trust	–	1.2	–	–	–	1.2
Share-based payments charge	–	1.2	–	–	(1.2)	–
Share-based payments exercised	–	–	–	–	2.5	2.5
Balance as at 31 December 2021	**2.3**	**(4.6)**	**23.9**	**–**	**315.2**	**336.8**
Total comprehensive profit for the year	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Dividends paid	**–**	**–**	**–**	**–**	**(24.2)**	**(24.2)**
Movement in other reserves	**–**	**–**	**(23.9)**	**–**	**23.9**	**–**
Purchase of shares by Employee Benefit Trust	**–**	**(12.2)**	**–**	**–**	**–**	**(12.2)**
Proceeds from sale of shares by Employee Benefit Trust	**–**	**0.4**	**–**	**–**	**–**	**0.4**
Payment made to acquire own shares	**(0.2)**	**–**	**–**	**0.2**	**(40.3)**	**(40.3)**
Share-based payments exercised	**–**	**0.6**	**–**	**–**	**(0.6)**	**–**
Share-based payments charge	**–**	**–**	**–**	**–**	**3.4**	**3.4**
Tax on share-based payments	**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Balance as at 31 December 2022	**2.1**	**(15.8)**	**–**	**0.2**	**277.2**	**263.7**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. General background

Forterra plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The registered office is 5 Grange Park Court, Roman Way, Northampton, NN4 5EA.

2. Accounting policies

Basis of preparation

The separate Company Financial Statements have been prepared in accordance with applicable accounting standards, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') and the Companies Act 2006.

As permitted by section 408 of the Companies Act 2006, an entity profit or loss account is not included as part of the published Financial Statements of Forterra plc. The Company profit for the financial year ended 31 December 2022 was £0.2m (2021: £0.2m).

As permitted by FRS 102, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the Consolidated Financial Statements.

The Financial Statements are presented in pounds sterling, rounded to the nearest hundred thousand and are prepared under the historical cost convention.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least one year from the date that the Financial Statements are signed. The Company therefore adopts the going concern basis in preparing its Financial Statements.

(A) Investments

Investments are included in the balance sheet at the deemed cost of acquisition upon the Group restructure. Where appropriate, a provision is made for any impairment.

Capital contributions arising where subsidiary employees are awarded share options to be settled over the Company's equity result in increases to the cost of investment.

(B) Taxation

Charges for income tax are based on earnings for the period and take account of deferred taxation on timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

(C) Financial instruments

The Company determines the classification of financial assets and financial liabilities at initial recognition. The principal financial assets and liabilities of the Company are as follows:

(I) Financial assets

Basic financial assets, including trade and other receivables and amounts due from Group undertakings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method and assessed for objective evidence of impairment or impairment reversal at the end of each reporting period.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, are settled or substantially all the risks and rewards of ownership of the asset are transferred.

(II) Financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to Group undertakings and related parties are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts, discounted at a market rate of interest.

Trade and other payables and loans are subsequently carried at amortised cost, using the effective interest rate method.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

(D) Share-based payments

The Company operates a number of equity-settled share-based compensation plans, under which the Company receive services from the Executive Directors in exchange for equity instruments granted by the Company. The services received and corresponding increase in equity are measured at the fair value of the equity instruments granted, on the date granted. The Company also compensates certain key management and other employees for services provided to Forterra Building Products Limited. The services provided are recognised as an increase in the cost of investment in subsidiaries and a corresponding increase in equity; which is measured at the fair value of the equity instruments granted, on the date granted.

The cost of the equity-settled transactions are subsequently recognised over the vesting period, which ends at the date that the plan participant becomes fully entitled to the award. Fair values are determined using appropriate pricing models by external valuers. At the end of each reporting period the Company revises its estimates of the number of awards that are expected to vest based on non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss account, with a corresponding adjustment to equity.

Further details regarding the share-based payment schemes are set out in note 26 to the Consolidated Financial Statements.

(E) Own shares held by Employee Benefit Trust

The Company has established two separate employee benefit trusts for the purposes of satisfying awards under share-based incentive schemes. Shares in the Company acquired by the trusts are deducted from equity until shares are cancelled, reissued or disposed.

(F) Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(G) Related parties

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Financial Statements.

3. Significant accounting judgements and estimates

Impairment of investments

The Directors periodically review investments for possible impairment when events or changes in circumstances indicate, in Management's judgement, that the carrying amount of an asset may not be recoverable. The Company did not record any impairment charges during the period ended 31 December 2022.

4. Employee information

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Annual Report on Remuneration on pages 118 to 146 and includes the amounts received or receivable by each Director in the period. The long-term incentives as detailed on page 135 were recognised in the Company profit and loss account as an expense over the three-year period to which the awards relate. The Company recognised a charge of £0.8m (2021: £0.5m) in relation to share-based payments for the period.

5. Dividends

	2022 £m	2021 £m
Amounts recognised as distributions to equity holders in the year		
Interim dividend of 4.6p per share (2021: 3.2p)	**(9.6)**	(6.3)
Final dividend of 6.7p per share in respect of prior year (2021: 2.8p)	**(14.6)**	(7.4)
	(24.2)	(13.7)

The Directors are proposing a final dividend for 2022 of 10.1p per share, making a total payment for the year of 14.7p (2021: 9.9p). This is subject to approval by the shareholders at the AGM and has not been included as a liability in these Financial Statements.

6. Investment in subsidiary

	2022 £m	2021 £m
Balance as at 1 January	**309.4**	307.4
Capital contribution relating to share-based payments	**2.4**	2.0
Balance as at 1 December	**311.8**	309.4

The companies in which the Company has an interest at the year-end are shown below:

	Country of incorporation	Holding	Nature of holding	% of class held
Forterra Holdings Limited	England & Wales	Ordinary £0.01	Direct	100%
Forterra Building Products Limited	England & Wales	Ordinary £0.01	Indirect	100%

The address of the registered office of both Forterra Holdings Limited and Forterra Buildings Products Limited is 5 Grange Park Court, Roman Way, Northampton, England, NN4 5EA.

7. Deferred tax

	2022 £m	2021 £m
Deferred tax assets to be recovered after more than 12 months	**0.3**	0.3

8. Current assets

	2022 £m	2021 £m
Amounts due from Group undertakings	**–**	27.4

Amounts due from Group undertakings are non-interest bearing, unsecured and repayable on demand.

9. Current liabilities

	2022 £m	2021 £m
Creditors – amounts falling due within one year	**0.3**	0.3
Amounts owed to Group undertakings	**48.1**	–

Amounts owed to Group undertakings are non-interest bearing, unsecured and repayable on demand.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

10. Capital and reserves

	2022		2021	
	Number	£m	Number	£m
Ordinary Shares of £0.01 each	**212,803,389**	**2.1**	228,647,196	2.3

Amounts owed to Group undertakings are non-interest bearing, unsecured and repayable on demand.

The Ordinary Shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

Movements in the share capital and reserve for own shares are set out in note 25 of the Consolidated Financial Statements.

11. Related party transactions

The Company is exempt from disclosing related party transactions with companies that are wholly owned within the Group. Transactions with related parties which are not wholly owned are disclosed within note 27 to the Consolidated Financial Statements. Remuneration to key management personnel has been disclosed within note 27 to the Consolidated Financial Statements.

12. Controlling party

Forterra plc is not under the control of an ultimate controlling party.

13. Post balance sheet events

In January 2023 the Company completed on a refinancing of its existing banking facilities. Details of this are disclosed within note 19 of the Consolidated Financial Statements.

GROUP FIVE-YEAR SUMMARY

Five-year summary	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Revenue	**455.5**	370.4	291.9	380.0	367.5
EBITDA (before exceptional items)	**89.2**	70.4	37.9	82.7	78.8
Operating profit (before exceptional items)	**72.7**	54.0	20.8	65.0	67.1
Profit before tax (before exceptional items)	**70.6**	50.7	17.4	62.5	64.8
Profit/(loss) before tax (statutory)	**72.9**	56.8	(5.4)	58.2	64.8
Operating cash flow (before exceptional items)	**89.0**	81.2	53.9	64.9	79.8
Net (debt)/cash (before leases)	**(5.9)**	40.9	16.0	(43.2)	(38.8)
Earnings per share (before exceptional items) (pence)	**26.4**	17.5	6.6	25.5	26.5
Dividend per share (pence)	**14.7**	9.9	2.8	4.0	10.5

ADDITIONAL INFORMATION
FINANCIAL CALENDAR AND OTHER SHAREHOLDER INFORMATION

Calendar
The following dates have been announced:

2023 Annual General Meeting	23 May 2023
Payment of final 2022 dividend	7 July 2023
2023 Interim results announcement	27 July 2023

Registrars
Link Asset Services

Statutory auditor
Ernst & Young LLP

Brokers
Deutsche Bank
Numis Securities Ltd

Bankers
HSBC Bank plc
National Westminster Bank plc
Bank of Ireland Group plc
Banco De Sabadell
Clydesdale Bank plc (trading as Virgin Money)

Financial PR
FTI Consulting

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SALTERBAXTER
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Printed by Park Communications –
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