HELPING CREATE LASTING LEGACIES

FORTERRA PLC ANNUAL REPORT AND ACCOUNTS 2023

FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
2023

OUR PURPOSE IS HELPING CREATE LASTING LEGACIES THAT GO BEYOND CONSTRUCTION OR HOUSEBUILDING TO DELIVER GROWTH AND FOSTER A LEGACY OF BUILDING TODAY, TOMORROW AND INTO THE FUTURE.

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FINANCIAL HEADLINES

ADJUSTED[1]

Revenue
£346.4m
2022: £455.5m

Profit before tax
£31.1m
2022: £70.6m

Earnings per share
11.4p
2022: 26.4p

EBITDA
£58.1m
2022: £89.2m

Net debt before leases
£93.2m
2022: £5.9m

STATUTORY

Revenue
£346.4m
2022: £455.5m

Profit before tax
£17.1m
2022: £72.9m

Earnings per share
6.2p
2022: 27.2p

1. See non-GAAP measure reconciliation in section U of Summary of material accounting policies on page 180.

FORTERRA AT A GLANCE

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

1,600
Employees

16
Manufacturing facilities

Map key

- Head office
- Aggregate Blocks (2)/ Concrete Pavers (1)
- Precast Concrete Products (2)
- Bricks (8) of which mothballed (2)
- Aircrete Blocks (2)
- Roofing and Chimney Products (1)

OUR MARKETS

Residential New Build
66%

Residential RM&I
25%

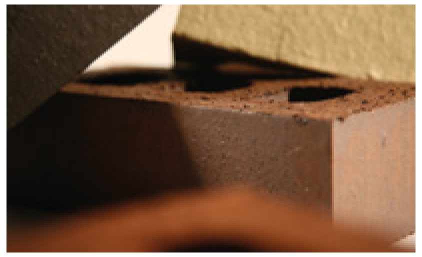
Commercial & Infrastructure
9%

Residential New Build
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.

Residential RM&I
The repair, maintenance and improvement (RM&I) market forms an additional segment of the residential market through sales to distributors. 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, reducing our reliance on new build construction.

Commercial & Infrastructure
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.

THE ORIGINAL LONDON BRICK
BUTTERLEY BRICK
THERMALITE
INNOVATORS IN FORMPAVE PERMEABLE PAVING
BISON PRECAST
ECOSTOCK BRICK
CRADLEY SPECIAL BRICK
CONBLOC
RED BANK

INVESTMENT CASE

DELIVERING LONG-TERM SHAREHOLDER VALUE

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

KEY PERFORMANCE INDICATORS

	Revenue	EBITDA	Margin	Total Shareholder Return (TSR)
Large scale investment in new capacity				
– Strengthen the core	✓	✓	✓	
– Beyond the core	✓	✓	✓	
– Safety and engagement	✓	✓	✓	
– Sustainability		✓	✓	
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 underpin market growth despite short-term cyclical challenges

- Market demand driven by structural, through-cycle new housing shortage and resilient RM&I markets
- Structural undersupply of domestically produced bricks and other key building products provides opportunity for growth
- Diversification through exposure to RM&I market
- Consolidated brick and block market structures
- Competitive cost of brick production driven by investments in asset base

Investment pipeline to deliver capacity growth, efficiency and decarbonisation

- Three large-scale projects will be completed in 2024 and will progressively deliver significant profit and cash returns as market recovers
- Attractive pipeline of optional organic investment projects as market and balance sheet allow 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
- Achieved 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

- History of strong cash generation supports organic investment model
- Attractive dividend policy with mid-term pay-out ratio of 55% of earnings
- Scope for selective bolt-on acquisitions
- Pipeline of further organic investment projects with timing subject to market and balance sheet
- Leverage expected to fall below 1.5x EBITDA in medium-term
- Longer-term opportunity for supplementary returns to shareholders as appropriate

CHAIRMAN'S STATEMENT
A VERY CHALLENGING YEAR

JUSTIN ATKINSON
NON-EXECUTIVE CHAIRMAN

"In the face of extremely difficult market conditions we have delivered a resilient result."

2023 has been a very challenging year for our industry. Economic turbulence has suppressed demand for new housing resulting in a marked reduction in demand for our products.

Despite UK brick industry despatches falling to levels last seen in the Global Financial Crisis (GFC), we were still able to deliver a resilient financial result.

Notwithstanding these challenging market conditions, we have made continued progress against our strategic objectives. After a construction period of more than three years, 2023 saw the commissioning of our new Desford brick factory. With a production capacity of 180 million bricks per annum, we believe it to be the largest brick factory in Europe and once fully commissioned, the most efficient.

The commissioning of a new brick factory, least so the largest in Europe, should not be underestimated and I would like to take this opportunity to thank everyone involved in bringing the Desford project to life. In delivering this asset, we have overcome a number of headwinds including the disruption of Covid-19, supplier insolvency and now a cyclical reduction in demand. We are incredibly proud to have constructed a fantastic factory that will set the standard for brick production for years to come, addressing our capacity constraint and leaving us well positioned to take full advantage of a market recovery.

Results

Group revenue for the year totalled £346.4m (2022: £455.5m), a reduction of 24.0%. Adjusted EBITDA was £58.1m (2022: £89.2m). Adjusted profit before tax decreased from £70.6m to £31.1m. Statutory profit before tax decreased to £17.1m (2022: £72.9m).

Adjusted earnings per share (EPS) reduced to 11.4p (2022: 26.4p). Basic EPS was 6.2p (2022: 27.2p).

The Group ended the year with net debt (stated before leases) of £93.2m (2022: £5.9m).

Response to market conditions

Faced with a significant reduction in demand for our products, decisive action was necessary to align output with demand.

We entered 2023 with inventories at record low levels but with these replenished by the spring and with the Desford factory becoming operational, we acted to reduce output. In making decisions regarding output, the Board considered multiple factors including the impact on affected employees, working capital management, production efficiency, maintaining our product offering and profitability.

Regrettably, with market conditions not improving as we had hoped, as we entered the second half of the year we had to make further production reductions resulting in more redundancies. In total we have announced almost 300 redundancies, mothballed two brick factories and reduced output across many other facilities.

In making these necessary reductions to output, we have retained both our full product range and our ability to quickly and cost effectively reinstate production as our markets recover. As demand for our products recovers, our organic investments at Desford and elsewhere will mean that the capacity restraints that had previously hindered us will no longer be present, leaving us well placed to deliver future growth.

Our people

As always, it is important to recognise that our success is driven by the ongoing commitment and enthusiasm of our colleagues. It is deeply regrettable that we have had to make painful but necessary decisions to reduce our workforce and we recognise the impact this has on those who have lost their jobs.

Once again, our employees have been asked to step forward and deal with another set of unexpected challenges. Following the strong demand experienced in 2022, which will be remembered for shortages of supply, to 2023, which has seen a significant cyclical drop in demand just as we increased capacity with the opening of the new Desford brick factory. These circumstances have created a great deal of uncertainty for our workforce and the Board has been impressed by the continued dedication and resilience displayed by our employees.

Despite this difficult backdrop, we have continued to make progress on our employee engagement journey with our latest employee survey attracting a record 78% response rate and showing a continuing year-on-year improvement in employee engagement.

Revenue	Adjusted EPS
£346.4m	11.4p
2022: £455.5m	2022: 26.4p
Adjusted profit before tax	**Net debt before leases**
£31.1m	£93.2m
2022: £70.6m	2022: £5.9m

CHAIRMAN'S STATEMENT
CONTINUED

Board changes

As previously reported, after 10 years in role and a total of 21 years with the Company, Stephen Harrison stepped down as Chief Executive Officer in April 2023. Having led the carve out from our former parent, steered the Company on to the public market and embarked on a strategy of organic investment with Desford at its heart, Stephen has left a positive legacy.

The Board were delighted to appoint Neil Ash as Chief Executive Officer after a short handover period. Neil has almost three decades' experience in the building materials sector and brings an impressive track record of improving performance and delivering growth at Etex, the Belgian lightweight building materials manufacturer. Neil's extensive building materials sector knowledge gained throughout previous economic cycles equips him to lead the Group through the current challenging times and into the recovery phase as he joins a business well placed to benefit from recent investments. He has certainly hit the ground running.

We also welcomed Gina Jardine to the Board in April as an Independent Non-Executive Director. Gina is an HR professional with extensive experience gained within global building materials and mining companies.

Through her experience and significant knowledge, obtained in some of the largest global corporates, Gina complements and adds to the existing skillset of our Board, and has already offered valuable insight as we redefined our values and continue upon our employee engagement journey. The Board is committed to furthering diversity at all levels. Financial Conduct Authority guidance is that at least 40% of the Board within FTSE 350 companies should be female. Although not currently within the FTSE 350, our Board composition is presently 38% female. In addition, the Senior Independent Director is female and one member of the Board is from a non-white ethnic minority background. Notwithstanding the foregoing, I believe that the skills, knowledge, experience, educational background and upbringing of the individual members of this Board bring a diverse contribution to the debate and discussion around the Board table.

Strategy

Our strategy for growth together with clear capital allocation priorities positions the Group to deliver long-term shareholder value.

One of Neil Ash's first priorities was to undertake a refresh of our strategic narrative encompassing our vision, mission and purpose, and our values. Whilst our strategy remains consistent, and is already well understood by our shareholder base, Neil wanted to bring the strategy to life. This will aid our colleagues not only to better understand our strategy but also to define our clear purpose as a business which is, "Helping create lasting legacies", encouraging our employees in working towards common goals. Alongside this we have chosen values which drive the specific behaviours that we believe are necessary to facilitate the successful delivery of our strategy.

Our strategy, outlined in more detail on pages 30 to 37, is to capitalise on the UK's long-term shortage of housing supply, along with a structural shortfall in the supply of the domestically manufactured building products necessary to address this housing shortage, leveraging our extensive mineral reserves and strong market positions.

This strategy encapsulates the following strategic imperatives, the achievement of which will deliver sustained shareholder value:

- Strengthen the core: Investing in new capacity to deliver growth in sales volumes along with enhanced efficiency;
- Beyond the core: Expanding our product range beyond our traditional focus of mainstream residential construction focusing on new and evolving solutions such as brick slips;
- Sustainability: Making our business more sustainable in everything we do; and
- Safety and engagement: Safety remains our number one priority and through prioritising employee engagement we will maximise the potential of our workforce.

Whilst we are now expressing our strategy in a slightly different manner, adding capacity and improving efficiency and sustainability through organic investment remains at its core.

Our new Desford brick factory is now operational and has been delivered within its original £95m budget. The factory has been designed with the cyclically of our markets in mind, allowing us to efficiently adjust output which has already been necessary in the current market. The demolition of the old factory is now complete and the whole project will be finished when a further stockyard is constructed in its place.

The redevelopment of our Wilnecote factory will offer a product range targeted at the commercial and specification market. This will provide diversification away from new-build housing which has suffered most from the market decline in the last year. The project continues to progress although has been delayed beyond its original timetable as a consequence of supplier challenges. We now expect to re-commission the factory in the second half of 2024.

At the heart of the 'Beyond the core' pillar of our strategy sits an investment of approximately £12m in brick slip manufacture at our Accrington factory. This will allow us to capitalise on the growing opportunities presented by the high-rise and modular construction markets. Installation of the equipment is progressing in line with our expectations with the manufacture of brick slips expected to commence in 2024.

In addition, we continue to progress a pipeline of further projects that offer further opportunity for growth, the timing of which will depend on the recovery of our markets along with our balance sheet position.

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 mid-term 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 are currently coming to the end of our £140m investment in our three exciting expansion projects at Desford, Wilnecote and Accrington. Desford is virtually complete and our priority is to complete each of these investments in 2024.

The challenging markets we have experienced in 2023 have contributed to a significant inventory build which alongside our capital expenditure has driven an increase in our net debt. We expect production output to be aligned with market demand in 2024 leading us to anticipate our indebtedness will remain broadly static, with leverage subsequently reducing as our earnings recover through the cycle.

Dividends

Our established dividend policy has been to distribute 55% of our adjusted earnings. In light of current trading conditions and the Group's presently elevated levels of indebtedness, the Board have considered the Group's dividend policy and have elected to temporarily reduce the level of dividend distribution. The Board is proposing to distribute 40% of adjusted earnings for 2023 and accordingly is recommending a final dividend of 2.0p per share (2022: 10.1p) which, in addition to the interim dividend of 2.4p per share paid in October (2022: 4.6p), will bring the total dividend to 4.4p per share (2022: 14.7p). Subject to approval by shareholders, the final dividend will be paid on 5 July 2024 to shareholders on the register as at 14 June 2024.

CHAIRMAN'S STATEMENT
CONTINUED

The Board remain confident in the long-term prospects of the Group and in its ability to benefit from the recent capacity investments as the market recovers, although retains a degree of caution in the short-term with borrowings expected to peak in mid-2024 before reducing steadily thereafter. The Board intends to keep its dividend policy under review and will look to return the level of distribution to the previous 55% as soon as market conditions permit.

Sustainability

Our carbon reduction journey should be seen as a marathon not a sprint facilitated by investments in new, more efficient manufacturing capacity coupled with ongoing research into emerging technologies.

We have clear targets including a 32% reduction in our carbon emissions intensity (from a 2019 baseline) by the end of the decade. 2023 saw a significant reduction in our absolute carbon emissions relative to the prior year although this was primarily driven by a reduction in production and the mothballing of factories, highlighting exactly why we focus on the output adjusted measure of carbon emissions intensity.

Whilst our total carbon emissions fell by 13% relative to the prior year as a result of our reduced output, our carbon emissions intensity did increase marginally during 2023, partially as a consequence of our decision not to "green" our grid supplied electricity as explained below, along with a variation in product mix following the reductions in production described in more detail in the Sustainability Report on page 60. These short-term fluctuations should not distract from our longer-term carbon reduction targets.

Each of our organic investments provides a meaningful sustainability benefit with the new Desford and Wilnecote brick factories both reducing carbon emissions by approximately 25% relative to their predecessor factories. Our innovative brick slip production facility at Accrington offers real sustainability benefits in manufacturing brick slips with a c.75% reduction in energy and raw material usage and embodied carbon relative to traditional bricks.

2023 saw the commissioning of roof mounted solar panels at our new Desford factory. At a cost of £2.5m they will generate around 16% of the factory's electricity requirement at full production going forwards. Our investment in renewable energy extends beyond on-site solar panels. The 150-acre Forterra solar farm, the construction of which was enabled by our 15-year Power Purchase Agreement, will supply almost 70% of our Group electricity demand assuming our business is operating at full production output and an even higher percentage at current levels of output, and will begin supplying us in the coming weeks.

The majority of our year-on-year increase in our carbon emissions intensity is driven by our decision not to "green" our grid supplied electricity by purchasing Renewable Energy Guarantee of Origin (REGO) certificates. When we first adopted this policy in 2020, the cost of these certificates was less than £20,000, whereas in 2023 this cost would have increased to approximately £1m. With the forthcoming commissioning of our solar farm and the recent installation of our on-site solar generation at Desford, we determined that in the current economic environment this additional spend would not have represented the most appropriate use of capital. Going forward, our own renewable energy generation will substantially negate our need to purchase REGOs and a decision will be taken as to whether to purchase any shortfall in due course.

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STRATEGIC REPORT

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 350.

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.

Each 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 pages 28 and 29, and further referenced in the Corporate Governance Statement on page 111.

During the year we undertook an internal evaluation of the Board and its Committees, the summarised findings of which are laid out in the Governance section on page 112.

During the year the Board considered the arrangements for the provision of internal audit services and from the beginning of 2024, the existing co-source provider, PwC, will now provide internal audit services on a fully outsourced basis. More information is provided in the report of the Audit Committee on page 123.

Recognising the ever-increasing focus on sustainability, the Board has elected to amend the structure of its Committees to ensure that it is able to clearly focus upon the oversight of sustainability matters without distraction. Accordingly, from 1 January 2024, the Risk and Sustainability Committee has become the Sustainability Committee with risk management now falling under the remit of the Audit and Risk Committee (formerly the Audit Committee).

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.

As noted earlier, we have recently revised and relaunched our corporate values being the principles of behaviour that will allow us to achieve our strategic goals. These are defined as follows and have been rolled out to all employees in early 2024:

- Innovate to lead: We're empowered to continuously improve;
- Pride in excellence: We relish achievement and success; and
- Collaborate and care: We work in partnership and look after each other.

Our purpose is to manufacture and supply building products used to construct homes and other structures, helping to create lasting legacies in the form of communities that will exist for centuries to come.

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 in addition to full Board visits to four of our factories during the year.

Outlook

The outlook for our industry remains subject to considerable uncertainty and, with a general election expected in 2024, demand is anticipated to remain subdued in the near-term. Trading conditions at the beginning of 2024 continued to be challenging with Department for Business and Trade (DBT) figures suggesting that UK industry brick despatches in January were 5% behind of the 2023 comparative with our own despatches in February slightly ahead of the prior year comparative.

We continue to expect demand through 2024 to be broadly aligned to that seen in 2023 although unusually wet weather in the first two months of the year makes underlying demand more difficult to gauge.

We take some encouragement from recent trading updates from our housebuilding customers reporting greater levels of customer activity in recent months with a downward trend in mortgage interest rates through 2024 expected to improve the affordability of new homes, hopefully increasing demand for our products.

With the long-term under-supply of housing in the UK continuing to worsen, and with our previous capacity constraints now addressed, the Board remains confident in the Group's ability to benefit significantly as our key markets recover. The Board's expectations for 2024 remain unchanged with the Group's performance expected to be H2 weighted with this being driven by cost base and efficiency rather than demand.

Justin Atkinson
Non-Executive Chairman
25 March 2024

CHIEF EXECUTIVE'S STATEMENT
LOOKING BEYOND THE CURRENT CHALLENGES

NEIL ASH
CHIEF EXECUTIVE OFFICER

"My focus has been divided between addressing the short-term challenges and equipping the business to be ahead of tomorrow."

I am pleased to present my first statement as Chief Executive Officer of Forterra. Having joined the Group in April, I cannot deny that the last year has been one of the most challenging of my career. The market conditions that we have faced over the last year have been incredibly difficult. As a firm believer that any business is only as strong as its people, I have been impressed by the dedicated team of colleagues that I found at Forterra and I wish to take this opportunity to thank all of our employees for their efforts over the last year.

Alongside focusing upon identifying and implementing the short-term actions necessary to respond to the significant fall in demand for our products, which unfortunately led to almost 300 redundancies, my focus and that of our Executive Committee has also been on the future.

When deciding to join the Company, I was convinced that the business had a bright future and having now been in position for a year I remain steadfast in this conviction. I joined a business which had made sound investment decisions, in fact my first public appearance as CEO was to welcome our customers, suppliers, shareholders and lenders to an event marking the opening of our new £95m brick factory at Desford which will be the largest, most efficient brick factory in Europe.

In addition, during my first year I have also seen the progress made on the complete redevelopment of our Wilnecote brick factory which will begin production in the second half of 2024. Providing us with a broader product range and increase our penetration of the commercial and specification market, a market where our relatively low presence has hindered our performance in 2023, with the mainstream house building sector having been worst impacted by economic conditions.

I am also truly excited by the opportunity presented by the innovative investment in brick slip manufacturing capability at our Accrington factory. Having spent much of my career in the lightweight building materials sector, I see the potential for brick slip demand to grow significantly bringing the much-loved appearance of traditional brick façades to buildings constructed using modern methods of construction. In fact, we have made the gaining of a leadership position in UK brick slips a key strategic goal.

Regardless of how successful a business may have been in the past, I believe that a business can always be improved. Having reviewed all aspects of the business, I have seen many things that are done well but I firmly believe that there are a number of areas where we can be better still.

I have joined a well invested business with almost £140m committed to our three strategic projects, the vast majority of which will be spent by the middle of 2024. It is also reassuring to see a pipeline of further attractive projects that are being developed behind the scenes. I am mindful, however, that it takes more than capital investment to make the best of any business.

We have a well-established and clear strategy based upon investing to deliver for organic growth and this is well understood by our shareholders.

However, joining with a fresh pair of eyes, I felt that the strategy needed bringing to life so as to truly inspire and motivate our colleagues, helping them understand how they can personally contribute in helping the business achieve its goals.

We have set a clear purpose for our business which is 'Helping create lasting legacies'. Our vision of 'Brilliant today, ahead of tomorrow' recognises that our customers and stakeholders demand the best from us today but also that we need to continually innovate and improve, adapting to a changing world as we look ahead.

As I said above, the success of any business is dependent on its people. We have identified the following values that are the principles of behaviour that we expect all our colleagues to live by:

- Innovate to lead: We're empowered to continuously improve;
- Pride in excellence: We relish achievement and success; and
- Collaborate and care: We work in partnership and look after each other.

I bring with me a commitment to do everything within my power to improve our health and safety performance. Safety has long been the Group's number one priority and I can assure you that this will not change under my leadership. Our ambition is to achieve zero harm and we will not rest whilst we still have accidents and injuries happening in our business.

Sustainability and our responsibility for the environment are extremely important to me and quite simply, I could not have joined a business that I did not believe was living up to its responsibilities in this area. I have been impressed by the longstanding work and sizeable investment that has already gone into reducing the negative impact that our operations leave on the environment, although we recognise that we are still only at the beginning of a journey that will take us to 2050.

2023 results
Revenue for the year ended 31 December 2023 was £346.4m (2022: £455.5m), a decrease of 24.0%. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) were £58.1m (2022: £89.2m). Adjusted profit before tax fell to £31.1m (2022: £70.6m), a decrease of 55.9%.

Adjusted earnings per share (EPS) were 11.4p (2022: 26.4p). Basic EPS after adjusted items was 6.2p (2022: 27.2p).

Our markets
Demand for new housing in the UK fell substantially in 2023 driven by increasing interest rates adversely impacting affordability and therefore demand for new homes.

£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

This decline in housing demand is evidenced by a 19% fall in housing starts and a 15% fall in housing completions. The relationship between these statistics and the demand for the building products we manufacture is a complex one, with housebuilder order books, work in progress, and the inventory they hold of our products all having an impact.

Government statistics demonstrate that this fall in housing output has driven a significant decline in demand for building products with total UK brick consumption (including imports) falling from 2.5 billion bricks in 2022 to a figure of 1.7 billion in 2023, a fall of 32%. Our own brick despatches in the year fell by a greater percentage as a result of our exposure to mainstream housebuilding, the sector of the market most impacted by increasing mortgage rates. Demand for our other products also fell by approximately 30%.

Imports of bricks into the UK totalled 329 million bricks in 2023, a fall of 42% from the 2022 figure of 570 million bricks. Imports as a percentage of total UK brick demand fell from 23% in 2022 to 19% in 2023, although it is likely that imports of architecturally differentiated bricks, where demand is less susceptible to the increases in interest rates will have been most resilient, meaning that the fall in imports of bricks which are directly competing with our own products is likely to be greater than suggested by these figures.

Despite current and announced capacity investments, the UK brick industry still lacks the capacity required to meet underlying demand. Current domestic production capacity of approximately 2.2 billion clay bricks per annum remains lower than the pre-financial crisis figure of 2.6 billion.

2023 Business review

Bricks and Blocks

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

We are 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 eight brick manufacturing facilities across the country with a total installed production capacity of approximately 675 million bricks per annum.

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 and following the combination of our Cradley Special Brick business with our Red Bank chimney and roofing components business on a single site, this segment now includes the results of the Red Bank business with the prior year comparatives being restated to reflect this.

Our clay reserves are the foundation that our brick business is built upon and are the primary raw material used in manufacturing our bricks. Each of our brick factories is located adjacent to a quarry supplying locally sourced clay directly into the manufacturing process. Sourcing material locally is sustainable and therefore preferable wherever possible as it avoids the costs and carbon emissions associated with transportation. Our mineral reserves also provide a natural barrier reducing the threat of new entrants entering the market, as the planning process to secure consent for a 'green-field' quarry and associated brick factory could take as long as 10 years. Each of the new brick factories built in the UK over the last two decades have been redevelopments of existing facilities utilising established quarries. We have access to over 90 million tonnes of minerals, on average, these reserves are sufficient to sustain manufacturing operations for 50 years. The majority of our minerals are owned, although a small amount are secured by way of lease with a royalty payable at the point of extraction.

Trading and results

The performance of the Bricks and Blocks segment was principally driven by the fall in demand highlighted above. Bricks and Blocks sales revenues were £277.4m, a decrease of 26.2% on the prior year (2022: restated £376.1m). The decline in sales volumes was partially offset by a pricing benefit, primarily driven by the significant mid-year price increases implemented in 2022. Segmental adjusted EBITDA totalled £52.1m (2022: restated £85.6m), a decrease of 39.1%. Adjusted EBITDA margin was 18.8% (2022: restated 22.8%).

Pricing and costs

Following a period of extreme inflation during 2022, our cost base did stabilise somewhat in 2023, although we continued to see cost inflation, particularly at the beginning of the year. Our energy costs increased year-on-year in line with expectations, with our strategy of forward purchasing energy in order to achieve price certainty limiting our ability to capitalise on falling energy prices in the second half of the year.

Our pricing remained resilient during the year despite the marked reduction in despatches. We implemented modest price increases at the beginning of 2023 and whilst there was a slight erosion of pricing in a very competitive market through the year, pricing remained firm overall, with the exceptional increases of up to 50% implemented during 2022 remaining intact.

Whilst more in line with normalised levels of inflation, we do still see inflation in our cost base as we enter 2024, with business rates seeing a particularly large increase. Accordingly, we have recently announced a modest increase in pricing to take effect from April 2024.

Bricks and Blocks

	2023 £m	Restated[1] 2022 £m
Revenue[2]	**277.4**	376.1
Adjusted EBITDA before overhead allocations	**70.0**	109.6
Overhead allocations	**(17.9)**	(24.0)
Adjusted EBITDA	**52.1**	85.6
Adjusted EBITDA margin before overhead allocations	**25.2%**	29.1%
Adjusted EBITDA margin after overhead allocations	**18.8%**	22.8%

1. Restated to report Red Bank results within Bricks and Blocks segment as a result of an internal restructure. Further details on page 40.
2. Revenue is stated before inter-segment eliminations.

Operations

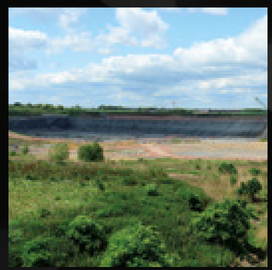
Faced with a material decline in demand for our products at the same time when we were also commissioning the new brick factory at Desford, we needed to act swiftly to limit inventory growth.

We have highlighted previously that with a high fixed cost base, it is more difficult to efficiently flex production output in the brick business than elsewhere. Accordingly, alongside the closure of the old Desford factory which was always planned, we mothballed both our Howley Park and Claughton brick factories in the year, and have implemented further cuts to production across our network of factories through a combination of shift reductions and extended maintenance shutdowns.

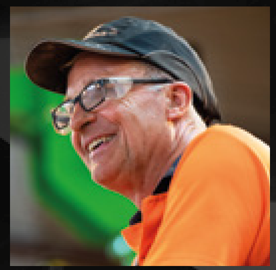
OUR STRATEGY

STRENGTHEN THE CORE

BEYOND THE CORE



SUSTAINABILITY



SAFETY AND ENGAGEMENT

READ MORE ON PAGE 31

CHIEF EXECUTIVE'S STATEMENT
CONTINUED

We must not, however, allow the depressed demand backdrop to overshadow a key highlight of the year which was the opening of the new Desford brick factory. The factory, which, when fully commissioned and running at full output, will be the largest and most efficient brick factory in Europe, capable of producing 180 million bricks per annum with a carbon footprint per brick 25% less than the old factory it replaces. Unfortunately, market demand presently dictates that we are not able to utilise the full production capacity of the new factory but we are confident that having now addressed the capacity constraint that has impeded us for many years, we are well placed to benefit significantly as market demand recovers.

Commissioning a new brick factory is never a simple process and we have faced challenges during the year. It is however pleasing to see the progress made during the second half of the year, with the output of the factory steadily increasing and with the initial product range fully commissioned. We are currently expanding the product offering.

Alongside our investment at Desford, the complete redevelopment of our smaller Wilnecote brick factory at a cost of approximately £30m continues to progress, albeit the project has been subject to some supplier driven delays, with recommissioning now expected in the second half of 2024.

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 in a normalised market (approximately 16% 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 also increasing our total brick production capacity by around 1%.

Our third strategic investment is an innovative brick slip (or 'thin bricks' as they are also known) production line within our Accrington brick factory. The investment of approximately £12m 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 traditional 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 sustainability benefits, reducing raw material and energy usage relative to the manufacture of traditional bricks with many slips currently being cut from traditional bricks with a high degree of wastage.

Bespoke Products

Following the restructuring that combined our Red Bank chimney and roofing solutions business with the Cradley Special Brick business, the Bespoke Products segment now solely consists of our precast concrete operations.

Precast concrete products are designed, manufactured and shipped nationwide under the Bison Precast brand from two facilities situated 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 accompanying staircases and landings 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.

Trading and results

Precast concrete flooring solutions represent by far the largest component of this segment by revenue and profitability. Despite a weak demand backdrop across our entire range of products, the Bison flooring business demonstrated a high degree of resilience with the delivery of a result ahead of the prior year comparative.

Segmental turnover in the year was £72.7m (2022: restated £84.2m). Floor beam sales volumes decreased in line with the rest of our product range although we were able to shift production to increase our output of hollowcore flooring.

Again pricing has remained stable with the input cost inflation seen in the prior year easing. Alongside this, we have efficiently flexed our cost base with falling demand, something which is easier to achieve in this business than in our brick operations.

Segmental adjusted EBITDA stated before allocation of Group overheads was £10.5m (2022: restated £9.6m), meaning the segment delivered a result ahead of the prior year which, given market conditions, is a fantastic result of which we are extremely proud.

After an allocation of Group overheads totalling £4.5m (2022 restated: £6.0m) the segment reports an adjusted EBITDA of £6.0m (2022: restated £3.6m).

Strategy and capital allocation

Our strategy, which is designed to deliver long-term earnings and cash flow growth laid out in more detail on page 31 and can be summarised as follows:

- Strengthen the core: Investing in new capacity to deliver growth in sales volumes along with enhanced efficiency;
- Beyond the core: Expanding our product range beyond our traditional focus of mainstream residential construction focusing on new and evolving solutions such as brick slips;
- Sustainability: Making our business more sustainable in everything we do; and
- Safety and engagement: Safety remains our number one priority and through prioritising employee engagement we will maximise the potential of our workforce.

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

Bespoke Products

	2023 £m	Restated[1] 2022 £m
Revenue[2]	**72.7**	84.2
Adjusted EBITDA before overhead allocations	**10.5**	9.6
Overhead allocations	**(4.5)**	(6.0)
Adjusted EBITDA	**6.0**	3.6
Adjusted EBITDA margin before overhead allocations	**14.4%**	11.4%
Adjusted EBITDA margin after overhead allocations	**8.3%**	4.3%

1. Restated to report Red Bank results within Bricks and Blocks segment as a result of an internal restructure. Further details on page 40.
2. Revenue is stated before inter-segment eliminations.

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

- strategic organic capital investment to deliver attractive returns;
- attractive ordinary dividend policy with a mid-term 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.

During 2023 we returned cash in the form of dividends totalling £25.7m (2022: £24.2m) to shareholders whilst spending total capital expenditure of £34.1m (2022: £44.1m), which includes spend of £19.3m (2022: £33.6m) on our strategic projects at Desford, Wilnecote and Accrington.

This strategic investment, together with an investment of £52.8m in inventory has driven an increase in our net debt before leases to £93.2m at the year end. Our present capital allocation priority is to reduce this level of leverage, and with our strategic capital projects nearing completion, we are confident we will reduce our debt levels in 2025 even with only a modest market recovery.

Beyond the current strategic capital investment projects, we continue to work on our pipeline of attractive organic investment opportunities although any decision to commit to these will be taken with both our balance sheet as well as market conditions in mind. Similarly, whilst we remain open to the possibility of bolt-on acquisitions, we will only progress such opportunities where there is a clear strategic rationale and where the acquisition would not put pressure on the balance sheet.

CHIEF EXECUTIVE'S STATEMENT
CONTINUED

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 Lost Time Incident Frequency Rate (LTIFR) in 2023 showed an improvement, running at 3.24 incidents for every million man hours worked, compared to 3.79 in 2022. Of the 29 separate business areas monitored, 20 were Lost Time Incident (LTI) free during 2023, 7 have been LTI free for over five years and three for over 10 years.

2024 is the final year of planned zero harm strategy that we set out in 2020, our focus in this final year will be on visible felt leadership.

Sustainability
Sustainability is embedded at the heart of everything we do and 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 2023, whilst we have made further progress towards our sustainability targets, achieving these targets is a proverbial marathon, not a sprint, with short-term changes in our business, driven by the sudden reduction in demand for our products which then enforces changes in our product mix, have the ability to impact carbon reduction figures in the short-term.

During the year, we opened the new Desford factory which will deliver a 25% reduction in carbon emissions relative to the old factory it replaces, although it is worth noting that year one carbon emissions are adversely impacted by the commissioning process. During the year we commissioned roof-mounted solar panels at a cost of £2.5m which will provide 16% of the factory's energy demand at full output.

Alongside Desford, the redeveloped brick factory at Wilnecote will offer a similar 25% reduction in carbon emissions per brick.

We are now only weeks away from the commencement of our green electricity supply from the Forterra solar farm, a facility covering around 150 acres located in Nottinghamshire. Having signed a Power Purchase Agreement (PPA) in 2022, this impressive facility has now been completed and we have entered into an agreement to receive energy a year ahead of the commencement of the 15-year PPA in 2025.

Whilst we continue to broadcast our sustainability message and communicate our positive actions and the initiatives we are pursuing, it is also important that we continue to remind everyone that our products themselves are inherently sustainable, lasting well over a century they 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, the bricks will last for around 150 years and provide family housing for generations to come.

As well as making investments to make our business greener today, for us to achieve our net zero commitment and be ahead of tomorrow, we need to identify alternative fuels to fire our kilns. Following delays in 2022 driven by difficulties in sourcing sufficient hydrogen, we were pleased to finally undertake a programme of hydrogen trials during 2023. These trials undertaken at our Red Bank facility using a small factory kiln rather than laboratory equipment, were successful, demonstrating that hydrogen as a zero carbon future fuel can be used to make the bricks that we know and love. The ability to produce and transport the amounts of hydrogen necessary to run a large-scale brick factory remain a long way off, however we are engaging with a number of bodies looking to make hydrogen networks a reality.

Alongside hydrogen, we are continuing to explore a wide range of alternative fuels. We continue to make progress with trials aimed at introducing biomass as a fuel alongside natural gas in the unique hoffman kilns used to manufacture the iconic London Brick and we are also exploring synthetic gas as an alternative to natural gas.

The challenge of decarbonising our business is unlikely to be met with a single solution so alongside alternative fuels, we are continuing to develop our understanding of carbon capture and storage solutions. These technologies remain in their infancy and somewhat frustratingly from our perspective, many currently demand emissions with higher concentrations of carbon dioxide than are emitted from our factories to be effective. We have always known that it would be necessary to engage with a number of technology providers and unfortunately, an early such partner with whom we had previously engaged has not yet been able to develop their technology in the manner we had hoped. We have since engaged with a number of other providers, and during 2023 obtained a design for a carbon capture facility that could be added to our next new brick factory, such as the opportunity we retain at Swillington. Whilst an exciting prospect, the current cost of this technology means it is not presently commercially viable for our business but we do expect the costs of these solutions to fall significantly looking forward.

Neil Ash
Chief Executive Officer
25 March 2024

OUR VALUES

INNOVATE TO LEAD

We're empowered to continuously improve
We enjoy bringing initiatives to the table, big or small. We never stand still; we are creative, passionate, and innovative, always looking to improve our business.

We play our part in working towards a more sustainable future, through investments in carbon emissions reduction, product innovation and energy efficiency.

PRIDE IN EXCELLENCE

We relish achievement and success
We are proud of what we do, and the part that we play. We strive to be our best for our customers, delivering unrivalled products, outstanding quality, and leading customer service and technical support.

We work hard to build strong relationships with our stakeholders and take great satisfaction in a job well done.

COLLABORATE AND CARE

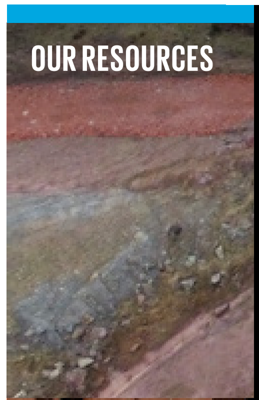
We work in partnership and look out for each other
We are one team. We thrive when working together and supporting one another. We learn and adapt, and believe in communicating openly, honestly, and with integrity.

People's safety is always our number one priority. We always strive to do the right thing, and actively engage with our local communities.

WHAT WE DO AND OUR IMPACTS

WHAT WE DO

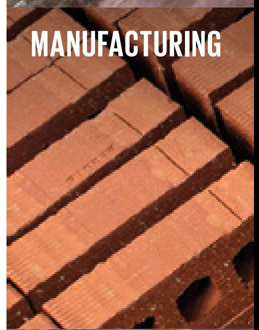
OUR RESOURCES



Security from the ground
Our brick business is built upon our clay reserves. We have access to over 90 million tonnes of clay which assuming normalised production, will on average sustain our manufacturing operations for 50 years. Our 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.

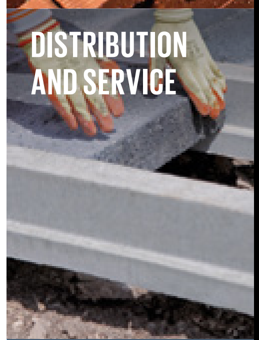
MANUFACTURING



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

We are also currently completing a programme of three large-scale capital investment projects costing almost £140m and continue developing a pipeline of attractive projects beyond this although the timing of further commitments will be dependent both on market conditions and our balance sheet.

DISTRIBUTION AND SERVICE



Dedicated support
Distribution of our products on a national scale is enabled through our own fleet of c.130 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.

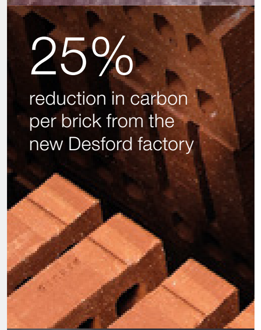
FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
2023

STRATEGIC REPORT

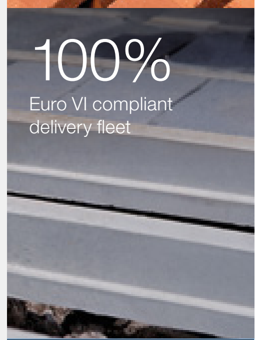
OUR IMPACTS

- 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.
- It is now mandatory in the UK for new development to improve biodiversity through the Biodiversity Net Gain. Forterra already contribute to improvements to biodiversity where more diverse and better quality habitats are left following restoration of our quarries. In addition to the baseline 10% Biodiversity Net Gain improvements to new developments, Forterra are undertaking a review of all land stock to identify opportunities where land management techniques can result in improvements to existing habitats and the creation of new ones.

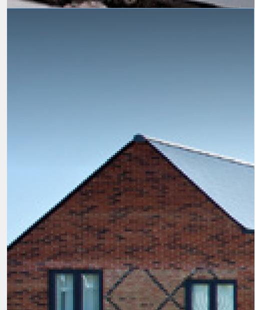
- Our factories and especially our kilns do emit greenhouse gases. We are investing in our business to enhance efficiency and reduce these emissions. Our strategy focuses on efficient manufacturing, allowing us to reduce our energy usage making our business more sustainable.
- We limit our mains water 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.



- We are constantly investing in delivery vehicles and cars with the latest emission-reducing engine technology. Our delivery fleet is now 100% compliant with the latest Euro VI emissions regulations. Our latest vehicles also have significantly reduced fuel consumption relative to their older equivalents.
- We continue 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.



- Our products help build high-quality, energy-efficient homes that last for generations.
- With a shortage of domestically manufactured bricks in the UK (under normalised market conditions), our products are essential in building the houses the country needs.
- We provide employment for approximately 1,600 people, often in rural areas with few employers, playing an integral role in our local communities.



FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
2023

STRATEGIC REPORT

OUR BUSINESS MODEL

INPUTS/STRENGTHS

OUR PEOPLE

Their commitment, expertise and diversity are key to our success

OUR RESERVES

In 2023 over 90% of the clay we used in our manufacturing processes was sourced from our own reserves

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 20 AND 21

A SUSTAINABLE APPROACH

Sustainability is embedded at the heart of our business. Our purpose is to create lasting legacies 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.

- We have set stretching decarbonisation and plastic reduction targets with these embedded in our long-term incentive Performance Share Plan, as well as our credit facility which is sustainability linked.
- We are investing in adding our own dedicated renewable generation capacity to the grid with our dedicated solar farm now generating electricity.
- 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.

VALUE CREATION

SHAREHOLDERS

An attractive dividend policy, supported by strong cash generation over the medium-term.

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

25%

New build segment of UK construction market

37%

RM&I segment of UK construction market

In the short-term we expect our markets to remain challenging but a longer-term structural undersupply of both new housing and domestically manufactured bricks provides confidence of future recovery.

2023 has been an extremely challenging year for the housebuilding sector and this has resulted in a significant reduction in demand for our products.

Whilst the cyclical short-term decline in demand we presently face is frustrating, 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 and improvement (RM&I), as well as residential or non-residential; with our products predominantly being used within the residential construction sector.

In 2023, approximately 92% of the Group's revenue was derived from sales to residential construction applications, of this we believe c.67% of our revenue was driven by new build residential construction with c.25% 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.

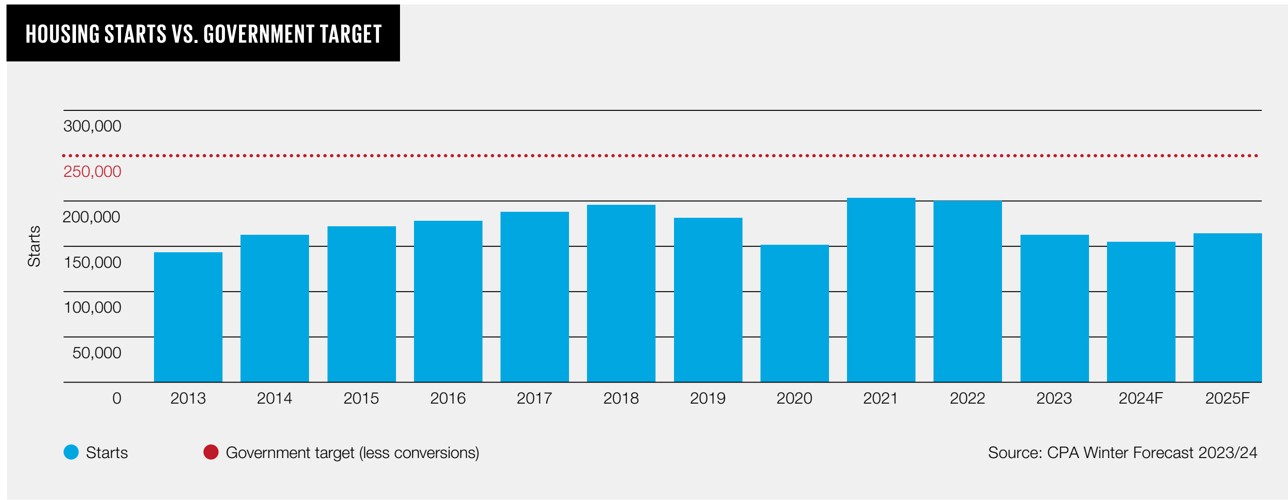
On this basis, the performance of the UK housing market is of key importance to the future success of our business, however our portfolio of RM&I products, most notably our London Brick range widely used in home extensions across the South of England, Midlands and beyond, provides some mitigation to exposure to the cyclical new-build housing market.

UK housing market

The residential construction sector in the UK comprises 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. According to estimates provided by the Construction Products Association (CPA), GB housing starts fell 19% in 2023 from approximately 202,000 in 2022 to 164,000 in 2023. Housing starts are forecast to total approximately 156,000 in 2024, a fall of a further 5%.

Correlating movements in starts and completions can be challenging with completions benefiting from the pre-mini budget order books that the housebuilders carried into 2023. GB housing completions in 2023 are estimated to have totalled approximately 176,000 homes, a fall of 15% on the prior year.

It is believed that the 2023 housing starts statistic is influenced by changes to Part L of the Building Code, which led to a number of housebuilders starting plots ahead of this change which took effect from July 2023. Although it is not clear how many of these additional plots have actually been built-out, we believe many remained at foundation level awaiting a recovery in demand. If proven, this would help the housebuilding sector quickly respond to any sudden recovery in demand.



The new build housing market has always been cyclical and as such we are confident that demand for housing will recover from its current low with a persistent long-term shortage of housing remaining unaddressed with increasing housing supply a current political issue ahead of a forthcoming general election.

Demand for new housing in the UK is highly dependent on interest rates and with significant falls in available mortgage rates at the beginning of 2024 providing some cause for optimism of a faster recovery.

Political backdrop

A lack of availability and affordability of quality housing remains a key political issue and is expected to be an area of focus ahead of the upcoming general election that will take place either later in 2024 or in early 2025. There is a degree of optimism within the industry that ahead of the election there may be some modest support to help stimulate housing demand. More significantly, post election, dependent on the result, there could be greater priority placed on improving the supply of new housing including social housing removing some of the current impediments to increased supply including planning system bottlenecks.

MARKET OVERVIEW
CONTINUED

Demand for our products

Driven by the decline in housebuilding outlined above but also a slowdown in the RM&I market, demand for our products remained subdued throughout 2023. Our housebuilding customers saw a sharp drop in demand for their new homes following the disastrous September 2022 mini-budget, and whilst demand for our products did initially remain resilient for the remainder of 2022, we experienced a sharp drop in demand from the beginning of 2023.

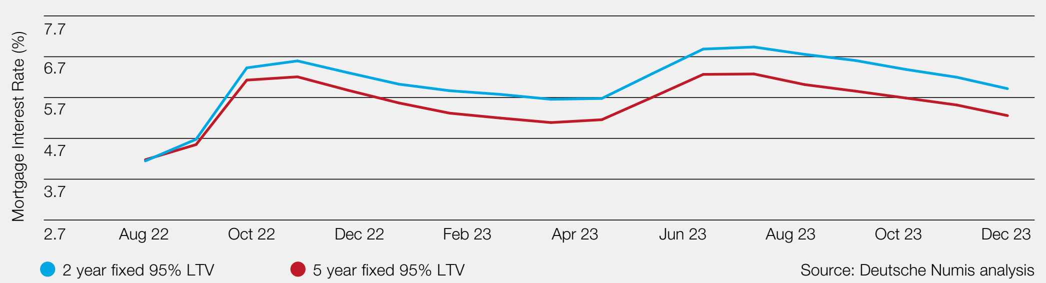
Figures from the Department for Business and Trade (DBT) show that domestic despatches of bricks fell from approximately 1.9bn in 2022 to 1.4bn in 2023 a fall of approximately 30%. Our own brick despatches fell by a higher percentage year-on-year as a result of our sales bias towards the large scale housebuilders whose own businesses were most impacted by the increase in interest rates.

Whilst hard to accurately quantify, despatches of bricks in the year have undoubtedly been impacted by our customers seeking to reduce the volumes of our products they hold in stock. As a response to the industry supply constraints that have been well documented, bricks have been in short supply for much of the last decade, resulting in customers holding higher levels of inventory to ensure their operations are not disrupted by an inability to secure sufficient supplies. In 2023, with bricks more readily

38%

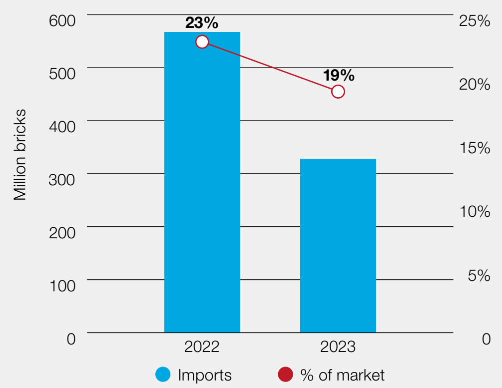
Commercial & Specification segment of UK construction market

MORTGAGE INTEREST RATE



Source: Deutsche Numis analysis

BRICK IMPORTS



Source: Department for Business and Trade, HMRC.

available, customers sought to optimise their own working capital by reducing the levels of inventory they held, reducing their purchases in 2023.

This is evidenced by industry brick despatches falling by a greater percentage (c.30%) than the fall in housing starts (c.19%), also supporting the assertion that the 2023 housing starts figure was inflated by technical starts initiated ahead of the change in the Building Code but not completed.

UK demand versus domestic capacity

Due to the weight of our products, transport costs are high and the penetration of imported bricks into the UK was primarily driven by shortage of domestic supply. Imported bricks fall into two categories: a core element of specialist, often architecturally driven products not manufactured in the UK, and additional imports that service demand that cannot be met due to capacity constraints of the UK brick manufacturing industry, where domestic production capacity remains below the pre-financial crisis levels of c.2.6 billion bricks per annum despite ongoing investment.

This second category fluctuates depending on availability of domestically produced bricks and as such, in line with the fall in demand seen in 2023 these imports have decreased.

Figures from the His Majesty's Revenue Customs (HMRC) show that imports of bricks to the UK fell from 570 million in 2022 to a level of 329 million in 2023, a fall of 43%. Imports have fallen by a greater percentage than domestic despatches resulting in their share of total demand falling from 23% in 2022 to 19% in 2023.

In a normal year it is estimated that around 150-200 million architecturally differentiated bricks are imported into the UK and with this market being less susceptible to the increases in interest rates seen in 2023, these imports are expected to have remained more resilient and as such the fall in imports that are directly substitutable by Forterra is greater than the 43% headline fall above.

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 normalised 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 2024, 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 78 to 85 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.

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 30 and 31, and the business model can be found on pages 22 and 23. The following details engagement across our stakeholder group, both throughout the business and at Board level.

Our values

- Innovate to lead
- Pride in excellence
- Collaborate and care

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 2023.

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.

PEOPLE	CUSTOMERS	SUPPLIERS	COMMUNITY AND ENVIRONMENT	SHAREHOLDERS
We aim to create an engaging workplace, attracting and retaining talented people	Our customers are essential to our business, and evolving to meet their changing needs is core to our success	Working collaboratively with our supply partners to ensure value is delivered throughout our supply chain	We believe in putting communities at the heart of everything we set out to achieve	The core of our strategy is to create sustainable shareholder value
Aligning with our values	**Aligning with our values**	**Aligning with our values**	**Aligning with our values**	**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 • New CEO Neil Ash undertook his inaugural 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 • In making difficult but necessary decisions to cut production and reduce our workforce in response to reduced demand, we consulted with the individuals impacted as well as trades unions in an open and transparent manner	**Business engagement** • Our commercial team continually engage 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 was vital as we informed customers of our decisions to reduce production in response to reduced demand, reassuring customers that where factories were being mothballed, our product range would not be diminished with production moving to other factories	**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	**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 match funding available to employees, aiding fundraising efforts	**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 • 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	**Board engagement** • Executive Directors regularly meet with customers • Corporate event held where Non-Executive Directors met with key customers gaining insight into their perspectives	**Board engagement** • Sustainability is a key priority for the Board. The Risk and Sustainability Committee became a dedicated Sustainability Committee from 1 January 2024 • Risks to the supply chain including energy procurement are regularly discussed at both Board and Risk and Sustainability Committee meetings	**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	**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
Outcomes • The Employee Forum met on a quarterly basis, discussing a range of topics including health and wellbeing and charitable giving	**Outcomes** • Continued to meet our customers' requirements. Open and transparent dialogue with our customers regarding their own businesses and their demand projections for our products informed the decisions we needed to make regarding production output	**Outcomes** • Managing supply chain pressures through secondary and multiple sources of supply	**Outcomes** • Donated over £63,000 to charitable causes in 2023	**Outcomes** • Shareholders are kept informed of Group performance • Sustainability metrics of decarbonisation and plastic reduction 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

BRILLIANT TODAY, AHEAD OF TOMORROW

Our strategy supports the delivery of our purpose, recognising the key role our products play in shaping the built environment.

Our strategy is centred around value creation for our three key stakeholder groups: our shareholders, our customers and our employees.

A strong core business
Supported by favourable underlying market dynamics of a long-term undersupply of new housing in the UK, our business is centred on supporting the UK construction industry and the residential sector specifically with quality products. We are well-equipped for long-term future growth through our organic investments in new factory capacity, and enhanced efficiency.

Adapting for the future
Recognising the evolving needs of our customers to provide more sustainable and efficient methods of construction, our strategy identifies areas of product development in higher growth sectors, focused on delivering lower carbon and offsite solutions for the buildings of tomorrow.

£140m
Investment programme

CO_2

32%
Target for a reduction in carbon intensity

DELIVERED THROUGH OUR STRATEGIC IMPERATIVES

STRENGTHEN THE CORE

Make our current business even better than it is today
We have a strong track record of investing in our asset base to grow capacity and improve efficiency. We are coming to the end of an investment programme totalling almost £140m and removing the capacity constraints that have hindered the business in recent years, with our flagship £95m Desford brick factory commencing production in 2023 and our Wilnecote factory recommissioning in 2024. We continue to invest in our core business with a pipeline of further attractive projects, the timing of which will be driven by both market conditions and our balance sheet.

We also strive for the highest levels of operational and commercial performance, embedding best practice and investing in technology and skills to truly deliver best in class efficiency.

SAFETY AND ENGAGEMENT

Create an engaged, healthy and safe workforce
Safety performance remains at the heart of our business and strategy. In 2023 we continued on the journey of our roadmap to zero harm, which was focused on leadership behaviours and the development of a best-in-class safety culture. It was pleasing to see a marked improvement in the number of lost time accidents recorded in the business in 2023, and we will strive to continue this momentum into 2024 through a focus on visible felt leadership.

2023 also saw us undertake our annual employee survey, enabling benchmarking of results against industry peer groups. Group participation rates in the survey increased substantially from 53% to 78%. We truly believe that an engaged workforce improves business performance, and in 2024 we will implement our action plans throughout the business based on the survey feedback to further enhance engagement.

BEYOND THE CORE

Provide the products and solutions for the buildings of tomorrow
Whilst our heritage and core business is centred around traditional masonry construction, we believe that façade systems will continue to grow their presence, particularly in mid to high-rise construction settings. Our investment in a brick slip manufacturing facility at our Accrington plant will provide a leading sustainable supply of high-quality UK manufactured brick slips from 2024, maintaining the aesthetic qualities of traditional brick in a modern, lightweight system solution.

SUSTAINABILITY

Leave the lightest touch on the world we live in
Through our three key sustainability pillars of People, Planet and Product we ensure that sustainability remains at the heart of our strategy. Our carbon emissions reduction roadmap set a clear target of 32% reduction in carbon emission intensity against a 2019 baseline, and we have already made strong progress against this aspiration. Plastic packaging reduction remains a further key focus for the business, with dedicated capital investments made to deliver real change of 50% reduction in our plastic consumption by 2025.

OUR PURPOSE

HELPING CREATE LASTING LEGACIES FOR

Our purpose is helping create lasting legacies that go beyond construction or housebuilding to deliver growth and foster a legacy of building today, tomorrow and into the future.

With a foundation built on heritage brands and exceptional people, we invest in the best talent to deliver unparalleled customer service and technical support, fostering strong relationships with our customers.

Our commitment to sustainability propels us towards a greener future. With every investment we make we are investing in sustainability, and we continue to embrace new technology to ensure we meet the future challenges that face our industry.

BUILDINGS

Helping our customers create buildings that span generations.

OUR PEOPLE

Continuously developing and supporting our teams.

OUR BRANDS

Caring for our brands with strong heritage and bright futures.

FUTURE GENERATIONS

Supporting the next generation of skilled construction workers.

COMMUNITIES

Strengthening the communities in which we operate.

FORTERRA PLC
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2023

STRATEGIC REPORT

BUILDINGS

HELPING CREATE BUILDINGS THAT SPAN GENERATIONS

The products we supply help our customers create buildings that span generations. History in the making, we are immensely proud to play our part in helping to create something that stands the test of time.

£140m

investment programme to keep Britain building

OUR PEOPLE

CONTINUOUSLY DEVELOPING AND SUPPORTING OUR TEAMS

We are committed to developing and supporting our teams and know that an engaging employee experience is key to a successful business. We also champion employee development, aiming to have 5% of our workforce in 'earn and learn' positions.

2,945

completed hours of leadership training in 2023

OUR BRANDS

CARING FOR OUR BRANDS WITH STRONG HERITAGE AND BRIGHT FUTURES

Our portfolio contains some of the most recognised and respected names in the construction industry. It's our responsibility to treat those brands with respect to ensure that their legacy is retained for years to come.

146

years London Brick has been in production

FUTURE GENERATIONS

SUPPORTING THE NEXT GENERATION OF SKILLED CONSTRUCTION WORKERS

We champion construction colleges under our Construction Hubs scheme, providing much-needed materials for bricklaying courses to inspire ambition and foster raw talent in the next generation of bricklayers.

78,000

bricks donated in 2023 via the Forterra Construction Hubs scheme

COMMUNITIES

STRENGTHENING THE COMMUNITIES IN WHICH WE OPERATE

We strive to be a good neighbour, helping our local communities to prosper. We regularly support local charities, clubs, groups, societies, and projects, whether that be through monetary contributions or product donations.

77

community and charity initiatives supported in 2023

FORTERRA PLC
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2023

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

STRATEGY LINKS

- Safety and engagement
- Strengthen the core
- Sustainability
- Beyond the core

REMUNERATION LINKS

- Remuneration

Revenue (£m)

2023	346.4
2022	455.5
2021	370.4
2020	291.9
2019	380.0

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

Performance
Revenue decreased by 24.0% compared to 2022. The impact of declining sales volumes on revenue was partially offset by a positive pricing benefit.

Links —— Strengthen the core, Beyond the core

Lost time incident frequency rate

2023	3.24
2022	3.79
2021	3.98
2020	2.52
2019	7.10

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 3.24 incidents for every million man-hours worked in 2023, representing a decrease on 2022. Of the 29 separate business areas monitored, 20 were Lost Time Incident (LTI) free during 2023, seven have been LTI free for over five years and three for over 10 years.

Links —— Safety and engagement, Strengthen the core, Sustainability, Beyond the core

Operating cash conversion (%)

2023	(53)
2022	108
2021	137
2020	233
2019	80

Definition
Operating cash conversion is calculated as adjusted operating cash flow less capital expenditure (excluding spend on the strategic projects) divided by adjusted operating profit. 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 has a long history of strong operating cash conversion although challenging trading conditions leading to large increase in inventory along with adverse movements on payables have significantly impacted cash generation in 2023.

Links —— Strengthen the core, Beyond the core

Adjusted profit before tax (£m)

2023	31.1
2022	70.6
2021	50.7
2020	17.4
2019	62.5

Definition
Profit before tax adjusted for exceptional items and other adjusting items.

Performance
Adjusted profit before tax decreased by 55.9% to £31.1m. This was driven by a fall in customer demand along with the inefficiencies associated with reducing output, as well as an increase in depreciation driven by the new Desford factory in addition to increased interest rates on higher borrowings.

Links —— Safety and engagement, Strengthen the core, Sustainability, Beyond the core, Remuneration

Adjusted EPS (pence)

2023	11.4
2022	26.4
2021	17.5
2020	6.6
2019	25.5

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

Performance
Adjusted EPS was 11.4p compared with 26.4p in 2022, this directly relates to the decrease in operating profit and increased finance costs.

Links —— Safety and engagement, Strengthen the core, Sustainability, Beyond the core, Remuneration

Net (debt)/cash before leases (£m)

2023	(93.2)
2022	(5.9)
2021	40.9
2020	16.0
2019	(43.2)

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 a significant debt balance as a consequence of reduced profitability, coupled with a significant adverse working capital variance of £62.4m of which £52.8m related to inventory build, coupled with capital expenditure of £34.1m which included £19.3m in respect of our three strategic projects.

Links —— Strengthen the core, Beyond the core

Clay carbon intensity ratio (CO_2e per tonne)

2023	248.7
2022	244.9
2021	238.0
2020	237.1
2019	255.7

Concrete carbon intensity ratio (CO_2e per tonne)

2023	25.6
2022	20.7
2021	19.9
2020	21.4
2019	20.9

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 most 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 challenging targets in 2020 (against a 2019 benchmark), a variation in the mix of products that we have produced, as well as the decision to not offset our 2023 scope 2 emissions with Renewable Energy Guarantee of Origin (REGO) purchases on grounds of cost where previously we had done so, means that the carbon emission intensity at Group level has increased by 6.3%. This is despite a reduction within our clay business of 2.7%, reflecting the positive work we are doing to decarbonise. Looking ahead, our new solar farm will largely negate the need to purchase REGOs which have risen in cost dramatically.

Links —— Strengthen the core, Sustainability, Beyond the core, Remuneration

CHIEF FINANCIAL OFFICER'S REVIEW
RESPONDING TO A CHALLENGING MARKET

BEN GUYATT
CHIEF FINANCIAL OFFICER

"We have taken decisive management action in response to a significant decline in demand for our products."

Our financial performance in 2023 is heavily influenced by the challenging market conditions we have faced. These market conditions have guided our decision making in identifying and implementing strong management actions in the face of uncertainty.

2023 Results

Alternative performance measures

In order to provide the most transparent understanding of the Group's performance, we use alternative performance measures (APMs) which are not defined or specified under IFRS. The Group believes that these APMs provide additional helpful information on how the trading performance of the business is reported and reviewed internally by management and the Board, allowing non-trading items which are less likely to recur to be assessed separately.

Management and the Board use several profit related APMs in assessing Group performance and profitability. These are considered before the impact of exceptional and adjusting items.

Restatement of prior year comparatives

During 2023 we were required to implement multiple actions to align our production with reduced market demand. One of these actions was the combination of our Cradley Special Brick business with our Red Bank terracotta operation. Historically, Red Bank was included within Bespoke Products, with Cradley consolidated into Bricks and Blocks. Management have determined that the restructured combined 'Cradley Red Bank' business will operate from the Red Bank site at Measham, and be included within the Bricks and Blocks reporting segment. The full year 2023 results of both operations have been included within the Bricks and Blocks segment and the prior year comparative has been restated accordingly, with 2022 Bricks and Blocks revenues increasing by £5.9m and adjusted EBITDA by £0.1m, with the opposite adjustment in Bespoke Products.

Revenue

Sales volumes varied somewhat by product although overall our despatches in the year were a little over 30% down on 2022.

Total revenue of £346.4m represents a decrease of 24.0% on the prior year (2022: £455.5m). The impact of declining sales volumes on revenue was partially offset by a positive pricing benefit. After significant price increases, which for some products totalled almost 50% during the prior year, pricing was more stable in 2023. We implemented low single digit price increases at the beginning of 2023 and although there was a slight erosion in some of our prices over the course of the year, pricing remained resilient in the face of a significant drop in demand which has seen UK brick industry despatches at levels last seen around the time of the Global Financial Crisis. Overall, the year-on-year pricing comparison benefits from the full year effect of the multiple in-year price increases implemented during 2022.

Bespoke Products and in particular Bison Flooring delivered a particularly resilient performance with the combined tonnage of the products despatched falling only 23.3% relative to 2022 with a growth in hollowcore despatches partially offsetting the fall in floor beam despatches.

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)

Adjusted EBITDA was £58.1m (2022: £89.2m) with profitability impacted by the significant reduction in demand for our products leading to a sizeable year-on-year decrease in our sales volumes as outlined above.

Our business is managed as two segments and we allocate our central overheads to each segment based on a 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.

Bricks and Blocks segmental adjusted EBITDA was £52.1m (2022: restated £85.6m) and Bespoke Products contributed an adjusted EBITDA of £6.0m (2022: restated £3.6m).

For the second year running, we are very pleased with the performance delivered by the Bespoke Products segment. Prior to a £4.5m (2022: restated £6.0m) allocation of Group overhead, this segment delivered an adjusted EBITDA of £10.5m (2022: restated £9.6m).

Adjusted profit before tax

Adjusted profit before tax was £31.1m (2022: £70.6m) driven primarily by the fall in EBITDA as highlighted above. Further factors included an increase in depreciation in respect of the new Desford factory and an increase in borrowing costs resulting from a combination of a significant increase in borrowings and rising interest rates.

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

Statutory profit before tax

On a statutory basis profit before tax (PBT) was £17.1m (2022: £72.9m). This is stated after charging adjusting and exceptional items as set out under the sections for exceptional and adjusting items below.

Results for the year

	Revenue	EBITDA			
	2023 £m	2023 £m	Exceptional items 2023 £m	Adjusting items 2023 £m	Adjusted EBITDA 2023 £m
Bricks and Blocks	277.4	38.4	13.7	–	52.1
Bespoke Products	72.7	5.7	0.3	–	6.0
Inter-segment eliminations	(3.7)				
Group total	**346.4**	**44.1**	**14.0**	**–**	**58.1**

Results for the prior year

	Revenue	EBITDA			
	Restated[1] 2022 £m	2022 £m	Exceptional items 2022 £m	Adjusting items 2022 £m	Adjusted EBITDA 2022 £m
Bricks and Blocks	376.1	87.9	(2.3)	–	85.6
Bespoke Products	84.2	3.6	–	–	3.6
Inter-segment eliminations	(4.8)				
Group total	455.5	91.5	(2.3)	–	89.2

1. Restated to report Red Bank results within Bricks and Blocks as a result of internal restructure. Further details on page 40.

Management actions

Our factories faced a number of challenges during 2023. We began the year with record low levels of inventory with production in recent years restricted by our capacity constraint.

We began the commissioning of the new Desford brick factory at the start of 2023 and gradually ramped up production throughout the year, with a well-attended opening event taking place in May.

The commissioning of any new factory is a complex process and new Desford has had its challenges in this respect. We did however make good progress in the second half, increasing our rate of production and also expanding the range of products that the factory can produce.

Faced with difficult market conditions and with inventories replenished by the end of the first quarter, we took action to limit our inventory to appropriate levels.

Decisions regarding output are taken with many factors in mind, although retaining manufacturing efficiency is a key priority. Brick factories especially are high-fixed-cost operations and as such can be inefficient to run at lower levels of output and we have taken decisions at factory level to maximise efficiency whilst reducing output. These decisions are not easy, the mothballing of factories and the making of redundancies have a lasting impact on the lives of affected colleagues and for the Company leads to significant one off costs which are detailed further in the exceptional items section of this report.

Making decisions to reduce output are challenging, especially where market demand in the near-term is uncertain. With our markets showing signs of recovery in the late spring 2023, we held back in taking some actions. In addition, we faced the complexity of adding new capacity in the form of the new Desford factory, knowing we would ultimately need to reduce output elsewhere but not until we were comfortable Desford was capable of meeting customer demand.

Ultimately, we implemented three separate rounds of restructuring which together will lead to annualised fixed cost savings totalling over £20m with a reduction in our workforce of almost 300 people. These savings have been achieved through the mothballing of two brick factories as well as implementing shift reductions and production breaks at a number of other facilities. In addition, we undertook a restructuring of our sales and back office functions.

Bricks and Blocks

			Restated[1]	
	Adjusted 2023 £m	Statutory 2023 £m	Adjusted 2022 £m	Statutory 2022 £m
Revenue[2]	277.4	277.4	376.1	376.1
EBITDA[3] before overhead allocations	70.0	56.3	109.6	111.9
Overhead allocations	(17.9)	(17.9)	(24.0)	(24.0)
EBITDA[3]	52.1	38.4	85.6	87.9
EBITDA[3] margin before overhead allocations	25.2%	20.3%	29.1%	29.8%
EBITDA[3] margin after overhead allocations	18.8%	13.8%	22.8%	23.4%

1. Restated to report Red Bank results within Bricks and Blocks segment as a result of internal restructure. Further details on page 40.
2. Revenue is stated before inter-segment eliminations.
3. Both EBITDA and adjusted EBITDA are APMs, with EBITDA presented above under statutory being calculated with reference to statutory results without adjustment.

Bespoke Products

			Restated[1]	
	Adjusted 2023 £m	Statutory 2023 £m	Adjusted 2022 £m	Statutory 2022 £m
Revenue[2]	72.7	72.7	84.2	84.2
EBITDA[3] before overhead allocations	10.5	10.2	9.6	9.6
Overhead allocations	(4.5)	(4.5)	(6.0)	(6.0)
EBITDA[3]	6.0	5.7	3.6	3.6
EBITDA[3] margin before overhead allocations	14.4%	14.0%	11.4%	11.4%
EBITDA[3] margin after overhead allocations	8.3%	7.8%	4.3%	4.3%

1. Restated to report Red Bank results within Bricks and Blocks segment as a result of internal restructure. Further details on page 40.
2. Revenue is stated before inter-segment eliminations.
3. Both EBITDA and adjusted EBITDA are APMs, with EBITDA presented above under statutory being calculated with reference to statutory results without adjustment.

Operating costs

Following the unprecedented increases in our cost base seen in 2022, our cost environment was more stable through 2023 although we did still see further cost increases including labour and energy.

As a result of our forward purchasing, we had good forward visibility with regards to energy costs in 2023 and had expected them to increase relative to 2022, which they did. Whilst spot prices fell through the year, our forward purchasing did not allow us to benefit from these lower prices. In addition, following our reductions in production output, towards the end of the year we had purchased more energy than we were able to consume, with this surplus energy being sold back to the market. Losses realised in respect of this surplus energy have been disclosed as adjusting items.

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

Our combined gas and electricity spend in the year was approximately £57m, in line with the prior year, with reduced usage in 2023 being offset by higher unit costs.

We take a risk-based approach to energy procurement, layering forward purchase positions where we see value ahead of planned usage and providing cost certainty. The Group generally purchases up to 80% of expected energy usage in this manner.

Under normal circumstances the Group takes delivery of and consumes all the gas and electricity under each contract, and in doing so the costs associated with the purchase of gas and electricity are accounted for in the profit and loss at the point of consumption. However, following our substantial reductions in output, based on our current expectations of production, we have over-purchased energy and as such, any surplus will be sold back to the market, crystallising a gain or loss at that point. Contracts where this is the case are accounted for as derivative assets or liabilities at the balance sheet date with any associated fair value gains or losses recognised in the profit and loss and presented as adjusting items.

Looking ahead, we have forward purchased around 90% of our energy requirement in 2024 providing a high degree of price certainty. We will begin to receive electricity from the Forterra solar farm in April 2024, with the full financial benefits accruing from April 2025 when the 15-year Power Purchased Agreement (PPA) begins.

Exceptional items

Exceptional items in 2023 primarily relate to redundancy and termination costs associated with the restructuring of our operations in order to reduce output in response to the decline in demand for our products.

Redundancy and termination costs totalled £8.8m of which £5.1m was paid in 2023 with the balance to be paid in early 2024.

In addition, non-cash impairment losses of £5.0m have been recognised in respect of the carrying value of the Howley Park and Claughton brick factories which were mothballed in the year.

The exceptional item in the prior year related to the sale of surplus land for gross proceeds of £2.5m, realising an exceptional profit of £2.3m.

Adjusting items

In addition to exceptional items we have also identified further adjusting items, the separate disclosure of which allows us to present our results in a manner that will allow users of our financial statements to understand the underlying trading performance of the business applying consistent treatments as used by management to monitor the performance of the Group.

Adjusting items in the current year relate to both realised and open energy positions where committed energy purchased by the Group has or is expected to exceed consumption. This is a direct result of reductions to production made in the year. In 2023, the Group realised a £0.8m loss in respect of surplus energy sold back to the market in the year, alongside a £0.8m gain, being the fair value of open positions at the balance sheet date. For these, the Group expects to sell a portion of the committed volume back to the market and as a result is no longer able to benefit from the own use exemption detailed within IFRS 9 Financial Instruments.

Adjusted PBT reconciliation

	2023 £m	2022 £m
Adjusted PBT	**31.1**	70.6
Exceptional costs		
Restructuring costs	**(9.0)**	–
Impairment of plant and equipment	**(5.0)**	–
Profit on sale of surplus land	**–**	2.3
Adjusting items		
Realised loss on the sale of surplus energy	**(0.8)**	–
Derivative gains on future energy contracts	**0.8**	–
Statutory PBT	**17.1**	72.9

Finance costs

Finance costs totalled £7.0m (2022: £2.1m). The significant increase in our finance costs in the period was the result of a growth in borrowings driven by lower earnings, a significant investment in inventory, and continued strategic capital spend, coupled with an increase in borrowing costs driven by SONIA which increased from 3.43% to 5.19% over the course of 2023.

Under the terms of the credit agreement, interest is payable according to a margin grid dependent on leverage starting with a margin of SONIA plus 1.65% applicable whilst leverage (net debt/adjusted EBITDA, pre IFRS 16) is less than 0.5 times, rising to a margin of 3.5% if leverage is greater than 3.5 times. A commitment fee of 35% of the margin was payable on the undrawn credit facility.

Taxation

The effective tax rate (ETR) including adjusted items was 25.0% (2022: 19.3%) and 24.5% excluding adjusted items (2022: 19.3%). The increase in the ETR is mainly driven by the increase in the UK statutory rate of corporation tax to 23.5% (2022: 19.0%). The ETR is higher than the UK main rate of corporation tax due to the permanent impact of non-deductible items such as depreciation on non-qualifying assets. Profit before tax in 2023 was lower than that in 2022, therefore the impact of permanent non-deductible as a percentage of profit is higher and has increased the ETR. The 2022 ETR was also more in line with the statutory rate of corporation tax due to the permanent benefit of the UK tax super deduction on qualifying plant and machinery expenditure as announced in the 2021 Budget which ceased in March 2023.

Earnings per share (EPS)

Adjusted basic EPS was 11.4p (2022: 26.4p). Statutory basic EPS was 6.2p (2022: 27.2p). EPS is calculated as the weighted average number of shares in issue during the year (excluding those held by the Employee Benefit Trust (EBT)) which in 2023 was 206.6m shares (2022: 216.2m).

Cash flow

Adjusted operating cash outflow totalled £5.3m compared to a cash inflow of £89.0m in the prior year, with the decline due predominantly to a £31.1m decrease in adjusted EBITDA and a significant working capital outflow driven by an increase in inventory.

Inventories increased by a total of £52.8m primarily as a result of increases in the quantity of inventory on hand but also due to an increase in valuation driven in part by the full year impact of the cost inflation which impacted the cost of production through 2022.

The cash flows driven by movements in receivables and payables are primarily a function of a reduction in activity, with lower sales and purchases reduced with falling production.

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 £1.0m (2022: £11.8m). With the EBT well positioned to satisfy vesting awards under the Group's employee benefit schemes, the number of shares purchased in 2023 fell significantly relative to 2022 and further shares are not currently being purchased. As at the year end, the EBT held 5.5m shares with a market value of £9.7m, with 3.3m of these shares likely to be used to satisfy vesting Sharesave awards in the first half of 2024.

It remains our policy to provide shares for settlement of our share-based employee reward schemes through open market purchases as opposed to the issue of new share capital.

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

Cash flow – highlights

	2023 £m	2022 £m
Adjusted EBITDA	**58.1**	89.2
Purchase and settlement of carbon credits	**3.1**	(5.6)
Other cash flow items	**(4.1)**	6.3
Changes in working capital:		
– Inventories	**(52.8)**	(10.2)
– Trade and other receivables	**13.3**	(5.2)
– Trade and other payables	**(22.9)**	14.5
Adjusted operating cash flow	**(5.3)**	89.0
Payments made in respect of adjusting items	**(5.9)**	–
Operating cash flow after adjusting items	**(11.2)**	89.0
Interest paid	**(6.1)**	(2.4)
Tax paid	**(2.7)**	(11.0)
Capital expenditure:		
– Maintenance	**(14.8)**	(10.5)
– Strategic	**(19.3)**	(33.6)
Dividends paid	**(25.7)**	(24.2)
Net cash flow from sale and purchase of shares by Employee Benefit Trust	**(1.0)**	(11.8)
Payments made to acquire own shares	**–**	(40.3)
New lease liabilities	**(12.3)**	(6.8)
Other movements	**(0.7)**	0.8
Proceeds from sale of property, plant and equipment	**0.3**	2.5
Increase in net debt	**(93.5)**	(48.3)
Debtor days	**33**	36

Capital expenditure

Capital expenditure in the year totalled £34.1m (2022: £44.1m) with strategic capital expenditure totalling £19.3m (2022: £33.6m) and maintenance capital expenditure totalling £14.8m (2022: £10.5m).

Spend on the new Desford brick factory totalled £5.2m, bringing the total cumulative project spend to £91.0m. There is a small amount of spend still to incur in 2024 and we expect to complete the factory within the original £95m budget. In addition, our 2023 maintenance capital spend includes £2.0m for the installation of roof mounted solar panels which will generate around 16% of the factory's electricity requirement going forward, providing cost effective, transmission cost free, on-site renewable energy.

As Desford nears completion, the ongoing strategic projects comprising the redevelopment of the Wilnecote brick factory and the construction of the slips facility at Accrington will become the largest contributors to capital spend in 2024. Although the project is running a little behind schedule as a result of supplier delays, spend on Wilnecote during 2023 totalled £10.9m (2022: £5.3m) bringing the total spend to £17.9m. The factory is due to recommence production in the second half of 2024 and is expected to be delivered at a total cost of £30m.

Spend to date on the slips facility at Accrington now totals £3.2m with the facility expected to be completed within the £12m original budget and with the first slips expected to be produced in Q3 2024.

Our capex spend in 2024 is expected to be £27m, with £21m of this related to the completion of the strategic projects and £6m of maintenance capex which is sufficient for current needs given the currently mothballed factories and one-off items in the 2023 comparative. We expect this capital outflow to be weighted toward H1 as the strategic projects approach completion.

Maintenance capital spend totalled £14.8m (2022: £10.5m) and included significant one-off items of £4.0m on renewing our HGV fleet and also £2.0m in respect of the solar panels at Desford.

Borrowings and facilities

At 31 December 2023 net debt (before leases) was £93.2m (2022: £5.9m). Net debt after adding lease liabilities of £24.2m (2022: £18.0m) was £117.4m (2022: £23.9m). These leases primarily relate to plant and equipment, in particular the fleet of heavy goods vehicles used to deliver our products to our customers.

The Group's credit facility comprises a committed revolving credit facility (RCF) of £170m extending to January 2027 with an option for an extension to July 2028 subject to lender consent. At the year-end a total of £110m was drawn on the facility. In addition £9.5m of the facility was carved out to provide a letter of credit related to the construction project at Accrington leaving facility headroom of £50.5m. Of the £9.5m carved out of the facility, the balance outstanding on the letter of credit at the year end was approximately £6.5m. The obligations subject to the letter of credit are expected to be discharged through 2024 allowing the element of the facility required for letters of credit to be reduced if necessary.

The facility is normally 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 Group also benefits from an uncommitted overdraft facility of £10m. The business has traded comfortably within these covenants throughout 2023 and whilst the Group expects to remain within these covenants during 2024, amended covenants have been agreed with the Group's lenders to provide additional headroom given the combination of the Group's reduced EBITDA, increased net debt driven by inventory build, capital outflows and higher interest rates. Accordingly, the Group's leverage covenant has increased to 4 times in June 2024 and 3.75 times in December 2024 with interest cover decreasing to 3 times in December 2024. In addition, quarterly covenant testing has been introduced for the period of the covenant relaxation. As such, in September 2024, leverage is set at four times and interest cover three times and in March 2025 leverage is set at 3.75 times and interest cover at three times. The covenants return to normal levels from June 2025 with testing reverting to half yearly. The existing restriction prohibiting the declaration or payment of dividends should leverage exceed 3 times EBITDA has been amended to 4 times EBITDA in 2024 before returning to 3 times in 2025.

The facility is 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. Unfortunately, primarily as a consequence of our response to market conditions and the subsequent changes to our manufacturing footprint these targets were not achieved in 2023. Further information is included in our Sustainability Report.

Dividend

Our established dividend policy has been to distribute 55% of our adjusted earnings. In light of current trading conditions and the Group's presently elevated levels of indebtedness, the Board have considered the Group's dividend policy and have elected to temporarily reduce the level of dividend distribution. The Board is proposing to distribute 40% of adjusted earnings for 2023 and accordingly is recommending a final dividend of 2.0p per share (2022: 10.1p) which, in addition to the interim dividend of 2.4p per share paid in October (2022: 4.6p), will bring the total dividend to 4.4p per share (2022: 14.7p). Subject to approval by shareholders, the final dividend will be paid on 5 July 2024 to shareholders on the register as at 14 June 2024.

The Board remain confident in the long-term prospects of the Group and in its ability to benefit from the recent capacity investments as the market recovers although retains a degree of caution in the short-term with borrowings expected to peak in mid-2024 before reducing steadily thereafter. The Board intends to keep its dividend policy under review and will look to return the level of distribution to the previous 55% as soon as the market conditions permit.

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 £7.0m (2022: £6.9m).

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
25 March 2024

SUSTAINABILITY REPORT

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FORTERRA PLC
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STRATEGIC REPORT

TCFD DISCLOSURE NAVIGATION

Governance Disclose the organisation's governance around climate-related risks and opportunities.	
Recommended Disclosure	Page
a) Describe the Board's oversight of climate-related risks and opportunities.	52, 78
b) Describe management's role in assessing and managing climate-related risks and opportunities.	52
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	
Recommended Disclosure	Page
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	81-85
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	81-85
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	78-80
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	
Recommended Disclosure	Page
Describe the organisation's processes for identifying and assessing climate-related risks.	79, 81
Describe the organisation's processes for managing climate-related risks.	81-85
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	81
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	
Recommended Disclosure	Page
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	56, 57, 77
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	59-61, 66
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	56-57

SUSTAINABILITY REPORT
LETTER TO STAKEHOLDERS

DIVYA SESHAMANI
CHAIRMAN OF THE SUSTAINABILITY COMMITTEE

❝ We remain committed to our decarbonisation journey and whilst this will not always be linear, we continue to deliver progress against our sustainability targets."

Our commitment to meeting our 2030 sustainability targets and ultimately reaching Net Zero remains steadfast. Despite a tumultuous period in 2023 where softening demand has required production reductions and resultant inefficiencies, we continue to work to ensure that our longer-term targets are met. 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.

Three years into the 10-year time horizon defined in our targets, we are starting to deliver 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. The reduction in production output seen in 2023 has reduced our absolute carbon emissions by 13% since 2022; however, associated inefficiencies and a further variation in the mix of products that we have manufactured means that carbon emissions intensity of both our clay (2%) and concrete (23%) products increased vs. the prior year, leading to 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 our carbon emission intensity by 32% relative to the 2019 baseline.

An additional factor in our overall emissions footprint for 2023 was the decision to not purchase Renewable Energy Guarantees of Origin (REGOs), something we have done since 2020 in order to 'green' our electricity supply. In a year that saw considerable progress made in the construction of the Forterra solar farm, which will start to deliver renewable power to the business in April 2024, we also saw significant increases in the costs associated with purchasing REGOs. Deciding to forego this increased expense (in excess of £1m) and focus our efforts on delivering genuine reductions in our emissions will see a temporary increase in Scope 2 emissions as we look forward to the new renewable energy generation capacity being delivered in the coming months.

In this Sustainability Report, as well as an update to our previously published Carbon Management Plan, laying out our medium-term roadmap as to how we expect to meet our 2030 decarbonisation targets; we also, for the first time, report a detailed calculation for our Scope 3 emissions. Better understanding the emissions generated not just by our own operations, but throughout our supply chain, will allow us to focus on areas for further reductions. Further information on these are detailed as part of this Report.

Whilst our Carbon Management Plan recognises that our decarbonisation journey will not be linear, with 2023 being a prime example of this; we continue to investigate new and innovative ways in which we can deliver on these plans. Whilst some areas are more developed than others, we recognise the need to deliver multiple projects in order to do this, and our 'Brick Factory of the Future' case study presented later in this Report aims to show just what the ultimate implementation of our ongoing areas of innovation could eventually look like.

Crucial to our plan is making our business more efficient, and therefore more sustainable. Our new Desford brick factory, offering industry leading levels of efficiency, is now operational and an excellent demonstration of our sustainability strategy in action. 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 plant will allow us to bring a new sustainable product to market.

The previous 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, so much so that from the start of 2024 sustainability matters will be governed by a standalone Sustainability Committee. The Committee will devote its time to the continuance of Group's sustainability strategy and governance thereof. The Board takes all areas of governance seriously and as well as reporting full compliance with the requirements of the Task Force on Climate-Related Financial Disclosure (TCFD), the Board has additionally started to consider the requirements of the Task Force on Nature-Related Financial Disclosure (TNFD) and we look forward to reporting further progress in this respect in future periods.

The importance attached to sustainability both within our own business and by our stakeholders is evidenced by the inclusion of sustainability-related targets within both the Group's banking facility (which if met, secures a reduction in borrowing costs) as well as within the performance targets applied to the long term incentives granted under the Performance Share Plan. These targets cover decarbonisation, plastic reduction, and employee development. Whilst the wider macro challenges faced during the year have meant our progress has not quite been at the level hoped for, these targets remain in place and will further drive our sustainability journey going forwards.

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 Sustainability Committee

CO_2

Absolute carbon emissions
20%
reduction (vs. 2019)

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 (which from 1 January 2024 will be a standalone 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 Technical 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. The Group also utilises 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 climate-related risks are reported upwards 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 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 Sustainability Committee

Cross Functional Working Groups

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

SUSTAINABILITY FRAMEWORK

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

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

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

Link to United Nations Sustainable Development Goals (UNSDGs)

Planet:
- Ensure access to affordable, reliable, sustainable, and modern energy for all
- Ensure sustainable consumption and production patterns
- Take urgent action to combat climate change and its impacts

Product:
- Build resilient infrastructure, promote inclusive and sustainable industrialisation
- Make cities and human settlements inclusive, safe, resilient and sustainable
- Protect, restore and promote sustainable use of terrestrial ecosystems

People:
- End poverty in all its forms everywhere
- Ensure healthy lives and promote wellbeing for all at all ages
- Ensure inclusive and equitable quality education and promote life-long learning for all
- Achieve gender equality and empower all women and girls
- Promote sustained, inclusive and sustainable economic growth
- Reduce inequality within and among countries

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.

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.

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 (including financial) 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

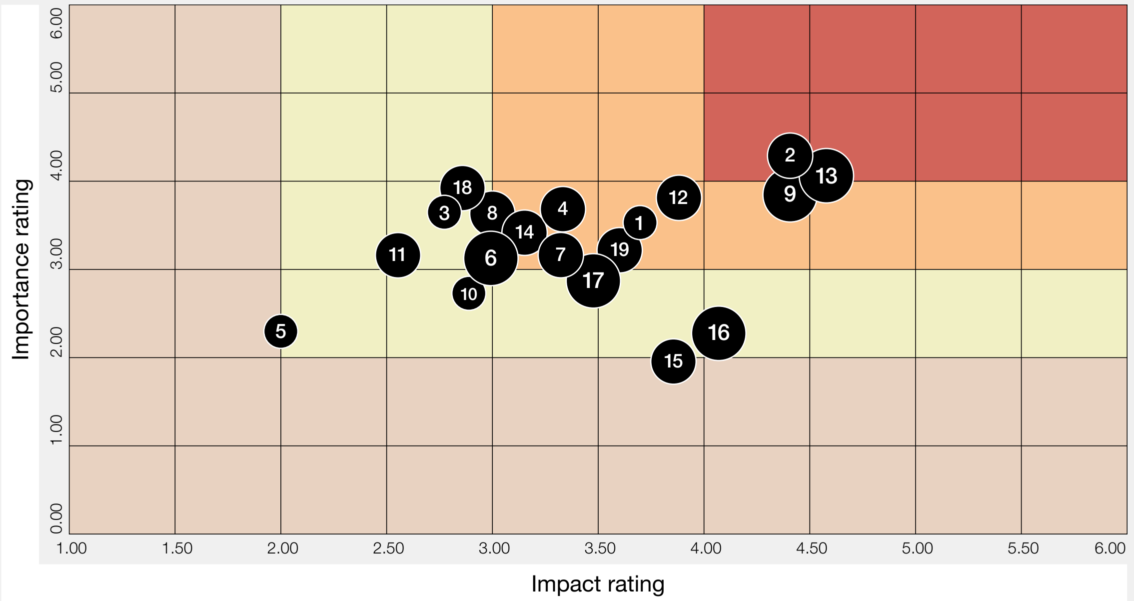
Our materiality matrix below summarises the outcomes of the materiality assessment, providing a visual overview of our key topics. We recognise that the matrix contains an element of subjectivity; impact can be defined in various ways including risk of non-compliance, impact to reputation or financial 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 by Management in early 2024 to ensure this remains applicable. A full materiality assessment covering double materiality is planned for 2024.

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



FORTERRA PLC
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STRATEGIC REPORT

SUSTAINABILITY REPORT
OUR TARGETS

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.

Our ambitions and targets

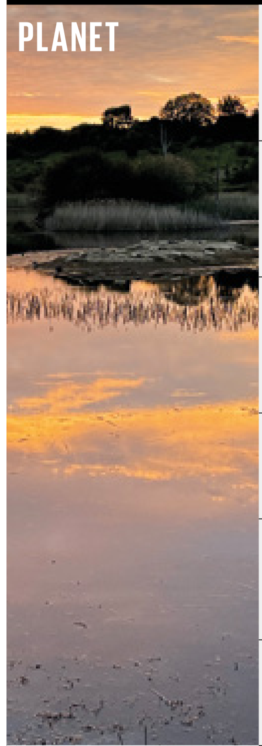
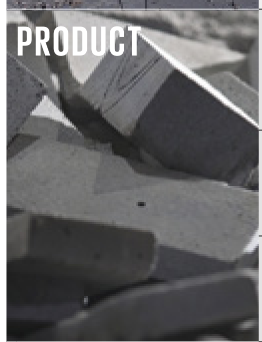
The ability to track our progress is essential to realising our sustainability goals and we have considered the most appropriate metrics and targets necessary for users to understand the impacts of our business. In addition to disclosing our absolute greenhouse gas (GHG) emissions, we also provide additional 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, shown clearly in 2023, 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 table opposite details our key ambitions and targets, how they map from our framework as well as our status and progress against each to 2023.

Key

- Ahead of target/target currently met
- On track
- Behind target on pro-rated basis
- SLL target[1]
- PSP target[2]

Pillar	Topic	Target	Target year	Metric	2019	2022	2023	Target	Progress vs. 2019	Comment
PLANET 	Group CO_2 emissions	27.5% reduction v 2019 baseline	2030	tonnes	319,296	295,371	**255,740**	231,489	-20%	Market driven production reductions have decreased absolute emissions. A good example of why we present intensity measures.
	Group CO_2 emissions/ tonne	32% reduction v 2019 baseline	2030	Kg CO_2/ tonne	123.4	124.5	**131.2**	83.9	+6%	Change in product mix, exacerbated by additional Scope 2 emissions in the year that will not repeat once our solar farm comes on stream.
	Clay Products CO_2 emissions/tonne	33% reduction v 2019 baseline	2030	Kg CO_2/ tonne	255.6	244.9	**248.7**	171.3	-3%	Unfavourable product mix within brick, exacerbated by additional Scope 2 emissions in the year that will not repeat once our solar farm comes on stream.
	Concrete Products CO_2 emissions/tonne	80% reduction v 2019 baseline	2030	Kg CO_2/ tonne	21.0	20.7	**25.6**	4.2	+22%	Influence of aircrete production as well as the above scope 2 impact.
	Power Sourced from On Site Renewables	10% Group Power Usage	2025	%	0.00	0.00	**0.69**	10%		Given the higher proportion of generation expected from the Forterra Solar Farm from 2024, this target may be re-visited.
	Waste to Landfill	Zero Process Waste	n/a	Kg tonne	0.16	0.01	**0.09**	0.00	+56%	Increase on prior year relates to site clearance at Cradley.
PRODUCT 	New Product Index	10% Group Revenue	2025	%	0.6%	3.7%	**8.9%**	10%		Driven by the use of CEM II within the business. c.90% of the way to achieving our target.
	Plastic Packaging Consumed	50% reduction v 2019 baseline	2025	Tonnes	1,802	1,643	**1,322**	901	-27%	Broadly on track with reduction plan.
	Plastic Packaging	50% reduction v 2019 baseline	2025	Kg/ tonnes	0.82	0.76	**0.74**	0.41	-9%	Broadly on track with reduction plan.
PEOPLE 	Health and Safety – Lost Time Incident Frequency Rate (LTIFR)	Zero Harm Ambition	n/a	N°	7.35	3.79	**3.24**	0		Positive reduction seen with the ultimate target remaining zero.
	Membership of 5% Club	5% of employees in earn & learn positions	2025	%	3.2	3.6	**3.6**	5%		On track to meet 5% target. c.70% towards achieving our target.

1. Three of our targets have been incorporated into the Sustainability Linked Loan (SLL) following the refinancing completed in January 2023.
2. Two of our targets have been applied to the 2023 Performance Share Plan (PSP) award.

SUSTAINABILITY REPORT

Our journey to net zero

Our priority is to deliver a significant reduction in our emissions by 2030 and we have committed to reducing our carbon intensity per tonne by 32% relative to 2019. This target forms part of our commitment to the Race to Zero, formalising our ambition to reach net zero by 2050.

A key component of our decarbonisation strategy is capital investment projects such as the new Desford brick factory, more efficient and greener manufacturing capacity which 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 and 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.

More information on our approach and progress in this area is available in the 'Brick Factory of the Future' section of this Sustainability Report.

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.

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STRATEGIC REPORT

Concrete products

We make a range of concrete products, from aircete blocks to precast concrete floor beams, using a number of different manufacturing techniques. 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 aircrete 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.

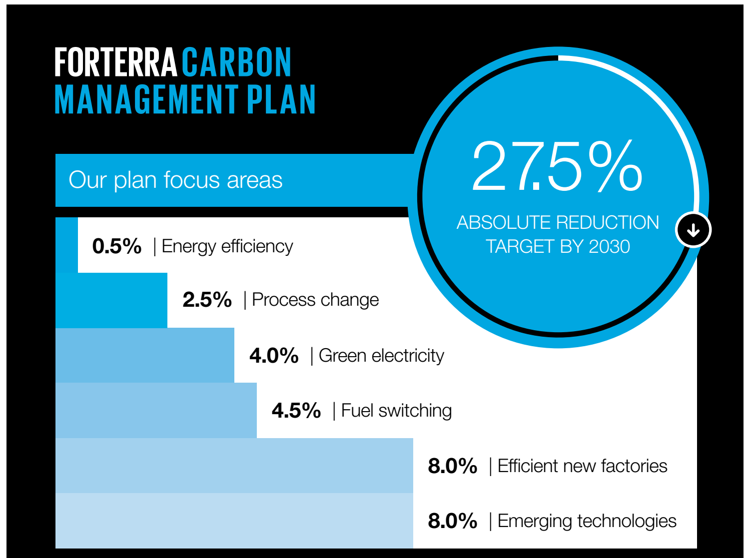
We purchase all of these raw materials, with cement having by far the largest carbon footprint. As such, the majority of the emissions from manufacturing concrete fall into scope 3.

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. This year we report a full breakdown of our scope 3 emissions (see pages 60 and 61) for the first time having undertaken a detailed exercise with assistance from expert consultants.

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) make the direct comparison between our total clay and concrete reported emissions more challenging; however more detail on our calculations and first time disclosure of scope 3 emissions can be found later in this Report.



We are committed to supporting the UK's ambition to reach net zero by 2050 and to demonstrate this we declared a near-term carbon reduction target of 27.5% (using the SBTi well below 2°C scenario) running from 2019 through to 2030 which is supported by our Carbon Management Plan. First published in our 2022 Annual Report, this maps out our decarbonisation plan to 2030, including both ongoing projects as well as the further technologies and process changes which are required for us to meet this target – some of them are already commercially available such as solar panels and electric vehicles whereas others such as hydrogen and carbon capture are still emerging within our sector.

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. Never more relevant than in 2023 where we saw significant absolute emission reductions driven by the reduced output that market forces dictated, 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. We believe this will provide the most meaningful information from which to measure the reduction in our carbon emissions over time.

19%

reduction in Scope 1 emissions (vs. 2019)

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STRATEGIC REPORT

SUSTAINABILITY REPORT
PLANET CONTINUED

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 as well as 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 the measures would be required to achieve these. Since presenting our implementation roadmap in last year's Annual Report, The Forterra Carbon Management Plan, we have additionally challenged ourselves around how that roadmap looks in a practical environment. This year we therefore present our view of 'The Brick Factory of the Future', shown later in this Report and amalgamating all of the decarbonisation activities and new and evolving technologies we are working with, and looking towards how our business will operate in years to come.

Scope 2

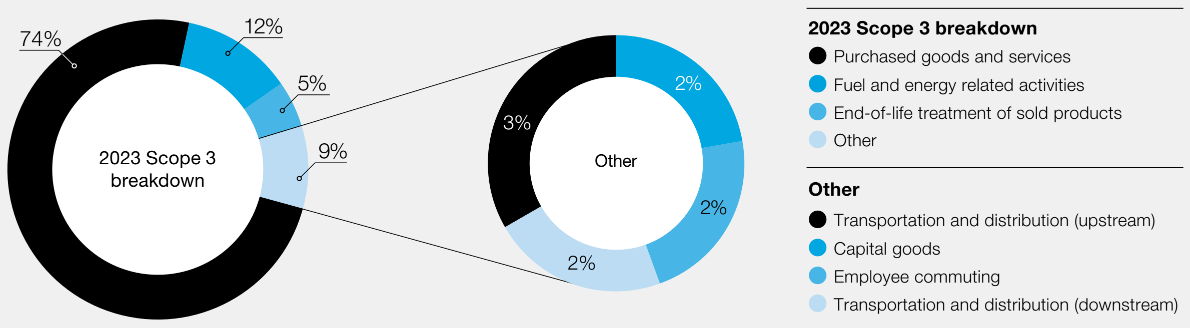
Since 2020 we have reported zero scope 2 emissions, enabled through the purchase of Renewable Energy Guarantees of Origin (REGOs). In 2022, having acknowledged the requirement for further new capacity within the grid itself, working with Lightsource bp, a global leader in the management and development of solar energy projects, we committed to purchasing around 70% (at full production levels) of our electricity requirement from a dedicated solar farm, exceeding 150 acres in size situated in Nottinghamshire. Further detail on the progress at the Tiln site can be found later in this Report, and in this year of transition towards generation of our own zero carbon power, we have made the decision to not purchase REGOs as we previously have done, with the cost of these increasing significantly, choosing instead to focus our resources on driving our sustainability agenda forward in other areas. Therefore there has been an associated increase in our scope 2 emissions as a result, this is viewed as temporary and will reverse once our solar farm comes on stream in 2024.

SCOPE 3

Much of our focus to date has been on the reporting of Scope 1 and 2 carbon emissions and last year we committed to carry out a full review of scope 3 emissions. We are pleased to report that this was carried out in 2023, using 2022 data as a baseline across the 15 scope 3 categories using an independent third party provider to ensure that the exercise was carried out in a manner that was both accurate and in line with best practice. The results were confirmatory as opposed to revelationary, validating our prior assumptions that the goods and services that we purchase account for c.75% of our scope 3 emissions.

One of the interesting discussions raised during the exercise focused on 'end of life' treatment of our products. Currently our products would be recycled into secondary aggregate and whilst this is positive within the circular economy, we have still accounted for the current emissions impact of recycled aggregate. However, due to the longevity of our products (>150 years) it is highly likely that there will be no carbon emissions associated with their recovery when the time eventually comes.

As per our 2022 calculation, in 2023 cement continues to be the most significant contributor to our scope 3 emissions. Our technical team has been working alongside our procurement function and our suppliers to transition our concrete production from CEM I (regular Ordinary Portland Cement (OPC)) to CEM II (a mixture of OPC and various additives) cements where possible, saving around 3,400 tonnes of carbon in the last 12 months. We are also developing a cement replacement from production waste generated within our clay business which will deliver even greater carbon reductions.



Category	2023	2022
1. Purchased goods and services	**184,190**	219,996
2. Capital goods	**5,650**	8,240
3. Fuel and energy related activities	**28,573**	35,100
4. Transportation and distribution (upstream)	**6,912**	8,665
5. Waste from operations	**216**	262
6. Business travel	**75**	80
7. Employee commuting	**5,136**	5,477
8. Leased assets	**225**	328
9. Transportation and distribution (downstream)	**4,622**	5,828
10. Processing of sold products	**–**	–
11. Use of sold products	**–**	–
12. End-of-life treatment of sold products	**11,749**	14,396
13. Leased assets	**–**	–
14. Franchises	**–**	–
15. Investments	**–**	–
Total Scope 3	**247,348**	298,372
kg/tonne	**127.1**	126.1

Purchased goods and services	2023
Cement – CEM I	**62,385**
Cement – CEM II (13% limestone)	**34,421**
Hydrated Lime	**31,625**
Steel	**29,780**
Insulation	**10,765**
Plastic	**4,120**
Other	**11,095**
Total	**184,190**

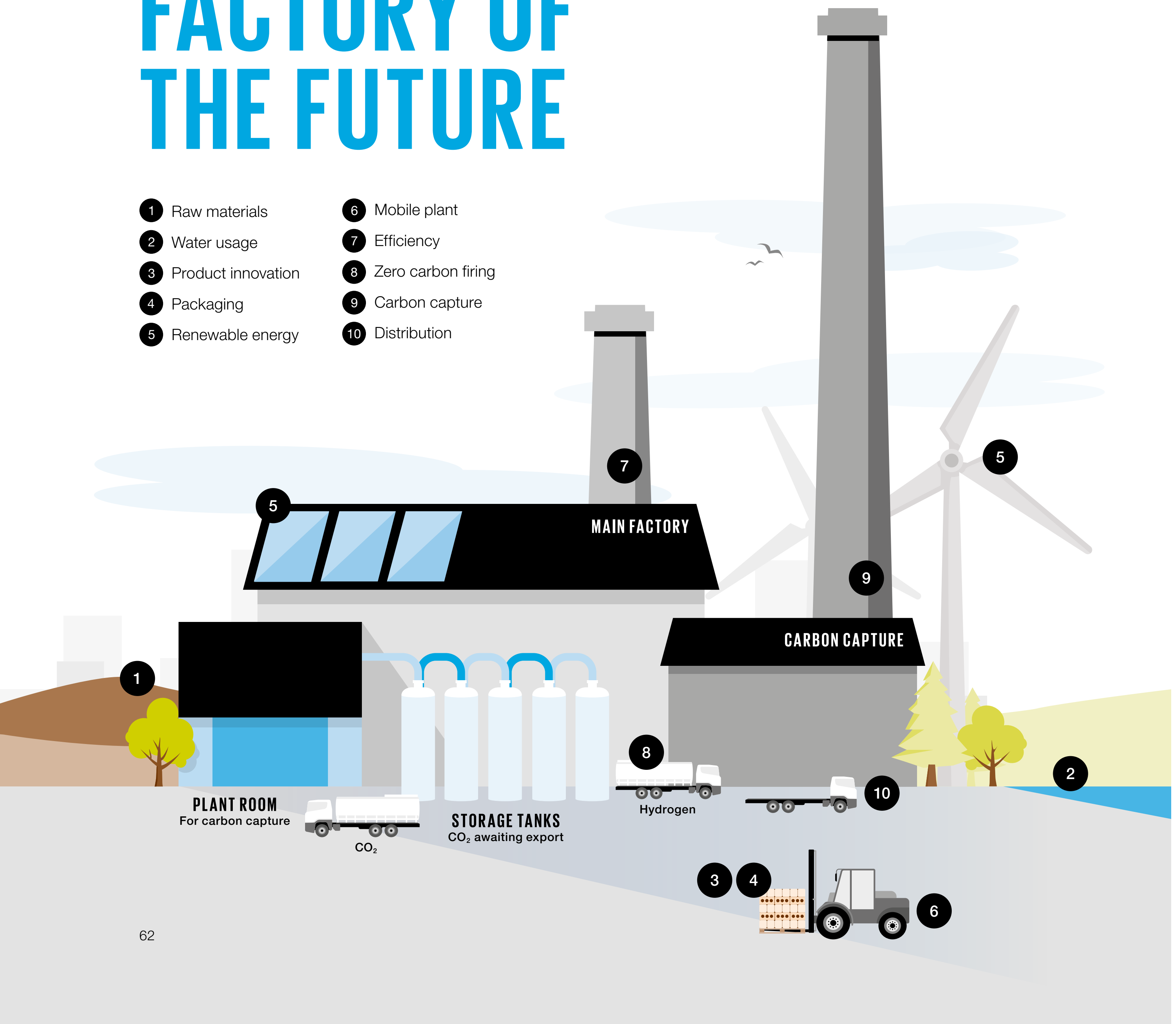
As well as working with our cement suppliers (major global and UK-listed cement manufacturers including Heidelberg Materials and Breedon plc) to reduce carbon in this respect, our 'Product' section later in this Report gives further details around our innovations in cement reduction and replacement.

Looking ahead, sustainability will form an even greater element of our supplier selection and accreditation process into 2024 and beyond.

SUSTAINABILITY REPORT
PLANET CONTINUED

THE BRICK FACTORY OF THE FUTURE

1. Raw materials
2. Water usage
3. Product innovation
4. Packaging
5. Renewable energy
6. Mobile plant
7. Efficiency
8. Zero carbon firing
9. Carbon capture
10. Distribution



Our vision is to take the learnings from the carbon journey of our existing factories and future proof any new developments to make sure all of the potential carbon savings can be incorporated, ultimately achieving a zero carbon production facility.

We acknowledge that significant reductions in our carbon footprint can be made by being proactive when designing our new factories; our new Desford factory has reduced its energy consumption per brick by c.30% relative to the old factory it replaced. This is, however, only the start of our ambitions. Applying our Carbon Management Plan to this design process contributes to the blueprint for what could come next: the brick factory of the future.

1 Raw Materials

The clays we use can be responsible for up to 80% of the carbon emissions of a brick factory depending on the type of clay seam that the factory is situated on. Our technical team is working to identify inert materials, that when fired, will not emit carbon, that can be substituted for these clays without compromising the look and performance characteristics of our products.

Challenge – There is a finite amount of substitution possible before the performance and the aesthetic appearance is compromised and as such this approach must be deployed in combination with other emerging technologies to further reduce our impact.

2 Water Usage

Water scarcity will become increasingly topical in future years, particularly during drier summer months. Our factories are generally in close proximity to the quarries that supply their clay and as such we would take advantage of quarry lagoons to capture and recycle rain and process water, installing water treatment plants using technologies such as reverse osmosis to clean any captured water for reuse in the manufacturing process or welfare facilities.

Challenge – Water is currently a low-cost raw material and the high energy demand of treatment plants can increase this significantly, as well as the carbon footprint of producing water in this manner, however this could mostly be offset by the use of renewable energy generated on site.

3 Product Innovation

"As much from less" – the goal of our project to ensure that we use as little raw material as possible whilst maintaining our high standards of quality.

A focus of our research and development approach is the refinement of the products we make, a brick has a specified length, width and height. However, our innovation team continue to investigate how we can produce the lightest and most material efficient brick whilst still maintaining its strength and durability.

Challenge – Product standards dictate the proportion of a brick that can be a void and therefore a joined up approach across the industry would be key to making changes in these areas.

4 Packaging

Plastic reduction is a key objective; aiming to halve the amount of single use plastic used to package our products whilst maintaining the integrity of the pack to ensure that our products can be delivered safely and undamaged. The brick factory of the future will minimise the amount of plastic used and substitute with alternatives wherever practicable.

Challenge – Plastic is a strong, light, relatively inexpensive material and finding an alternative with all of these characteristics is challenging. When products are fully wrapped storing them on a building site is relatively easy, once the wrap is removed they need to be stored on hardstanding and in some case some weather protection to prevent the product becoming saturated during periods of heavy rainfall.

SUSTAINABILITY REPORT
PLANET CONTINUED

5 Renewable Energy
For the UK to reach its net zero ambitions the electricity grid, which still relies upon significant fossil fuel based 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% (at full production levels) of our electricity requirement from a dedicated solar farm, exceeding 150 acres in size 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 near completion and we have agreed an option to take power from April 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 a portion 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 2023 as we completed the installation of a rooftop solar array at our new Desford factory which will contribute further reductions on our reliance on grid sourced power.

Onsite renewable energy will be intrinsic to the design brief for a new factory whether this be solar and/or wind. Whilst harder to integrate retrospectively due to space/location requirements, wind turbines are preferential due to their more linear generation profile meaning they can provide power in the winter months and at night.

Challenge – Identifying a location and gaining permission for one or more wind turbines even on a new site can be difficult due to planning constraints. The UK electricity network is also heavily constrained, often making it difficult to secure a grid connection to export unused power.

6 Mobile Plant
The majority of our yellow plant is capable of running on biodiesel and this takes place at a number of our sites already. However, we see electric and hydrogen powered vehicles as the best options for the future, our new facility at Desford already has one of the largest electric forklifts in the UK.

Challenge – Plant and equipment manufacturers are still developing hydrogen cell solutions and electric vehicles are currently best suited to moving lighter and smaller loads.

7 Efficiency
Reducing energy usage is the easiest way to reduce our carbon footprint and any future factory would utilise the most energy efficient equipment. The kilns at our new Desford facility are c.30% more efficient than the ones in the old factory they replaced. 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.

We currently utilise an IT system to monitor and measure the availability and functionality of key pieces of equipment in our factories, helping identify when equipment may be running inefficiently or consuming excessive energy as well and identifying when preventative maintenance needs to be carried out helping productivity and making sure our products are made as efficiently as possible. The kiln is by far the most energy intensive part of our brick manufacturing process and currently the temperatures are overseen by an operator. At our Kirton factory we have handed control to AI to constantly monitor and adjust the temperatures in each firing zone to ensure that the desired temperature is reached using as little gas as possible.

Challenge – Our main challenge when investing in our factories to improve efficiency is the down time required to implement a significant change. For example the most significant efficiency improvement at our Wilnecote factory is the new kiln which had it been upgraded in isolation, would have resulted in the closure of the factory for several months; a decision that would not be taken lightly.

8 Zero Carbon Firing
The drying and firing process is responsible for up to 60% of the carbon emissions from a brick factory and is therefore a fundamental area of focus for us. We have been undertaking trials of both biomass and hydrogen blends and we see both fuels playing a key role in decarbonising our business.

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. Having successfully completed trials at a 20% blend (intended eventual grid levels) we have confidence that we can replicate our current range of products from both an aesthetic and performance point of view.

The manufacturing process at our Kings Dyke factory which produces the Fletton brick sold under the London Brick brand 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 static chambers and the fire then moves around the kiln passing through each chamber. 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, the fuel the kilns were initially designed to utilise.

Based on current production, if biomass could replace the use of natural gas in full, this could deliver up to an 11,000 tonne saving in carbon emissions which is the equivalent of driving around the world over 100 times.

Challenge – Our factories are located on the clay deposits from which the bricks are made, generally in fairly rural locations. Currently these lie outside of the UK's proposed hydrogen clusters meaning hydrogen would need to be brought to us with the most obvious solution a networked supply. It is likely that this will not come to fruition until at least the end of the decade. However, as part of the East Coast Hydrogen consortium, we ensure that we are up to date with the latest developments and ready to take advantage when opportunities present themselves.

9 Carbon Capture
The ability to capture carbon remains an emerging technology for our sector and to ensure that any factory we design is ready to incorporate this technology we have undertaken, alongside experts in the field, a feasibility study to identify space and power requirements in order to allow the installation of a carbon capture plant at later date.

Challenge – From this study we know that further to the significant cost of developing and building a carbon capture plant there is also a technical barrier to being an early adopter in that the technology is currently most efficient where emissions have a greater than 10% CO_2 content; with our brick factories currently at 3-4% CO_2 rather perversely meaning that we don't emit enough CO_2 for carbon capture to presently work efficiently.

10 Distribution
Around 5% of our carbon footprint can be attributed to our distribution fleet and we have made great strides over recent years in improving the fuel economy of our vehicles. In order to achieve zero carbon emissions we would need to transition to either electric or hydrogen.

Challenge – Both electric and hydrogen delivery vehicles for our sector are in their early phase of development and as such are markedly more expensive than a diesel equivalent, and particularly in the case of electric vehicles, have significantly reduced range especially when carrying heavy loads. The weight of our products generally determines that the vehicles carrying our products reach legal maximum weights for UK roads with electric vehicles better suited to delivering lighter products such as consumer goods.

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 2023 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 in prior years, 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.

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.

Streamlined energy and carbon reporting	2023	2022	2021	2019
Scope 1 emissions (location-based) (tCO_2e)	**241,598**	294,352	280,381	299,679
Scope 2 emissions (location-based) (tCO_2e)	**14,142**	14,144	15,576	19,617
Scope 1&2 emissions (location-based) (tCO_2e)	**255,740**	308,495	295,957	319,296
CO_2e intensity Kg per tonne	**131.2**	130.1	124.1	123.4
Total energy used GWh	**791.6**	969.7	952.8	956.3
Scope 1 emissions (market-based) (tCO_2e)	**241,598**	294,352	280,381	299,679
Scope 2 emissions (market-based) (tCO_2e)	**14,142**	–	–	19,617
Scope 1&2 emissions (market-based) (tCO_2e)	**255,740**	294,352	280,381	319,296
CO_2e intensity Kg per tonne	**131.2**	124.1	117.5	123.4
Scope 3 emissions (tCO_2e)	**247,348**	298,372	n/a	n/a

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.

Internally, 2023 also saw the formation of the Forterra Sustainability Advocates Group, an employee based forum created to leverage our colleagues' passion for sustainability to further disseminate messaging and drive the sustainability agenda throughout the business.

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.

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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.

Waste management
As a business we recognise the value of our raw material resources. Our waste quantities are low (100,000 tonnes) relative to our production output (5%), 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 will soon be further processed and used more widely as a cement substitute. 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 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.

Whilst we are not yet reporting in line with the Taskforce on Nature-related Financial Disclosures (TNFD) an internal working group has met regularly during 2023 in consideration of our wider biodiversity agenda and the considerations required around future alignment in this area. 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

Product innovation

Product development and innovation is a key pillar within our carbon reduction initiatives, crucial to our efforts in supporting the UK's ambition to transition to a lower carbon economy and meeting our target to be net zero carbon by 2050. Additionally, as the needs of our customers continue to change, we are working to adapt our product offer to meet these future requirements.

Several key housebuilder customers are focusing heavily on developments in build efficiency and waste reduction, with increasing interest in lifetime carbon implications of the materials and solutions being used in builds. Alongside this, there is growing demand for lighter weight façade solutions which retain the aesthetic quality of brick and can be installed more rapidly onto buildings.

One of our primary objectives is to open new applications for our core product offer; clay facing bricks. Continuing development in construction technologies and growing focus on material efficiency is leading to some changes in the structure of the market. Adaptation of our core offer to take advantage of emerging trends has driven development of façade solutions such as SureBrick, a lightweight mechanically retained brick system, which meets all regulatory requirements for high-rise use and structural brick faced precast systems, designed for high-speed on-site assembly that retain the aesthetic of brick and form the structural element of a build.

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 onsite bricklaying or where a lower carbon solution is being sought.

16%

lower embodied carbon from CEM II vs. CEM I

Many façade systems are reliant on using a brick slip or thin brick solution, to provide the aesthetic finish of a brick. Typically, this is achieved by cutting standard bricks down, removing the 'face' to use and disposing of the remainder, leading to high levels of waste. In 2024 we will commence manufacture at our new slip manufacturing facility in our Accrington factory, allowing manufacture of brick slips without the waste element. This facility will save up to 75% of raw material and energy and will be a step change in 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.

We continue to undertake numerous initiatives with the goal of reducing the material content of our products. Reducing the mass of traditional products can reduce the energy required in production, makes them easier to handle and use on site, and will also help to reduce vehicle journeys and the associated emissions through increasing the amount carried on each vehicle. Changes in building regulation also brings opportunity. The revision to 'Part-L' of the building regulations in 2022 has resulted in increased requirements for energy efficiency in the fabric of new homes. Our reduced section T-Beams for our Jetfloor insulated floor system, not only reduce the amount of concrete in the floor but provide an improved insulation performance, helping our customers meet the more challenging requirements of both Part-L and the future homes standard that is expected in 2025.

It is globally recognised that production of cement is a key contributor to the emission of CO_2 and climate change. A number of our products are manufactured using cement. Cement which is, as shown in our newly published calculations, the largest contributor to our scope 3 carbon emissions and is a key contributor to our overall carbon footprint. We have already migrated much of cement consumption to a reduced carbon blend, CEMII. The CEMII cement product is a blend of cement and limestone which has up to 16% lower embodied CO_2 per tonne. Through 2023 we have taken a more active approach and our material scientists have continued to work with a consortium of industry participants, trade bodies and academic researchers to prove the viability of calcined clay from waste bricks as an alternative cementitious binder. Our development work has proven positive, and we will launch the first products using a proportion of calcined clay, from brick waste, as a cement substitute in the early part of 2024. We have undertaken an assessment of our clay reserves alongside available and emerging 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 further innovation to the market and are targeting 10% of our revenues to be delivered from new and sustainable products by 2025 (9.0% this year). Our focus continues to be on new building solutions and raw material developments, both being areas where we can clearly demonstrate significant positive impacts upon our carbon footprint.

Continued investment in product development and innovation is critical to our future success. We continue to work to increase our spend in this area as previously communicated, 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.

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.

150+

years expected lifetime of a clay brick

SUSTAINABILITY REPORT
PRODUCT CONTINUED

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.

CLAY BRICK VERSUS YOUR DAILY COFFEE

-VS-

1x Clay brick	1x Latte
Carbon footprint	
375g	350g
Lifespan	
150 years	<1 day
Carbon generated per day of product's life	
0.007g Single brick	350g
55g All bricks in average house (8,000)	

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

Whilst 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, it is not seen to be acceptable in the medium-term to be shipping construction products wrapped in plastic.

Our aggregate blocks and a number of specific brick ranges are already shipped without being wrapped in large volumes of plastic, and we have also significantly increased the recycled content of the plastic strapping which is essential to ensure stability of our products in transit. 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.

Following on from the installation of alternative packaging equipment at our Accrington facility during 2022, we have installed the same packaging solution in both our flagship new Desford facility and our Measham soft mud facility. This 'belly banding' solution reduces plastic per pack by 38% and we will look to utilise a similar approach in Wilnecote when it returns to manufacturing in 2024. Whilst progress has continued to be made in this area, the project has been slower than originally anticipated, recognising the need to ensure that safety standards are in no way compromised by any changes made to the way we package and supply our products.

To ensure compliance with the requirements of our customers' supply chains, we recognise the change to packaging standards is a topic that requires full industry engagement and collaboration. We continue to engage with customers across all our key markets to ensure our solutions meet their needs. This is not without its challenges; whilst the majority of our customers are supportive of our initiative, there are a number of behaviours and changes that the construction industry as a whole need to adopt to manage the storage and handling of our products whilst ensuring safety, which is of critical importance, is not 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 2023 this expenditure totalled over £258m, 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 with the majority of our materials procurement (excluding capital items) being 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 procured is FSC accredited. 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 million
heavy goods vehicle miles removed since 2015 with rail transport

SUSTAINABILITY REPORT

PEOPLE

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 2023 we continued to focus on health and safety behaviours and culture working with our training provider Juice Learning. We delivered two further phases of the training, phase 3 was delivered to all our supervisory colleagues and higher with the focus on 'stepping up' to manage and promote health, safety and well-being. Phase 4 was delivered in two parts and focused on 'speaking up'.

We have invested over 2,600 hours of face-to-face behavioural safety training through providers, Juice Learning.

2024 is the last year of our planned zero harm strategy that we set out in 2020 and we shall be moving our behavioural health and safety focus towards visible felt leadership, ensuring our senior leaders are fully equipped to continue having effective safety conversations when out in the business. We shall be building the next strategy plan to take us from 2024 to 2027 throughout the year to continue the journey to health and safety excellence and embed wellbeing at the heart of our business.

Safety

In 2023, we maintained our certification to ISO45001 occupational health and safety management system standard. All our facilities were internally audited to this standard and six facilities plus central systems were externally audited. Auditing is seen as a driver to continuous improvement and all sites were challenged throughout the year to drive continued compliance to procedures and ensure that documentation is a reflection of the reality of work in operational environments.

Our Lost Time Incident Frequency Rate (LTIFR) in 2023 showed an improvement, running at 3.24 incidents for every million-man hour worked, compared to 3.79 in 2022. Of the 29 separate business areas monitored, 20 were Lost Time Incident (LTI) free during 2023, 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) increased to 139 as a result to two more serious injuries resulting in longer absence. This continues an upward trend which is disappointing but does remain overall at a fairly low level compared to historic performance.

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

- Two further phases of behavioural H&S training conducted, one specifically for managers and supervisors and the other for all colleagues in the business;
- Running an in-house National Examining Board for Occupational Safety and Health (NEBOSH) Certificate course 5;
- A number of 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) one day working safely course alongside the traditional risk assessment and standard operating procedure training.

We held another successful national health and safety day at our Measham facility. Over 100 colleagues and managers came together to cover off topics including risk awareness, the importance of control of silica dusts, how to improve sleep, mental health and mindfulness and the consequences of an accident if things go wrong not only to the injured party, but all those around them as well.

Health and wellbeing

2023 saw us partner with RPS Occupational Health for all statutory medical and management referral health support. This new relationship continued the good work performed in previous years to ensure colleagues are fit and well in the workplace. We continued to offer proactive physiotherapy services with a blend of on-site and network clinic solutions to deal with musculoskeletal issues before they result in significant pain or absence from the business.

We continued our journey to promote positive mental health throughout 2023. We targeted three specific campaigns where the business brought colleagues together to discuss mental health and encourage healthy conversations. These were:

- 'Brew Monday', an event linked to Samaritans dispelling the myth of it being the most difficult day of the year and encouraging positive conversations every day of the year;
- Mental Health Awareness Week, covering the topic of anxiety and how this can lead to negative mental health; and
- World Mental Health Day, with the theme of 'mental health is a universal human right'.

The business engaged with Healthy Performance, a provider that offers wellbeing medicals and held sessions at all our office locations, to encourage office and home-based colleagues to have a medical and check on their physical health. This was in addition to the statutory medicals received by all operational colleagues at our sites, ensuring all colleagues had the opportunity for a medical in 2023.

Health and safety awards

British Ceramic Confederation Pledge –
As in previous years, we submitted best practice entries into the BCC pledge awards. In 2023 we received five individual recognition awards, eight open category awards and one award in conjunction with one of our contractors.

Mineral Products Association Health and Safety Awards – we submitted several entries to the MPA best practice awards and attended the ceremony in January 2023. We received several mentions in the Safer Production category, including being finalists for improvements in safe stressing processes at our Hoveringham site. The Health and Safety team received certificates of merit for contractor control improvements, national health and safety day initiative as well as Forterra's Mental Health and Well-being initiative. They also were highly commended for work on their Golden Rules Implementation and became a finalist in the Fatal 6 submission.

Two employees were individually appreciated for their active work on improving health and safety and Forterra also received the John Crabbe Trophy Special Award, a new award to the event recognising Forterra's focus on health and safety culture and projects to make the workplace safer for all.

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 Corporate Governance Statement on page 114.

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.

To ensure talent management remains high on the people agenda, in 2023 we continued work on our Forterra Talent Board and focused on our 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. To further enhance the talent management process, work commenced on compiling a competency framework and the roll out of this programme will commence in 2024.

Work continues on our welfare improvement project to upgrade welfare and rest facilities across the business, making them more gender inclusive.

The charts overleaf show our headline gender diversity statistics. Currently, 11% of our total workforce were female, with 25% 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 154.

2,600

hours of specialist 'Juice Learning' health and safety training across 2023

SUSTAINABILITY REPORT
PEOPLE CONTINUED

GENDER DIVERSITY

1. Company Secretary has been included under Executive Committee.

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 maintain the ISO 27001 accreditation. 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).

People development

During the year we continued with our Forterra Leadership Development Programmes. Over 2,900 training hours during 2023 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

The Employee Forum continued to run during the year. Attending the Employee Forum meetings were CEO; Neil Ash, Head of HR; Sharon Harris, and Non-Executive Director; Martin Sutherland who provided feedback to the Board.

Our employee engagement survey was run in September 2023 with a continuation of the trend of improving participation rates rising from 53% to 78%. Similar themes arose compared to the previous year, namely employee recognition and employee development and we continue to strive for improvement in these areas. A key example is our continued 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 third consecutive year, reaffirming that employees understand our Golden Rules, feel safe at work and that Forterra lives by the core value of 'Safety First'.

Local community and charity engagement

Our responsibility of being a good neighbour means we foster strong relationships with the communities surrounding our sites to ensure we make a positive contribution to the local area.

The Forterra Community Fund helps us to do this. To apply for the Fund, applicants must detail what support they require and how the project will benefit the local community. Each month, all applications are reviewed, and a decision made to apportion donations.

We have supported communities and charities both locally and nationally and, following the successful launch of the Fund in 2022, we are pleased that throughout 2023 we have helped many more worthy causes and initiatives. Some examples include:

Kirton Parish Council

We provided £1,000 towards a local project to restore what was once a historic animal pound, called a pinfold, in the village close to our Kirton factory in Nottinghamshire. Our donation went towards hiring a specialist stonemason capable of repairing it's historic walls, for which we also supplied a number of bricks.

The village council hope the restored pinfold will reconnect the village with its history to become a place of reflection and meditation for the local community.

Nailstone Trim Trail

We supported a local initiative to install a 'trim trail' for children in the village of Nailstone, close to our Desford factory.

We contributed £1,000 towards a wooden obstacle course, designed to help children with physical and social skills development, including reducing social isolation and increasing community engagement. It has been a worthy addition to the only green space in the village, and is accessible by all homes.

Theodora Children's Charity – Giggle Doctors

The Giggle Doctors help children in challenging times feel better using the power of laughter.

Through the magic of music, play and storytelling, Giggle Doctors visit children in hospital who endure numerous lengthy stays, with the aim to reduce stress and anxiety. They create opportunities for them to play, smile and laugh.

Our £1,000 donation helped the Giggle Doctors to bring smiles and laughter to approximately 60 children in hospital who are living with a serious illness, a long-term health condition or disability.

SUSTAINABILITY REPORT
PEOPLE CONTINUED

Whittlesey Poppy Blitz
We donated £490 to the Whittlesey Poppy Blitz, a charity group who create blazing displays of purple poppies across the town of Whittlesey, in Peterborough, near our Kings Dyke factory.

Designed to bring the community together and raise funds for the Royal British Legion, the knitting group also helps local pensioners from feeling lonely and listless.

Waingroves Community Woodland Trust
We donated £1,000 towards the replacement and repair of the boundary fences at Waingroves community woodland, located next to our Waingroves quarry site.

Purchased by the local residents in 2011, the woodland is now run by a group of local volunteers and provides a haven for all.

The updated boundaries will protect and conserve the wildlife, flora and fauna that live there, as well as improving the experience of recreational and educational visits from locals and visitors alike.

Construction Hubs
We have continued to support further education colleges under our Construction Hubs scheme, designed to forge links between education and industry to support young people as they make their first step in the construction sector. In 2023, we provided eight colleges with Construction Hub status and donated over 75,000 bricks, along with blocks and other products helping to train and inspire the next generation to make a positive contribution to UK productivity.

Fundraising events
Each year, we facilitate a number of fundraising events across the company to raise money for our corporate charity, from family and friends events to raffles, colouring competitions for family members and photography competitions, all to raise money for our chosen charity, selected by colleagues, which in 2023 was Cancer Research UK.

One highlight was our Family Fun Day in August for our colleagues and their friends and family from our Hams Hall and Wilnecote sites. The event raised £2,900 for Cancer Research UK.

Finally, as a healthy, happy and safe workforce is important to us, we ran internal monthly awareness campaigns focused on wellbeing. Topics shared ranged from the signs and symptoms of different types of cancer to drive early detection, to tips to get a good night's sleep, healthy eating habits, eye health, caffeine dependency and many more.

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	2023	2022	2019
Planet	Group CO_2e emissions (Scope 1 and 2)	Tonnes	**255,740**	295,371	319,296
Planet	Group CO_2e emissions (Scope 1 and 2)	Kg CO_2e/tonne	**131.2**	124.5	123.4
Planet	Clay products CO_2e emissions (Scope 1 and 2)	Kg CO_2e/tonne	**248.7**	244.9	256
Planet	Concrete products CO_2e emissions (Scope 1 and 2)	Kg CO_2e/tonne	**25.6**	20.7	20.9
Planet	Electricity sourced from on-site renewables	%	**0.7**	–	–
Planet	Electricity from renewable sources	%	**0.7**	100	–
Planet	Waste to landfill	Kg/tonne	**0.09**	0.01	0.16
Product	New product index (revenue from new products)	% of revenue	**8.9**	3.7	0.6
Product	Plastic packaging consumed	Tonnes	**1,322**	1,643	1,802
Product	Plastic packaging per tonne of packaged product	Kg/tonne	**0.74**	0.76	0.82
People	Health and safety – Lost time incident frequency rate (LTIFR)	No. of accidents per million-man hours worked	**3.24**	3.79	7.35
People	Percentage of employees in 'earn & learn' positions	%	**3.61**	3.57	3.20

Additional disclosure

Pillar	Topic	Metric	2023	2022	2019
Planet	Carbon emissions (Scope 1, 2 and 3)	Tonnes	**503,087**	592,724	n/a
Planet	Carbon emissions (Scope 1)	Tonnes	**241,598**	294,352	299,679
Planet	Carbon emissions (Scope 2)	Tonnes	**14,142**	–	19,617
Planet	Carbon emissions (Scope 3)	Tonnes	**247,348**	298,372	–
Planet	Energy consumption (absolute)	MWh	**791,638**	973,315	956,266
Planet	Energy consumption (kWh/tonne)	kWh/tonne	**406**	410	369
Planet	Percentage from grid electricity	%	**99**	100	100
Planet	Air quality – SO_2 emissions	Tonnes	**4,746**	5,877	5,783
Planet	Ultra low emission vehicles (cars)	% of Fleet	**81**	47	n/a
Planet	Delivery Fleet Efficiency	mpg	**8.4**	8.0	7.5
Planet	Mains water (absolute)	m^3	**259,856**	264,200	287,101
Planet	Mains water (litres/tonne)	Litres/Tonne	**133**	111	111
Planet	Waste generated	Tonnes	**99,989**	86,755	107,609
Planet	Waste recycled	%	**99.0**	100.0	99.1
Planet	Hazardous waste generated	Tonnes	**376**	265	88
People	Apprentices	No.	**36**	27	31
People	Graduates	No.	**4**	7	7
People	Charitable contributions	£	**63,517**	140,985	41,370
Product	Output clay products	Tonnes	**922,642**	1,092,508	1,129,173
Product	Output concrete products	Tonnes	**1,026,961**	1,273,729	1,459,242

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.

To further assist in navigating our TCFD disclosure, disclosure navigation table can be found on page 49.

Governance

Governance and oversight responsibility around climate-related risks and opportunities ultimately sits with the Board. The Board's 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 pages 56 and 57).

We have described in detail on pages 78 to 85 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 pages 56 and 57), 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 52 and 78.

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 86.

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

	Risk	Potential impact (including financial)	Possible mitigation/action	Scenarios 1.5°C	2°C	4°C
Transitional Risk						
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 obtain third party verification where appropriate	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 alternate fuels such as 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

Note: the Policy and legal section precedes the rows above, after the Transitional Risk heading:

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.
Metric link – relevant metrics around carbon intensity, electricity sourced from renewable sources, and low emissions vehicles can be found on page 77.

SUSTAINABILITY REPORT
RISK MANAGEMENT CONTINUED

Risk		Potential impact (including financial)	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.

Metric link – relevant metrics around carbon intensity and new product index can be found on page 77.

	Risk	Potential impact (including financial)	Possible mitigation/action	1.5°C	2°C	4°C
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 operations 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 (including financial)	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.

Metric link – relevant metrics around carbon intensity, onsite renewables, and low emissions vehicles and fleet efficiency can be found on page 77.

	Risk	Potential impact (including financial)	Possible mitigation/action	1.5°C	2°C	4°C
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	Long
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	Mid
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 (including financial)	Possible mitigation/action	Scenarios 1.5°C	2°C	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.

Metric link – relevant metrics around carbon intensity and waste generated can be found on page 77.

	Risk	Potential impact (including financial)	Possible mitigation/action	1.5°C	2°C	4°C
R 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 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 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 lower carbon products; provide detailed decarbonisation plans to ensure credibility	n/a	Mid	Long
R 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 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 (including financial)	Possible mitigation/action	Scenarios 1.5°C	2°C	4°C
Physical Risk[1]					

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 (including financial)	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 (including financial)	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

1. Noting their long term time horizon we do not currently report any relevant metrics in relation to our physical risks.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

This section of the strategic report constitutes Forterra plc's Non-Financial and Sustainability Information Statement, produced to comply with Section 414CB of the Companies Act 2006. The requirements are addressed in this section by means of cross referencing to indicate which sections of the narrative they are embedded.

Non-Financial Information	Section	Pages
Description of our Business Model	Our Business Model	22-23
Principal Risks and Uncertainties	Risk Management and Key Risks	86-94
Non-Financial KPIs	Key Performance Indicators / Sustainability Report	38-39, 56-57
Climate Related Financial Disclosures	Sustainability Report	49, 78-85

Area	Key policies	Further information regarding related risks and performance
Employees	Health and Safety Policy, Health and Wellbeing Policy, Flexible Working Policy, Maternity Leave Policy, Paternity Leave Policy, Adoption Leave Policy, Bereavement Policy, Diversity, Inclusion and Respect at Work Policy	72-77
Climate Related Matters including TCFD disclosures	Sustainability Policy	48-85
Human Rights	Anti-Slavery and Human Trafficking Policy	74
Social matters	Code of Business Conduct Policy	72-76
Anti-bribery and corruption	Bribery Act Policy, Conflicts of Interest Policy, Whistle Blowing Policy, Competition Law Policy, Gifts and Hospitality Policy	71, 124
Business Model	—	22-23
Principal Risks	—	86-94

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.

In a year where we have experienced a macro-economic shock, impacting demand with high inflation and the associated increases to interest rates, we remain watchful of further impacts to our core markets and how demand for our products continues to develop.

We continue to monitor this alongside numerous other rapidly evolving business risks; implementing mitigating controls and actions as appropriate. Details of our principal key risks are shown further in the table overleaf.

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 key 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. Throughout 2023, the Board's Risk and Sustainability Committee provided oversight and governance over the most significant risks the business faces in the short, medium and long-term, and recognising the importance of the subject matter, from January 2024 this will become the a standalone Sustainability Committee.

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.

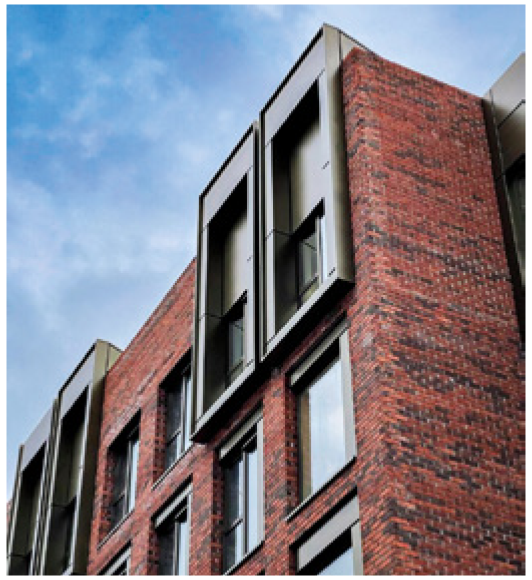
The foundations of the internal control system are the first line controls in place across all our operations. This first line of control is evidenced through monthly responsible manager self-assessments and review controls are scheduled to recur frequently and regularly. Policies, procedures and frameworks 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		Risk appetite	Change
Safety and engagement	Sustainability	Ⓛ Low appetite	⊕ Increased
Strengthen the core	Beyond the core	Ⓑ Balanced appetite	↓ Decreased
		Ⓗ High appetite	⊗ No change

1. Health and Safety

Principal Risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite / rating
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 2023 continued to be around effective employee engagement and communication focused on our Golden Rules and Zero Harm. In the period we have delivered a further programme of behavioural safety awareness training emphasising the importance of our safety related golden rules. **Executive sponsor:** Neil Ash	Link to strategy Appetite Ⓛ ⊗ 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 / rating
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. Acknowledging the continued importance of the subject matter, from January 2024, all sustainability risks will be governed by the newly formed standalone Sustainability Committee. **Executive sponsor:** Neil Ash and George Stewart	Link to strategy Appetite Ⓛ ⊗ Gross change ⊗ Net change ⊗	Focus from all stakeholders has been maintained in 2023 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 / rating
Demand for our products is closely correlated with residential and commercial construction activity. Changes in the wider macro-economic environment can have significant impact in this respect and we monitor these closely as a result.	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. 2023 saw the continuation of the cyclical downturn in the UK housing market, driven by Government economic policy which resulted in significant increases in borrowing costs and accordingly mortgage affordability; impacting demand for housing in the short-term. However, we recognise that ultimately there remains a shortage of housing in the UK, financing is accessible (though now more expensive) and the population continues to grow and as such we remain confident in the medium to long-term outlook and have decreased this risk accordingly. We additionally remain watchful of the wider geopolitical landscape, accepting the impact that changes in this respect can have on our business. Across 2023 we displayed our ability to flex output and slow production when customer demand requires this. This has been effective in the past and we believe the changes made to our operational footprint during the year leave us well positioned to take advantage of attractive market fundamentals in the medium to long-term. **Executive sponsor:** Neil Ash	Link to strategy Appetite Ⓑ ⊗ Gross change ↓ Net change ↓	Macro-economic conditions have deteriorated in the past year and demand for our products has fallen as a result. UK brick despatches have fallen to levels not seen since 2009 and as such the risk of further decline has reduced. We expect this to be the bottom of the cycle and as such have adapted our business to align production to sales.

4. Government action and policy

Principal Risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite / rating
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. 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. Where identified, we factor any emerging issues into models of anticipated future demand to guide strategic decision-making. As we head into an election year in the UK, 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. Changes in monetary policy and the rapid associated increase to interest rates has had a significant impact on mortgage affordability, an additional challenge in a period that has also seen the end of the Help to Buy scheme. We therefore consider a lack of broader support in the longer term unlikely should it risk a reduction in the supply of new high-quality homes where a significant shortfall still exists. Government policy around planning reform also has the potential to influence demand for our products and we remain watchful as to any further potential changes in this area and their impact on the construction of new homes. **Executive sponsor:** Neil Ash	Link to strategy Appetite Ⓑ ⊗ 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. Whilst the looming general election could have both positive (impact on housebuilding) and negative (increased uncertainty) impacts, current levels of demand, being as they are have led to management's view that the risk of further deterioration has decreased.

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 / rating
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 and specification offer. The impact of increasing interest rates and the wider macroeconomy on this sector had a notable impact on demand levels across 2023. Whilst we remain watchful entering 2024, we are seeing evidence from our customers that this decline has plateaued and have reduced this risk accordingly. The investment in the redevelopment of the Wilnecote brick factory which will supply the commercial and specification market will provide a degree of diversification away from residential construction, further insulating the Group from the impact of future demand cycles. **Executive sponsor:** Neil Ash	Link to strategy Appetite H Gross change Net change	Serving the residential construction market lies at the heart of our strategy. Whilst we will seek opportunities to broaden our offering, we continue to see residential markets as core. With demand levels reduced to those seen in the global financial crisis, the risk of further reductions in residential construction has been deemed to be decreased.

6. Inventory/working capital management

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite / rating
Ensuring sufficient inventories of our products is critical to meeting our customers' needs, though this should not be at the expense of excessive cash tied up in working capital. Whilst the ability to serve our customers is key, where excessive inventory starts to be built, management must ensure that production is aligned to forecast demand. Cash tied to surplus working capital increases financing costs and could ultimately impact the Group's liquidity, restricting the amount of cash available for other purposes.	After a long period of historically low stock levels, the recent softening in demand has allowed these stocks to be replenished. Strong customer relationships and some degree of product range substitution have historically mitigated the risk of inventory levels being too low, and now that levels are growing these relationships remain key, ensuring that visibility of our customers' needs and demand levels can accurately be matched to our production levels. Where demand does fall, it is crucial to manage working capital levels carefully and ensure excessive cash is not tied up in inventory. We have historically demonstrated our ability to flex capacity effectively, allowing optimum efficiency and utilisation of our operational footprint. This has been further exemplified in the period with the mothballing of our Howley Park and Claughton brick production facilities, reducing our fixed cost base whilst ensuring our customers' needs can still be met. **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 is crucial to our success. Due to declining demand in 2023 and the time necessary to efficiently adjust production we have invested over £50m in building inventories in the period. It is important we do not build further inventory and as such have taken management actions to reduce production and realise fixed cost savings, increasing this risk to reflect this.

7. Customer relationships and reputation

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite / rating
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 long-standing relationships with our customers. Regular and frequent review meetings focus on our effectiveness in this area. In a softer demand environment, an inability to maintain these relationships could manifest itself in loss of market share, and if not managed correctly, be detrimental in the longer term in periods of stronger demand. To mitigate these risks we remain in constant communication with our customers ensuring they are well informed of the challenges faced by our business. We remain particularly conscious of potential impacts on our customer service and selling prices as we aim to retain our margins in a time where our customers are also facing challenging conditions. **Executive sponsor:** Adam Smith and Darren Rix	Link to strategy Appetite L Gross change Net change	Customer focus is a key priority for all employees. Having increased across recent periods of strong demand, in a softening market this risk remains equally heightened.

8. Attraction, retaining and developing employees

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite / rating
We recognise that our greatest asset is our workforce and a failure to attract, retain and develop talent will be detrimental to Group performance.	We understand where key person dependencies and skills gaps exist and continue to develop succession, talent acquisition, and retention plans. We continue to focus on safe working practices, employee support and strong communication/employee engagement. Notwithstanding a softer demand environment, challenges associated with labour availability remain across the business in key skilled areas and it is crucial that this continues to be addressed to ensure the continued success of the Group which is dependant on our people. **Executive sponsor:** Neil Ash	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.

RISK MANAGEMENT AND KEY RISKS
CONTINUED

9. Innovation

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite / rating
Failure to respond to market developments could lead to a fall in demand for the products that we manufacture. This in turn could cause revenue and margins to suffer.	Strong relationships with customers as well as independently administered customer surveys ensure 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. In a period of softer demand for our products, providing innovative products for both our core markets and the wider construction market is of increased importance and we strive to ensure that we are in a position to do so. New product development and related initiatives therefore continue and we continue to commit to further investment in research and development with clear links between investment in R&D and the work undertaken in relation to sustainability. **Executive sponsor:** Neil Ash	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.

10. IT infrastructure and systems

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite / rating
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, maintaining ISO 27001 Information Security accreditation. This investment has ensured our ability to maintain the level of customer service that our customers expect, one of our core business values. We continue to increase our resilience in this area, ensuring that our people understand their role in any attempt to compromise our cyber security and regular training and tests are carried out as such. **Executive sponsor:** Ben Guyatt	Link to strategy Appetite L Gross change Net change	Investment in IT has been a priority in recent years to mitigate risk. The downside to IT risks significantly outweigh any upside and our risk appetite reflects this. Our assessment of the risk in this area remains unchanged.

11. Business continuity

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite / rating
Performance is dependent on key centralised functions operating continuously and manufacturing functions operating uninterrupted. Should we experience significant disruption there is a risk that products cannot be delivered to customers to meet demand and all financial KPIs may suffer.	Having made plans to allow key centralised functions to continue to operate in the event of business interruption, remote working capabilities have been maintained and continually strengthened in recent years, ensuring the business is able to continue operating with minimal disruption. Where a scenario without a pre-envisaged plan is faced, our business continuity policy allows managers 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:** Neil Ash and Ben Guyatt	Link to strategy Appetite L Gross change Net change	The business's ability to operate uninterrupted at all times is pivotal to its ongoing success. As such, in 2023 this risk remains unchanged.

12. Project delivery

Principal risk and why it is relevant	Key mitigation, change and sponsor		Rationale for appetite / rating
We have an extensive program of capital investment ongoing within our business which will see three large projects to add production capacity. Ensuring these projects are delivered as intended is essential to the future success of the business.	The 2023 commissioning of our Desford brick factory represents the largest capital investment that we have ever made. Despite the virtually complete Desford project, our vigilance in managing project delivery across the business has not diminished and the focus of this risk has in turn shifted to ongoing projects at both Wilnecote and Accrington. Management closely monitor all current strategic projects for potential challenges, cost over-runs and delays and act promptly to ensure that risks are mitigated. Unexpected supplier delays have delayed the recommissioning of the new Wilnecote factory into H2 of 2024 with management actively liaising with suppliers to ensure delays are mitigated wherever possible. Management recognise the additional risks posed by running concurrent major projects, and to mitigate, separate project management structures are in place for each respective project and where common suppliers are involved procedures are in place to ensure they retain sufficient capacity to deliver on both projects without significant risk. **Executive sponsor:** George Stewart	Link to strategy Appetite L Gross change Net change	Management and the Board are closely monitoring the ongoing expansion projects at Wilnecote and Accrington. Risk rating maintained recognising the strategic imperative of both projects to the future success of the Group.

RISK MANAGEMENT AND KEY RISKS

CONTINUED

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 Inventory/working capital management
7 Customer relationships and reputation
8 Attracting, retaining and developing employees
9 Innovation
10 IT infrastructure and systems
11 Business continuity
12 Project delivery

Evolving risk

FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
2023

STRATEGIC REPORT

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 three 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 current strategic and financial planning horizon. 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 86 to 94, as well as the climate-related risks as detailed on pages 81 to 85 of the Sustainability Report.

The Group's debt facility comprises a committed revolving credit facility (RCF) of £170m extending to January 2027 with an option for an extension to July 2028 subject to lender consent. At the balance sheet date, the cash balance stood at £16.0m and after allowing for £9.5m of the facility which is currently carved out to be used for the provision of letters of credit, an undrawn balance of £50.5m was available against the Group's facility, with reported net debt before leases of £93.2m (2022: £5.9m) (net debt is presented inclusive of capitalised arrangement fees). The facility is normally 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 Group also benefits from an uncommitted overdraft facility of £10m.

The Group has traded comfortably within these covenants throughout 2023 and whilst it anticipates remaining within these covenants during 2024, given the combination of the Group's reduced EBITDA and increased net debt, driven by inventory build, capital outflows and higher interest rates, amended covenants have been agreed with the Group's lenders to provide additional headroom in the short-term. Accordingly, the Group's leverage covenant has increased to four times in June 2024 and 3.75 times in December 2024 with interest cover decreasing to three times in December 2024. In addition, quarterly covenant testing has been introduced for the period of the covenant relaxation. As such, in September 2024, leverage is set at four times and interest cover three times and in March 2025 leverage is set at 3.75 times and interest cover at three times. The covenants return to normal levels from June 2025 with testing reverting to half yearly.

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, a severe but plausible downside scenario and a reverse stress test scenario, which is considered remote. These scenarios have 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. The plausible downside scenario modelled for viability purposes is aligned to the more severe of the two used for going concern modelling, from the perspective of assumed EBITDA.

Assumptions underpinning these scenarios are detailed below.

Base case

- 2023 was characterised by a large growth in inventory and the management actions taken in 2023 will address this such that in 2024 production will be more closely aligned to sales.
- Capex outflows on the Group's three strategic investments will be almost complete during 2024 with capital spend significantly reduced thereafter until a recovery in market conditions facilitates a reduction in the Group's net debt.
- The base case scenario is aligned to our current demand expectations with short-term market conditions remaining challenging, with volumes for 2024 that modelled as 24%-36% lower than 2022 (product dependent). This is followed by a modest but steady recovery commencing in 2025, where volumes remain 20%-27% lower than 2022, which continues through into 2026 with volumes 11-17% behind 2022 levels.
- Under this scenario, net debt is forecasted to remain broadly in line with December 2023 levels at the end of 2024, returning, to a net cash (before leases) position by the end of 2026.

Plausible downside

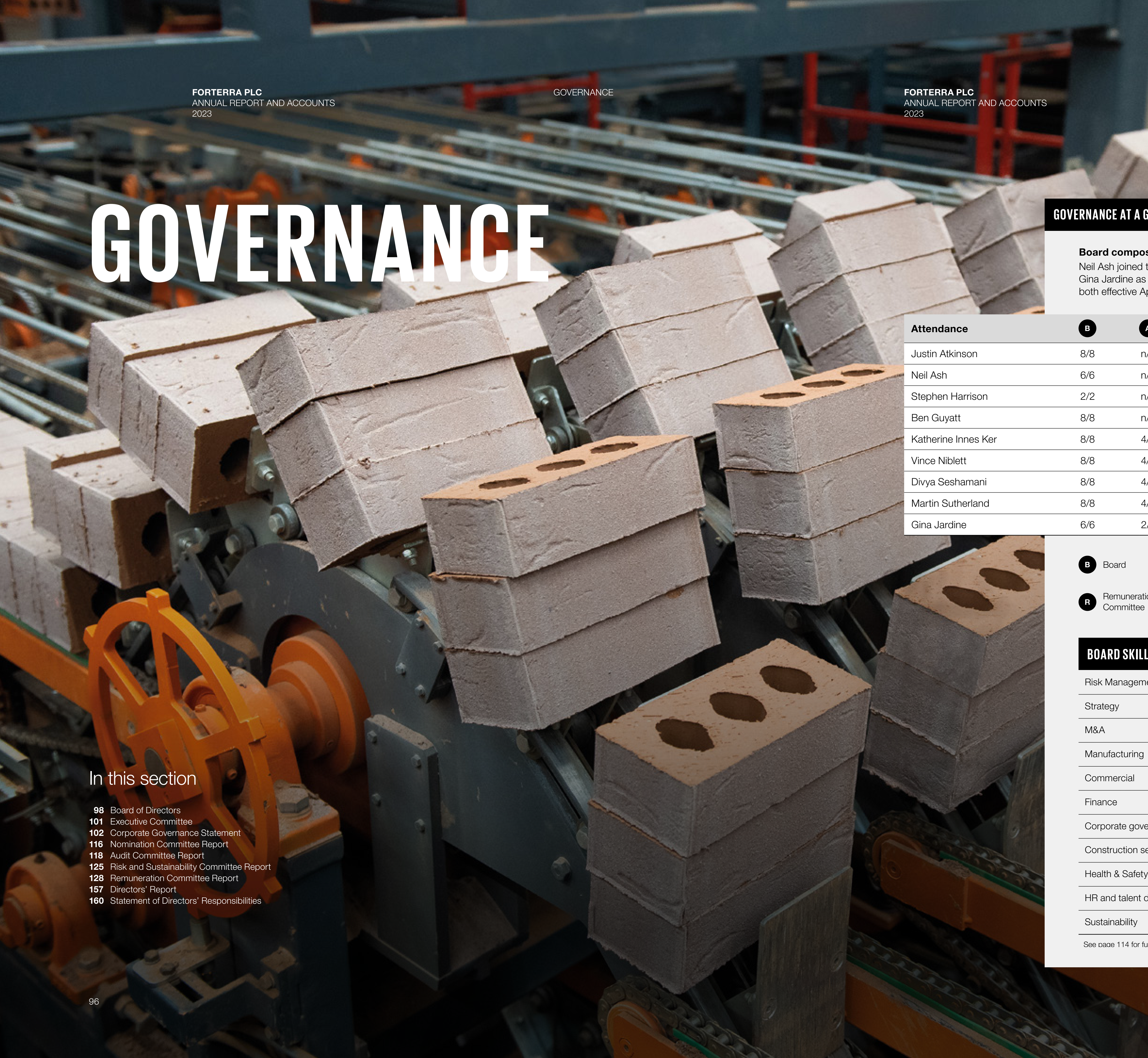
- The Group's plausible downside scenarios take into account the current levels of market demand which are already approximately 30% below levels last seen in 2022, meaning current demand is in line with levels last seen in the global financial crisis. As such is it is not considered plausible that demand could fall further than within this scenario.
- The plausible downside scenario assumes that, product dependent, demand falls by 29-40% in 2024 relative to 2022, alongside a 2% sales price erosion, before increasing to levels still remaining 25-37% behind 2022 in 2025, and 21-31% lower than 2022 in 2026.
- Under this scenario, net debt (before leases) is still forecasted to decrease to c.£70m by the end of 2026.
- As referred to in the going concern note on pages 158 and 159, given the short-term market dynamics which when coupled with committed capital expenditure elevates borrowings in the short-term, management have also separately modelled, for 2024 and 2025, the impact of a drop in sales volumes which are 29-43% lower than those experienced in 2022 in 2024. In this scenario, management have also assumed a number of cost-saving mitigations will be implemented across the business. Due to the quantum of management mitigations modelled, the covenants testing under this alternative 2024 downside have greater headroom than the original plausible downside, providing comfort to management over the Group's ability to adapt as required to more severe scenarios.

Reverse stress test

- The reverse stress test is modelled to support management and the Board in understanding what the quantum of fall in Group trading and performance would need to be to result in a covenant breach. The reverse stress test indicated, that should volumes fall by between 36% and 46% (product line dependent) versus those seen in 2022, the Group would be at risk of breaching its covenants. This scenario is considered remote.

The scenarios modelled above allow for the consideration of several of the Group's key risks occurring, with potential contributing factors that include Government policy, particularly uncertainty associated with the forthcoming general election, a continuing economic downturn, a prolonged reduction in residential sector activity levels or new product development in the sector.

Management are comfortable confirming that the Group remains profitable under both the base and plausible downside scenarios. In addition, there remains the option to further flex the cost base through production reductions, curtailment of dividend distributions and the sale of land and buildings. Should market conditions deteriorate further. 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.



GOVERNANCE

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GOVERNANCE AT A GLANCE

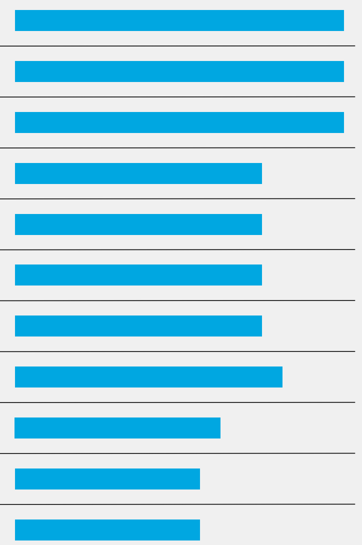
Board composition and changes
Neil Ash joined the Board as Chief Executive Officer and Gina Jardine as an Independent Non-Executive director, both effective April 2023.

Attendance	B	A	RS	R	N
Justin Atkinson	8/8	n/a	4/4	3/3	2/2
Neil Ash	6/6	n/a	3/3	n/a	n/a
Stephen Harrison	2/2	n/a	1/1	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	2/2
Vince Niblett	8/8	4/4	4/4	3/3	2/2
Divya Seshamani	8/8	4/4	4/4	3/3	2/2
Martin Sutherland	8/8	4/4	4/4	3/3	2/2
Gina Jardine	6/6	2/2	3/3	1/1	1/1

B Board
A Audit Committee
RS Risk and Sustainability Committee
R Remuneration Committee
N Nomination Committee

BOARD SKILLS MATRIX

Risk Management
Strategy
M&A
Manufacturing
Commercial
Finance
Corporate governance
Construction sector
Health & Safety
HR and talent development
Sustainability



See page 114 for further information.

BOARD OF DIRECTORS

01 Justin Atkinson
Non-Executive Chairman

02 Neil Ash
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 Gina Jardine
Independent
Non-Executive Director

09 Frances Tock
Company Secretary

01

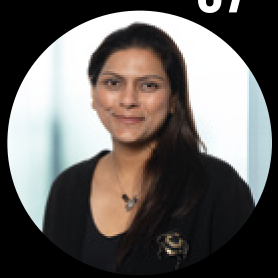

02


03


04


05


06


07


08


09


01 JUSTIN ATKINSON
Non-Executive Chairman

AR S 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 NEIL ASH
Chief Executive Officer

AR S R N

Appointment
Neil Ash was appointed Chief Executive Officer of Forterra plc on 23 April 2023.

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).

03 BEN GUYATT
Chief Financial Officer

AR S 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

AR S 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 and 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 Ground Rents Income Fund plc and Senior Independent Non-Executive Director at Stelrad Group Plc.

COMMITTEE MEMBERSHIP

AR Audit and Risk Committee

S Sustainability Committee

R Remuneration Committee

N Nomination Committee

Denotes Committee Chairman

BOARD OF DIRECTORS

CONTINUED

05 VINCE NIBLETT
Independent Non-Executive Director

AR S 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

AR S 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. 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 and Non-Executive Director at XPS Pensions Group Plc.

07 DIVYA SESHAMANI
Independent Non-Executive Director

AR S 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.

08 GINA JARDINE
Independent Non-Executive Director

AR S R N

Appointment
Gina Jardine was appointed to the Board as an Independent 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 brings insight and helps guide the Board in the areas of corporate culture, talent management, organisation design and safety. Gina holds a BA in Social Sciences from Monash University and an MBA from Melbourne Business School.

09 FRANCES TOCK
Company Secretary

Appointment
Frances Tock was permanently appointed to the position of Company Secretary on 14 December 2023 having previously held the position on a temporary basis.

Skills, experience and qualifications
Frances qualified as a Certified Accountant with Grant Thornton and worked in finance positions across a number of industries including leisure, renewable energy and IT services before joining Forterra in 2015. In her previous role as Group Financial Controller, Frances played a key role in the separation of the business from HeidelbergCement and the subsequent listing on the London Stock Exchange, more recently project managing the Group's IT and business change projects before taking on the role of Company Secretary.

EXECUTIVE COMMITTEE

NEIL ASH
Chief Executive Officer

See Neil Ash's biography on page 99.

BEN GUYATT
Chief Financial Officer

See Ben Guyatt's biography on page 99.

DARREN RIX
Strategy Director

Darren previously held the roles of Managing Director – Bison Precast, 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.

GEORGE STEWART
Technical 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.

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

JUSTIN ATKINSON

NON-EXECUTIVE CHAIRMAN

❝ On behalf of the Board, I am pleased to introduce the Corporate Governance Statement, which sets out how the Board has provided stewardship and governance, along with highlighting principal activities of the Board and its Committees for the year ended 31 December 2023."

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 116 to 156 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.

2023 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.

Executive and Non-Executive induction

Following successful recruitment of Neil Ash into the position of Chief Executive Officer and Gina Jardine as an Independent Non-Executive Director, both in April 2023, the Board conducted a comprehensive and tailored induction process to ensure they had sufficient information regarding the business and its governance structure to support the effective operation of the organisation. Neil Ash's induction included a comprehensive handover with outgoing CEO, Stephen Harrison, with Stephen being available to assist Neil during his first two months with the business.

Board committee management

Following the publication of the UK Corporate Governance Code 2024, the requirements of which will take effect from 2025 and 2026 the Board recognise the increasing requirement to align the Company's approach to audit and risk management as well as the ever-increasing stakeholder focus on sustainability. In anticipation, the Board has aligned the terms of reference of its Committees, with the responsibilities of the Audit Committee expanded to cover risk, becoming the Audit and Risk Committee. This also allows the Board to give even greater attention to effective sustainability governance and provide critical assessment of the implications of sustainability on the Company's corporate strategy through a dedicated Sustainability Committee.

Strategic investment

In May 2023,we opened the doors of our newly commissioned Desford brick factory to customers, suppliers, shareholders, lenders and analysts. Opening the new factory against a backdrop of reduced market demand has given rise to many challenges requiring Board stewardship. The Board regularly received project updates and critically reviewed the progress of the project, including individual Director visits to the construction site.

The Board continues to provide oversight to the ongoing strategic projects at Wilnecote and Accrington, which will support expansion of our brick product range as well as leaving us well positioned to establish a leadership position in the growing brick slips market.

Response to market conditions

Suppressed demand for our products meant it was necessary to take tough decisions to reduce production at many of the Group's factories including Desford.

The Board were actively involved in assessing the rapidly evolving challenges the business faced, reviewing the responses put forward by management and considering many factors including; the impact on affected employees, working capital management, production efficiency, maintaining our product offering and profitability.

Vision and values

Following Neil Ash's appointment as CEO, the Board supported a strategic review involving workshops with the Executive Committee and senior management, resulting in the refresh of the Group's strategic narrative including our vision, mission, purpose and values.

Whilst the Group's strategy remains fundamentally unchanged, a clear and transparent vision, mission, purpose and values are key to ensuring employees fully understand the goals of the Group and are aligned to the culture that the Board wish to promote. The Board will receive regular updates through newly developed dashboards to ensure the business is successfully progressing towards its goals.

Board priorities for 2024

In 2024 the Board expects to focus upon the following non-recurring priorities.

Response to Market Conditions

The Board will continue to closely monitor the Group's key markets ensuring management continue to take appropriate action to ensure the Group is able to weather the current cyclical downturn in demand, ensuring that key risks and mitigating actions are clearly understood.

Board succession planning

The Board, through its Nomination Committee, will focus attention on succession planning. It is now eight years since our IPO in 2016, with the Board initially formed at this time with other Directors joining in the following year or so. Accordingly, the Board includes a number of Independent Non-Executive Directors who will reach their nine-year appointment anniversaries (after which, by the requirements of the Code, they are no longer deemed to be independent) within the next two years.

The first to reach that nine-year tenure milestone will be myself as Chairman and Independent Non-Executive Director, Divya Seshamani in April 2025. Our succession planning will consider the composition and mix of skill sets and backgrounds represented on the Board, along with the importance of gender and ethnic diversity.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

Capital investment programme
With the Desford project virtually complete and the Wilnecote and Accrington projects expected to be completed during the coming year, the Board will continue to focus on the delivery of these projects ensuring that they are delivered to time and budget with the appropriate governance oversight.

Board effectiveness
We monitor Board effectiveness in accordance with the requirements of the Code and will conduct an externally facilitated review in 2024. The Board expects to appoint a provider who has not previously provided this service to the Company ensuring a fresh and independent perspective.

Corporate governance
The Board have ensured that, through the work of the Audit Committee, they have continued to be fully appraised of developments in corporate governance arising from the Government's 'Restoring Trust in Audit and Corporate Governance' consultation. Whilst there has been a great deal of uncertainty around the nature and timing of the implementation of any reforms, The Company, through the work undertaken on its internal control framework is well placed to respond to the new requirements of the UK Corporate Governance Code 2024.

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. Recognising this increased significance, the Board have elected to amend the structure of its Committees to ensure that the Board is able to clearly focus upon the oversight of sustainability matters without distraction. Accordingly, in 2024, the Risk and Sustainability Committee will become the Sustainability Committee with risk management now falling under the remit of the Audit and Risk Committee (formerly the Audit Committee).

Sustainability progress during the year is laid out in our comprehensive Sustainability Report included on pages 48 to 85. 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.

Culture
The Board has supported the business through a revision and re-launch of its corporate values in the year, understanding the role it plays in driving culture through strong leadership.

The Board believes the new values, defined below, will support the business to achieve its strategic goals:

- Innovate to Lead will empower us to continuously improve, never standing still. Through investment in carbon emission reductions, product innovation and energy efficiency, the business will strive towards a more sustainable future.
- Pride in Excellence indicates our continued aim to be the best for our customers, delivering unrivalled products and outstanding quality and relishing in our achievements.
- Collaborate and Care manifests our belief that we are one team and that we thrive when we are working together and supporting each other. People's safety is always our number one priority.

The values have been rolled out to all employees in early 2024 and the Board will play a pivotal role in oversight of managements success at embedding them throughout the organisation.

To monitor the success of our culture within the business and ensure compliance with the Code, Martin Sutherland has continued as the 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 to discuss subject matters raised by our colleagues to their forum constituency representative including culture, operational and commercial performance, customer feedback, health and safety and mental health awareness.

In addition Board members undertake regular health and safety walks, including Board site visits across the business. Each of these occasions provide Board members with opportunity for one-to-one engagement with the workforce.

Board members also take the opportunity to attend and participate in health and safety related events including training courses and Building Safety Together (BST) meetings at factories.

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 102.

Justin Atkinson
Non-Executive Chairman
25 March 2024

COMPLIANCE WITH THE UK 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 2023, and as at the date of this report, the Company 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 Chairman, 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 roadmap 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 need 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 and Risk Committee. In addition, the Committee monitors the Company's risk register with a focus on emerging risks. The work of the Audit and Risk Committees are covered in more detail from pages 118.

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 long-term strategy, including environmental, social and governance factors. This is covered in more detail on pages 128 to 156. The Committee also has the discretion to override formulaic outcomes to remuneration calculations.

The Remuneration Committee has retained remuneration advisors, Willis Tower 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
Provides high level oversight and supports strategy setting

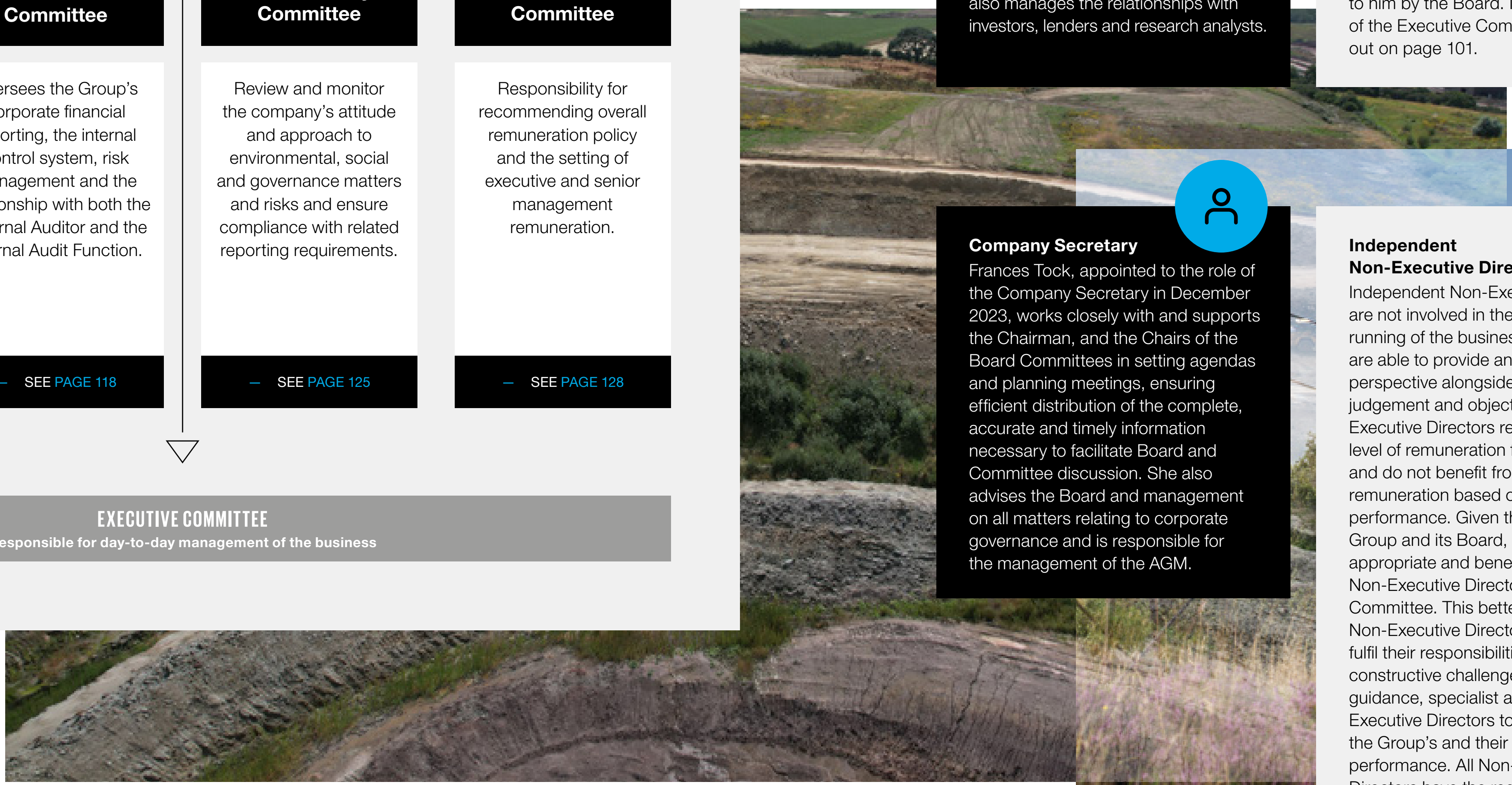
Nomination Committee
Oversees the composition of the Board and Committees, considering succession planning, balance of skills and experience and diversity in making recommendations to the Board.
– SEE PAGE 116

Audit and Risk Committee
Oversees the Group's corporate financial reporting, the internal control system, risk management and the relationship with both the External Auditor and the Internal Audit Function.
– SEE PAGE 118

Sustainability Committee
Review and monitor the company's attitude and approach to environmental, social and governance matters and risks and ensure compliance with related reporting requirements.
– SEE PAGE 125

Remuneration Committee
Responsibility for recommending overall remuneration policy and the setting of executive and senior management remuneration.
– SEE PAGE 128

EXECUTIVE COMMITTEE
Responsible for day-to-day management of the business



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GOVERNANCE

Board Committees
The Board operates four Committees to which it delegates responsibility: the Audit and Risk Committee, Nomination Committee, Remuneration Committee 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, 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.

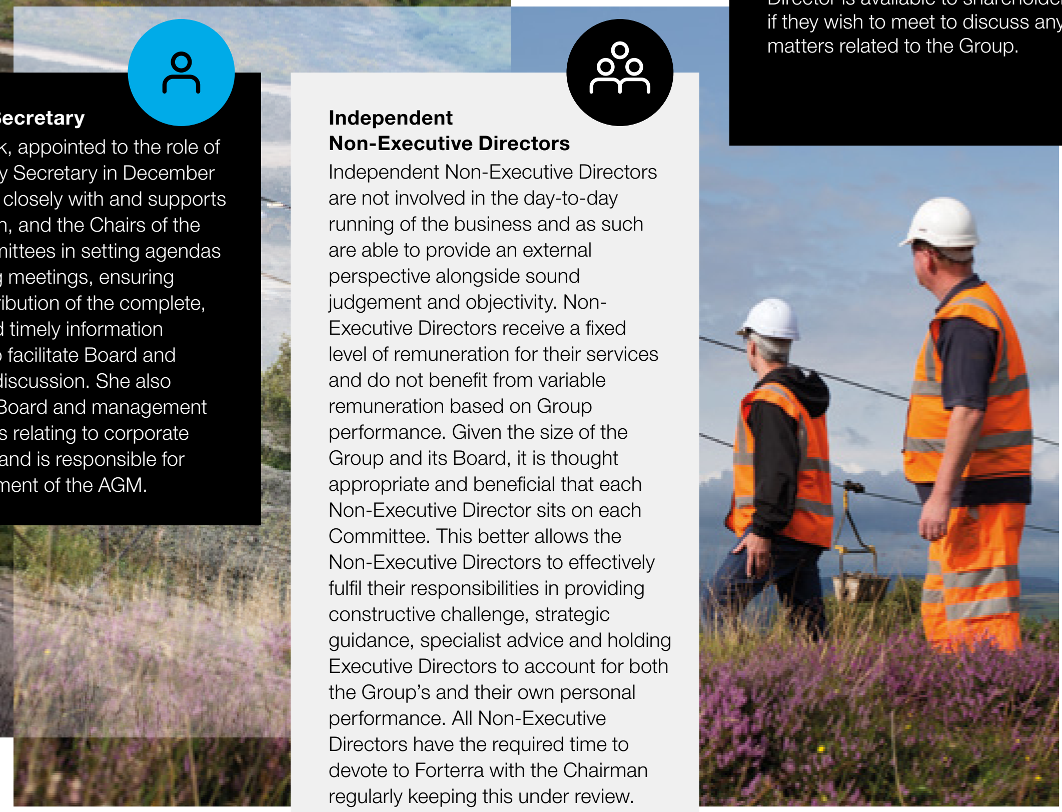
CFO
The CFO, Ben Guyatt is responsible for the Group's financial matters and also supports the CEO in the achievement of the Group's strategic objectives and also manages the relationships with investors, lenders and research analysts.

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 101.

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
Frances Tock, appointed to the role of the Company Secretary in December 2023, 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. She 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 116 and 117 outlines the Board's approach to succession planning. The Audit Committee Report on pages 118 to 124 outlines how the Board has applied the Code in respect of financial reporting and internal controls. The Risk and Sustainability Committee Report on pages 125 to 127 explains how the Board has applied the Code in respect of risk management. The Remuneration Committee Report on pages 128 to 156 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 currently comprises six senior managers including the two Executive Directors. Membership of the Executive Committee along with biographies is detailed on page 101.

Recognising the ever increasing focus on sustainability, the Board have elected to amend the structure of its Committees from 1 January 2024, to ensure that the Board is able to clearly focus upon the oversight of sustainability matters without distraction. Accordingly, in 2024, the Risk and Sustainability Committee will become the Sustainability Committee with risk management now falling under the remit of the Audit and Risk Committee (formerly the Audit Committee). For the purpose of reporting performance in the year, the Committee reports have been compiled based on the structure during the year under review.

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GOVERNANCE

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 2023 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 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 two 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	2/2
Neil Ash	6/6	n/a	3/3	n/a	n/a
Stephen Harrison	2/2	n/a	1/1	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	2/2
Vince Niblett	8/8	4/4	4/4	3/3	2/2
Divya Seshamani	8/8	4/4	4/4	3/3	2/2
Martin Sutherland	8/8	4/4	4/4	3/3	2/2
Gina Jardine	6/6	2/2	3/3	1/1	1/1

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 has supported the business through a revision and re-launch of its corporate values in the year, understanding the role it plays in driving culture through strong leadership.

The values have been rolled out to all employees in early 2024 and the Board will play a pivotal role in oversight of managements success at embedding them throughout the organisation.

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 the joint corporate 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 with this feedback being reflected in the policy that was approved by shareholders.

Factory tours are provided for major institutional shareholders who express an interest in visiting our facilities and we invited major shareholders along with other stakeholders to the official opening of our new Desford brick factory in May 2023.

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 2023. 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 2023, with significantly improved participation rates versus previous years. 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 are shown on pages 28 and 29 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. Each of these occasions provide Board members with opportunity for one-to-one engagement with the workforce. Board members also take the opportunity to attend and participate in health and safety related events including training courses and Building Safety Together (BST) meetings at factories. 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. An annual 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. Executive Directors regularly meet with lenders. Our full Sustainability Report is included within this Annual Report on pages 48 to 85.

CORPORATE GOVERNANCE STATEMENT

BOARD COMPOSITION, SUCCESSION AND EVALUATION

Board evaluation

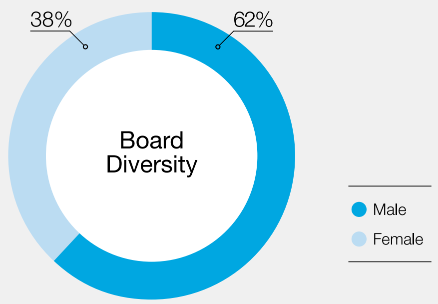
In 2023, in line with our review cycle, we undertook an internal evaluation of the Board and it's Committees. The outcome of the review was discussed by the Board collectively and areas arising will be incorporated as standing Board agenda items so that progress against these can be monitored throughout the year.

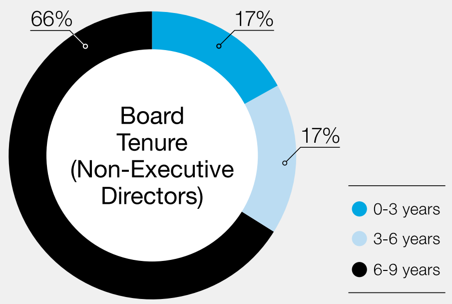
As in previous years, the evaluation concluded that the Board continues to operate effectively, collegiately and with strong relationships between Directors. The review also identified strong leadership from the Chairman and an effective mix of skills and experience to support the business, strengthened in the year by the welcoming of Neil Ash and Gina Jardine to the Board. The comprehensive board induction process was highlighted as an area of success in the year, with both new Directors feeling that they were given sufficient access to information and board members time to fully understand the requirements of the role and the business.

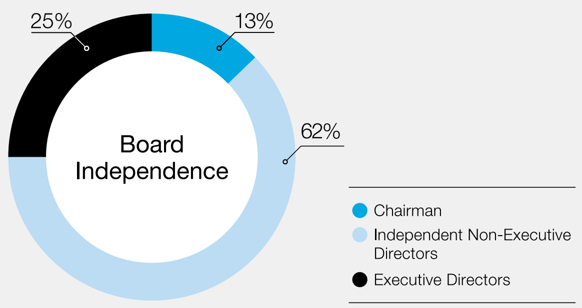
The evaluation identified specific areas for development, including the following recommendations:

- To further shift focus from backward looking results to future strategy.
- To better utilise site visits to interact with colleagues within different areas of the business and gain insight.
- To consider how to support the business in the development and monitoring of key performance indicators which support the business strategy.

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.







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 reappointment. 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 2024 Annual General Meeting.

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 99 and 100. 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.

Neil Ash and Gina Jardine both joined the Board in April 2023 and underwent a full induction programme.

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 (FCA) Listing Rules 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.

At present 38% of the Board are female. One of the senior Board members is a woman and one member of the Board is from a non-white ethnic minority background. The Board will seek to address the FCA targets as part of its succession planning. 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 25%.

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 is seeking to improve diversity in factory based roles and currently has two female plant managers.

The Company does not presently track statistics of ethnicity below executive management level.

CORPORATE GOVERNANCE STATEMENT

BOARD COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

BOARD SKILLS MATRIX

Risk Management	Provides a practical understanding of risk management in a listed organisation.
Strategy	Experience of developing and implementing successful strategy in large corporations.
M&A	Experience of mergers, acquisitions, disposals and investing.
Construction sector	Senior Executive experience in the contruction and housebuilding industry, with indepth knowledge of markets, strategy, operational issues and regulatory concerns.
Manufacturing	Senior executive experience in a large manufacturing organisation.
Finance	Able to support the oversight of our financial statements and strategy and financial reporting to investors and other stakeholders.
Commercial	Experience of developing and leading commercial strategy in a large corporation.
Corporate governance	Experience on the Board of a major listed corporation subject to vigorous corporate governance standards.
Health & Safety	Experience related to workplace health and safety at an executive level.
HR and talent development	Experience in overseeing the management and development of labour and human resource at a large corporation.
Sustainability	Experience in overseeing environmental compliance and overseeing responsible, long term value creation.

Board and Executive Committee reporting on ethnic background

	No of Board members	% of the Board	No of senior positions on the Board	No in the Executive Committee	% of Executive Committee
Male	5	62%	3	6	86%
Female	3	38%	1	1	14%
Total	**8**	**100%**	**4**	**7**	**100%**

	No of Board members	% of the Board	No of senior positions on the Board	No in the Executive Committee	% of Executive Committee
White British or other White	7	88%	4	7	100%
Asian/Asian British	1	12%	–	–	–
Black/Black British	–	–	–	–	–
Other Ethnic group, including Arab	–	–	–	–	–
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–
Total	**8**	**100%**	**4**	**7**	**100%**

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 86 to 95.

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
25 March 2024

NOMINATION COMMITTEE REPORT

JUSTIN ATKINSON

NON-EXECUTIVE CHAIRMAN

“With a number of Non-Executive Directors due to step down in the coming years, the Committee will ensure a structured process is put in place to ensure that succession plans are developed for all Board appointments and that recruitment processes commence in good time.”

MEMBERSHIP

The members of the Committee are appointed by the Board. At 31 December 2023 the members of the Committee were as follows:

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

Dear Shareholder

I am pleased to present the report of the Nomination Committee (the Committee) for 2023. 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 are approved by the Board and are reviewed annually to ensure they remain appropriate.

Activities during the year

The Committee has two standing meetings a year. There were no further meetings necessary during the year as all decisions regarding changes to Board composition were concluded in the prior year.

Induction of new CEO and Non-Executive Director

The Board were delighted to welcome new Chief Executive Officer, Neil Ash who joined the business in April. We also welcomed Gina Jardine to the Board as an Independent Non-Executive Director. Both new Directors underwent a structured induction programme to ensure they quickly integrated into the Board. This included meetings with the Directors, the Company Secretary, members of the Executive Committee, other members of management and external advisors, as well as guided visits of the Group’s manufacturing facilities and access to historic Board papers and minutes.

Feedback on the induction process from the new members was very positive, both feeling they received sufficient information regarding the Company and the strategy to allow them to support the business from the outset.

Executive performance and succession planning

The Committee reviewed the Executive Committee and each member’s departmental structure to identify for the purpose of succession planning, future potential candidates for the Executive Committee and how those candidates could develop into the role over time with the appropriate training and support. This was supported by feedback from Neil Ash following his first months with the Company.

Priorities for 2024

Board succession planning will be a significant focus area for the Committee in 2024. It is now eight years since the IPO in 2016, with the Board initially formed at this time and with other Directors joining in the following year or so. Accordingly, the Board includes a number of Independent Non-Executive Directors who will reach their nine-year appointment anniversaries (after which, by the requirements of the Code, they are no longer deemed to be independent) within the next two years.

The Committee will ensure a structured process is put in place to ensure that succession plans are developed for all Board appointments and that recruitment processes commence in good time. Our succession planning will consider the composition and mix of skill sets and backgrounds represented on the Board, along with the importance of gender and ethnic diversity.

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. See the Board Skills Matrix on page 97.

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. Following the appointment on Gina Jardine in the year, the Board contained three female Directors, representing 38% of the Board. 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
25 March 2024

AUDIT COMMITTEE REPORT

VINCE NIBLETT

NON-EXECUTIVE CHAIRMAN

"At the request of the Board, the Audit Committee has considered whether the 2023 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."

MEMBERSHIP

The members of the Committee are appointed by the Board. At 31 December 2023 the members of the Committee were as follows:

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

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 2023.

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.
- Determine the structure and operating model of the Group's Internal Audit Function and evaluate its effectiveness.

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 2023 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 Financial Accounting and Internal Audit, representatives from 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 2023. The Company Secretary provided secretarial services to the Committee and attended meetings in this capacity.

In addition to the scheduled meetings, the Committee Chairman meets regularly with the CFO, Group Financial Controller, the Internal Audit Function and External Auditor, 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 121 and 122).
- 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.
- Consideration and challenge of the Group's use of alternative performance measures (APMs) and their appropriateness within the Annual Report and Accounts.

AUDIT COMMITTEE REPORT
CONTINUED

External audit

- Consideration of the External Auditor's 2023 audit plan including the scope of audit work and approval of the audit fee.
- Consideration of the annual letter to those charged with governance and other reports prepared by the external auditor.
- Following the inclusion of the Company's Annual Report and Accounts to 31 December 2022 in a thematic review by the Financial Reporting Council (FRC), covering climate-related metrics and targets and net zero plans, the FRC wrote to the Chairmen of both the Board and Audit Committee setting out the scope of its review, its principal findings and areas of good practice identified.
- Receipt of 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 2023 internal audit programme, following consideration of the risks facing the Group.
- Setting of the 2024 internal audit programme.
- Deciding to transition from a co-sourced to fully outsourced internal audit function with PwC following a restructure of roles with the Group's finance function.
- 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

- Challenge and review of control reporting updates presented to the Committee by management.
- Received regular updates from management on the progress of the project to strengthen the Group's control framework.
- Reviewed a paper setting out the effectiveness of the internal control and risk management framework during the year.

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.

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 2023.

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, recognising this was unchanged from prior periods.

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 2023, 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 as determined necessary (an example of this being new product ranges) to calculate the provision. This requires a degree of commercial judgement when determining saleability and price of certain finished goods.

Committee action

The Committee reviewed 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. In considering this, 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 an impairment of the plant and machinery at our mothballed sites during the year was necessary, totalling £5.0m.

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 a current year impairment of £5.0m was necessary, and are 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 have historically been 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 items and their disclosure as an APM.

Alternative performance measure: adjusting items

In addition to exceptional items, in the current year the Group is disclosing certain adjusting items separately within the Annual Report and Accounts. In doing so, this has led to the presentation of 'adjusted' results, which are presented before both exceptional and adjusting items. Management believe the presentation of this APM is beneficial and necessary in allowing users of the accounts to understand performance.

Committee action

The Committee assessed the categories of items proposed for inclusion as adjusting items and considered their appropriateness. In doing so the Committee sought views from the external auditor and noted this treatment was aligned to Group banking covenants. Upon conclusion of this review, the Committee concurred with management's analysis of proposed 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 reconciliation and disclosures were provided by management with sufficient prominence.

Risk management and internal controls

The Audit Committee has historically, and for the period ended 31 December 2023, focused upon financial risks and controls, with operational risk management contained within the Terms of Reference of the Risk and Sustainability Committee. During 2023, the Audit Committee and the Risk and Sustainability Committee worked 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 126 and 127.

With the changes made to Committee structure from January 2024, the Audit and Risk Committee will going forwards assume responsibility for financial, operation and compliance risk across the Group.

Restoring Trust in Audit and Corporate Governance consultation

During the year, assisted by both the External Auditor and the Internal Audit Function, the Committee continued 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 doing so, management continued work to strengthen financial controls through a formalised Group control framework and the Committee continued to receive updates on progress, control findings and actions during the year.

Following revisions to the Corporate Governance Code, published by the FRC in January 2024, the Committee will support the Board in ensuring the Group is aligned and ultimately compliant with the provisions outlined within the Code ahead of effective dates.

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.

During the year a co-sourced internal audit function was in place, headed by an in-house Head of Internal Audit and supplemented by auditing resource and expertise from PwC as required. Following changes within the Group's finance team, the Committee made the decision to move to an outsourced internal audit function, with this coming into effect for 2024. The outsourced internal audit function will be supported by members of the senior finance team.

The Committee believes that the operating model now in place will continue to work effectively, providing the Group with a wide pool of external experience and specialist skill sets to deliver the most effective and responsive solution, alongside strong internal business support provided by the senior finance team.

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 2023 and to the date of this report the function performed work covering areas, including: payroll processes; controls over procurement processes, and a further review over purchase to pay, which included a review of the updated and strengthened control framework in place.

The outcomes of these were presented to the Audit Committee ahead of approval of the Financial Statements for the year ended 31 December 2023. These set out any control weaknesses identified as well as management's actions to address control recommendations.

The Chairman of the Audit Committee regularly met with the Head of Internal Audit and the co-sourced provider. Other members of the Committee and the Board also met with the Head of Internal Audit on a periodic basis. The Head of Internal Audit and the co-sourced provider had regular and confidential access to the Chairman of the Committee. This process will continue with the outsourced provider following the transition to an outsourced internal audit function.

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 2023 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;

AUDIT COMMITTEE REPORT
CONTINUED

- 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 2023 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 2023, 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.

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, reappointment, 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
25 March 2024

RISK AND SUSTAINABILITY COMMITTEE REPORT

DIVYA SESHAMANI
INDEPENDENT NON-EXECUTIVE DIRECTOR

> "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."

MEMBERSHIP

The members of the Committee are appointed by the Board. At 31 December 2023 the members of the Committee were as follows:

- Divya Seshamani (Chairman)
- Justin Atkinson
- Neil Ash
- Ben Guyatt
- Katherine Innes Ker
- Vince Niblett
- Martin Sutherland
- Gina Jardine

RISK AND SUSTAINABILITY COMMITTEE REPORT CONTINUED

Dear Shareholder

I am pleased to present the report of the Risk and Sustainability Committee (the Committee) for 2023. 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, risk management, 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 86 to 95) are reviewed regularly and the full risk register is presented to the Board at least annually.

During 2023, Committee attention has been directed towards a number of evolving risks, with significant focus on the Group's markets, with change in fiscal policy leading to increased borrowing costs for home buyers and a corresponding slowdown in new housebuilding. The Committee considered the likely implications and potential mitigations of each risk and reviewed the Group's overall approach to determining risk appetite.

In reviewing emerging risks and management's 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 information regarding the risks faced by the Group is included in the Strategic Report on pages 86 to 95.

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 focus on safety behaviours and culture, with a continuation of external behavioural training delivered across the whole business.

In 2023 we continued to focus on health and safety behaviours and culture working with our training provider Juice Learning. We delivered two further phases of the training, phase 3 was delivered to all our supervisory colleagues and higher with the focus on 'stepping up' to manage and promote health, safety and well-being. Phase 4 encouraged all employees to 'speak up' and challenge unsafe behaviours.

During the year, the health and safety team continued to make progress in delivering the Road Map to Zero Harm.

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;
- 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 and considered the upcoming requirements of the Task Force on Nature-Related Financial Disclosure (TNFD).

Health and safety walks

Throughout 2023 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 2023 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.

Committee responsibility

The previous 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, so much so that from the start of 2024 sustainability matters will be governed by a standalone Sustainability Committee. The Committee will devote its time to the continuance of Group's sustainability strategy and governance thereof.

Divya Seshamani
Chairman of the Risk and Sustainability Committee
25 March 2024

REMUNERATION COMMITTEE REPORT

KATHERINE INNES KER

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

“On behalf of the Board, I am pleased to present our Directors’ Remuneration Report for the financial year ended 31 December 2023, which sets out our role and provides details of our application of the Remuneration Policy which was last approved by shareholders in 2023. 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.”

MEMBERSHIP

The members of the Committee are appointed by the Board. At 31 December 2023 the members of the Committee were as follows:

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

Structure of the report

– Remuneration Committee Report, pages 128 to 156
– Remuneration at a Glance, page 133
– Summary of Remuneration Policy, pages 134 to 144
– Annual Report on Remuneration, pages 145 to 156

Dear Shareholder

I am pleased to present, on behalf of the Board, the 2023 Directors’ Remuneration Report.

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 Remuneration Policy was approved by Shareholders at the 2023 AGM, and received 98.14% of the votes cast in favour. Full details of the Policy can be found on pages 134 to 144.

The Committee is comfortable that the Policy has operated as intended during the year and that no major changes are required. The Policy shall continue to apply until the 2026 AGM at which point the Committee shall review its contents and table the Policy, including any revisions, for Shareholder approval.

RESPONSIBILITIES

The principal responsibilities of the Committee are as follows:

- Design and implement remuneration policy and practices of the Company to support strategy and promote long-term sustainable success;
- Ensure executive remuneration is aligned to company purpose and values and linked to delivery of the Company’s long-term strategy;
- Ensure the engagement and independence of external remuneration advisers; and
- Review of workforce remuneration and related policies and the alignment of incentives and rewards with culture.

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 Remuneration Committee are approved by the Board and are reviewed annually to ensure they remain appropriate.

2023 overview

Trading performance

2023 was characterised by a sharp deterioration in trading conditions with increasing mortgage rates, reducing affordability and limiting the demand for new homes and accordingly demand for our products. This cyclical decline in our markets has impacted the Group, reducing revenues and profits but also requiring decisive management action to align output to market demand, limiting the growth of inventory.

Strategic progress

Whilst the primary management focus during the year was response to the rapidly changing market conditions, progress continued to be made against our strategic objectives.

Whilst our strategy remains unchanged, during the year we refreshed our strategic narrative including redefining our vision, mission and purpose, and values.

The following highlights the key achievements against our strategic objectives in 2023:

- Opening of the new Desford brick factory within the original £95m budget.
- Progressing the redevelopment of the Wilnecote brick factory with commissioning expected in the second half of 2024.
- Progressing the construction of our innovative brick slip manufacturing facility which will also commence production in the second half of 2024.

Chief Executive Officer succession

On 25 April 2023 Chief Executive Officer Stephen Harrison stepped down as a Director of the Company. Stephen remained as an employee of the Company until 24 May 2023. Neil Ash was appointed as Chief Executive Officer designate on 3 April 2023 and was subsequently appointed to the Board as Chief Executive Officer on 25 April 2023.

Payments for loss of office

Salary and benefits

Stephen Harrison continued to receive his salary and contractual benefits up to 24 May 2023. No compensation for loss of office was payable.

2023 bonus

The Committee determined that Stephen Harrison was a good leaver.

As a part financial year had been worked, Stephen was eligible to participate in the 2023 annual bonus scheme as detailed on page 146, with entitlement pro-rated for his period of service.

REMUNERATION COMMITTEE REPORT
CONTINUED

Share-based payments

The following treatments applied to in-flight share-based payment, in line with the Company's Remuneration Policy:

- Deferred Annual Bonus Plan (DABP)

Share options granted under the 2022 and 2023 DABP vested on 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 have or will vest at normal vesting date, pro-rated for time served and tested for performance. No awards were granted in respect of 2023.

In line with the Remuneration Policy, Stephen is required to hold the lower of 200% of his in-post share ownership requirement or his 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 any shares granted or acquired prior to appointment to the Board, will also not be counted towards the requirement.

Payments to new Director

Salary and benefits

Neil Ash's remuneration package was set by the Committee following a review of external benchmarks and is believed to be competitive taking into account the size of the Company and the breadth of the role. The package provided to Neil is consistent with that provided to former CEO, Stephen Harrison. Neil's annual base salary from 3 April 2023 was £477,750.

2023 bonus

Neil was eligible to participate in the 2023 annual bonus scheme, pro-rated form 3 April and subject to performance criteria being achieved as detailed on page 146.

Share-based payments

Neil was eligible to participate in share-based payments, in line with the Company's Remuneration Policy from 2023.

In addition, the Committee made an award of 207,784 Forterra ordinary share options on 3 April 2023 as compensation for amounts foregone from Neil's former employer in respect of long-term incentives due to vest in April 2023. No consideration was paid for the grant of the award which was structured as nominal cost options at an option exercise price of £0.01 per ordinary share. These options were exercised on 3 April 2023 with sufficient shares sold to cover income tax and national insurance liabilities.

In addition, on 3 April 2023, Neil was awarded a further 126,904 ordinary share options along with his 2023 PSP award in place of the cash value of his 2022 bonus forgone on the termination of his previous employment.

Remuneration in context

In making decisions in relation to the Executive Directors' remuneration outcomes for 2023, the Committee has taken into account key measures of the Group's performance, as well as the experience of wider stakeholders as outlined below.

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 2023 with an increase of 5% awarded to salaried employees. Following collective pay negotiations with the shop floor workforce, an increase for all non-salaried employees of 5.5% was agreed in June 2023 and backdated to January 2023.

During the year the Company met with representatives from the Employee Forum on a quarterly basis, with discussion topics including employee reward amongst many others.

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 2023 shareholder discussion was inevitably focused upon market conditions and their impact on trading results along with management's response and the mitigating actions taken.

The Chairman of the Board is always available to discuss matters with major shareholders and held a number of meetings during the year.

2023 salary and fees

The base salaries of the outgoing 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 5% in January 2023 in line with the increase for salaried employees. The base salary of Neil Ash was set upon his appointment as outlined above.

2023 annual bonus

Reflecting the fulfilment of personal objectives, the 2023 annual bonus will be paid in March 2024.

The profit before tax (PBT) as stated before adjusting items of £31.1m did not meet the minimum threshold of £46m and the Executive Directors will not receive a payment of the profit-related element of their bonus. The achievement against the personal objectives element has been determined at 50% for both the outgoing and incoming Chief Executive Officer, Stephen Harrison and Neil Ash, making their bonus earnings 12.5% of their maximum potential annual bonus for 2023. Ben Guyatt, Chief Financial Officer (CFO) was also determined to have achieved 50% of his personal objectives, also making his 2023 bonus earnings 12.5% of his maximum potential annual bonus. No adjustments or discretion has been applied to the formulaic outcome for the 2023 annual bonus.

Under the rules of the annual bonus plan the first 10% of salary is payable in cash, with up to half of the remainder of any bonus being normally deferred into shares under the DABP. In light of the modest bonus achievement in the year and in recognition of the disproportionate administrative burden of deferring small amounts into shares, the Committee has elected not to defer any of the bonus into shares and the entire 2023 bonus will be paid in cash.

Performance Share Plan (PSP) awards vesting in 2023

The 2020 PSP award vested on 17 September 2023. This award was granted with all of the award subject to a total shareholder return (TSR) performance condition measured over three financial years from grant. The TSR performance condition was met and vested at 53.9%.

Performance Share Plan (PSP) awards granted during the year

The 2023 grant of awards under the PSP was made in accordance with the Policy at 150% of salary for the CEO, Neil Ash, and 125% of salary for the CFO, Ben Guyatt. Stephen Harrison did not participate in the 2023 PSP.

The performance targets applicable to this award are disclosed within this Report. The awards are structured with 40% of the awards granted subject to an EPS performance condition, 40% of the awards granted subject to a TSR performance condition and 20% of the award subject to sustainability targets.

2023 Remuneration Policy and implementation

Implementation of the Remuneration Policy in 2024 was approved by shareholders at the 2023 AGM, and received 98.14% of the votes cast, in favour.

REMUNERATION COMMITTEE REPORT
CONTINUED

2024 overview

2024 salary and fees

In line with the Policy, the Committee considered the base salaries of the Executive Directors, Neil Ash (CEO) and Ben Guyatt (CFO) and awarded a 2% increase effective 1 January 2024. This was in line with the increase awarded to both the salaried employees and shop floor workforce of the Group. The Executive Directors determined that the base fee payable to the Non-Executive Directors should be increased by the same percentage. 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 2% effective 1 January 2024.

Therefore in 2024 the Executive and Non-Executive Directors received annual increases in common with the wider workforce.

2024 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 2024 annual bonus.

The following metrics and weighting will apply for the 2024 annual bonus:

- 75% of maximum opportunity: profit before tax; and
- 25% of maximum opportunity: non-financial/strategic objectives.

With challenging market conditions expected to continue through 2024 and with this reflected in the analysts' expectations of 2024 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.

2024 Performance Share Plan (PSP) awards

Grant levels for the 2024 PSP are expected to be in line with the prior year at 150% of salary for Neil Ash (CEO) and 125% of salary for Ben Guyatt (CFO).

The performance targets to be applied to the 2024 PSP awards have yet to be finalised by the Committee although these measures are expected to be consistent with the 2023 PSP awards which incorporate performance targets based on sustainability metrics accounting for 20% of the award with EPS at 40% and TSR at 40% respectively.

The EPS target measure will be set recognising that the current downturn in our markets is more severe and longer lasting than was envisaged when the targets for the 2023 PSP awards were determined. In respect of the portion of the award subject to a TSR performance condition the index is again expected to comprise the unweighted FTSE 250 participants (excluding investment trusts).

Once finalised the 2024 PSP targets will be communicated by way of an Regulatory News Services (RNS) announcement.

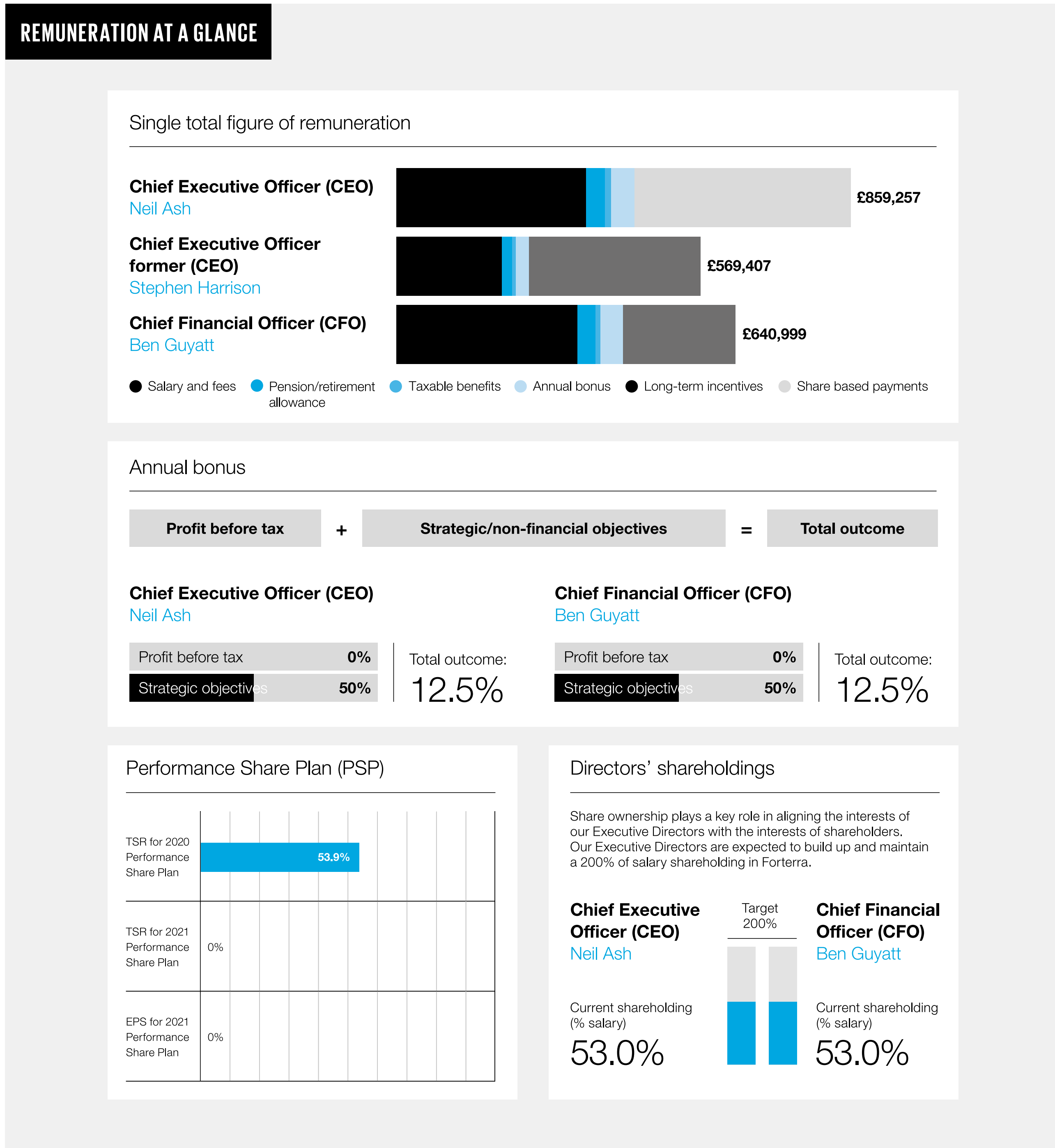
Shareholder engagement

We take a keen interest in our shareholders' views on executive remuneration and welcome any feedback on the Remuneration Committee Report.

This Remuneration Committee Report will be subject to an advisory vote at the 2024 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
25 March 2024

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 COMMITTEE REPORT

SUMMARY OF REMUNERATION POLICY

Introduction

This Director's Remuneration Policy provides an overview of the Company's policy on Directors' pay that was applied in 2023 and will continue to apply until the 2026 AGM. It sets out 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.

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
2023

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

The following table summarises the key aspects of the Company's Remuneration Policy for Executive and Non-Executive Directors.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Salary	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	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	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	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	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. In addition, from 2023 part of the award will be assessed on sustainability-driven targets such as decarbonisation and plastic reduction. 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	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	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	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 2024, 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 2024 awards the performance condition is expected to be relative TSR, EPS and 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 pay included within general topics addressed by the forum.

The Committee takes keen interest in shareholders' views on executive remuneration and welcomes any feedback on the approach taken. Sustainability targets were added to the PSP in 2023 following consultation with shareholders.

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.

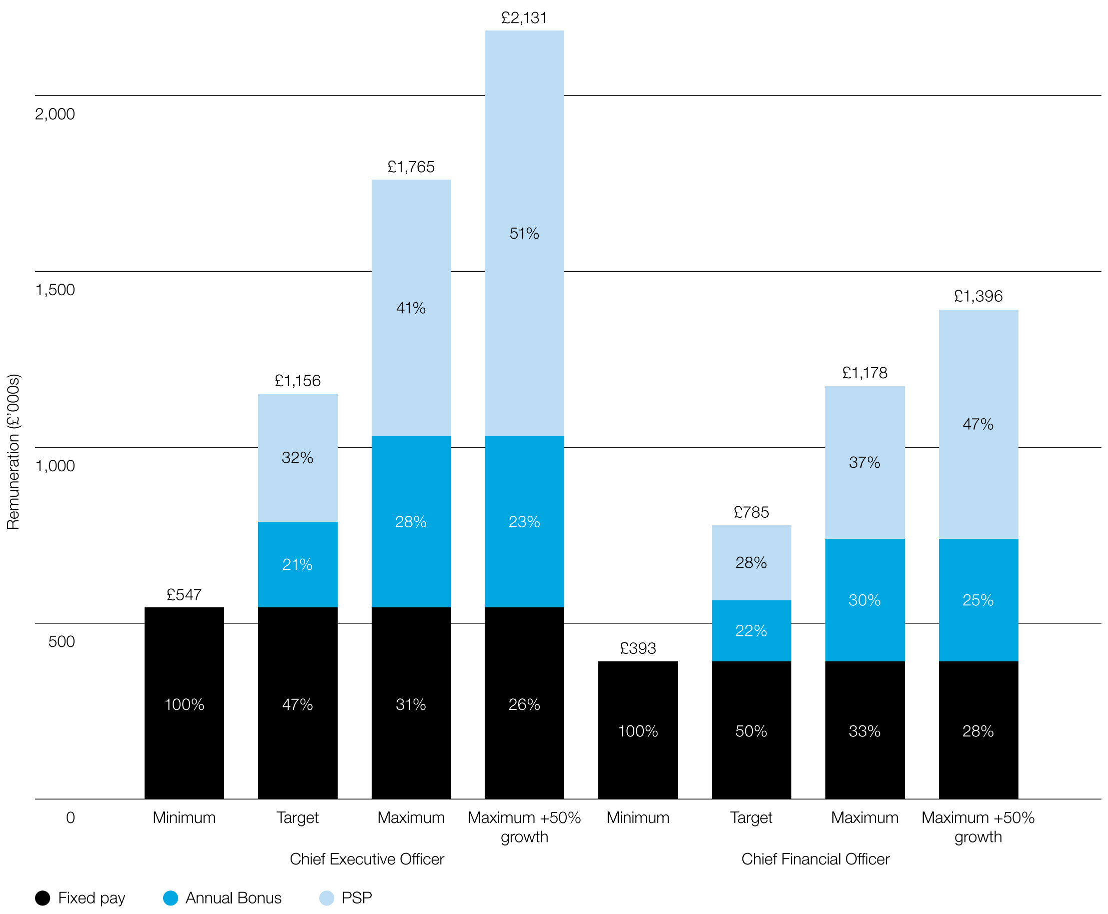
In any other circumstance, the leaver will be treated as a 'bad leaver'.

REMUNERATION COMMITTEE REPORT

SUMMARY OF REMUNERATION POLICY CONTINUED

ILLUSTRATIONS OF APPLICATION OF THE REMUNERATION POLICY

TOTAL REMUNERATION OPPORTUNITY



Notes:

- Minimum is equivalent to fixed pay which comprises salary levels applying for 2024, the value of benefits in 2023 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.

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]	Share-based Payments[4]	Total	Total fixed remuneration	Total variable remuneration
Neil Ash	**2023**	**£358,313**	**£10,990**	**£35,831**	**£44,789**	**–**	**£409,334**	**£859,257**	**£405,134**	**£454,123**
	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Stephen Harrison[5]	**2023**	**£193,983**	**£6,356**	**£20,078**	**£25,097**	**£323,893**	**–**	**£569,407**	**£220,417**	**£348,990**
	2022	£458,923	£14,654	£45,893	£410,736	–	–	£930,206	£519,470	£410,736
Ben Guyatt	**2023**	**£341,975**	**£9,357**	**£34,197**	**£42,747**	**£212,723**	**–**	**£640,999**	**£385,529**	**£255,470**
	2022	£325,690	£12,079	£32,569	£297,192	–	–	£667,530	£370,338	£297,192

					Percentage of maximum value achieved			Bonus achieved		
	Weighting	Threshold performance required	Maximum performance required	Actual performance achieved	Neil Ash	Stephen Harrison	Ben Guyatt	Neil Ash	Stephen Harrison	Ben Guyatt
PBT (before exceptional items)	75%	£46.0m	£66.0m	£31.0m	–	–	–	–	–	–
Strategic objectives	25%				50%	50%	50%	£44,789	£25,097	£42,747
Total (% of maximum)	100%				12.5%	12.5%	12.5%			
Total								**£44,789**	**£25,097**	**£42,747**

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 2023 comprises the total amount vested under the TSR condition of the 2020 PSP grant which vested on 17 September 2023 at 53.9% (the 2020 PSP was measured on TSR only). The above amounts are calculated using the share price at vesting of £1.692. The EPS and TSR conditions of the 2021 PSP were calculated over the three year reporting period to 31 December 2023 therefore are known at the year end date, however the performance conditions have vested at nil.
4. Neil Ash received share options on joining the Company to compensate for amounts foregone from his previous employer. 207,784 Forterra ordinary share options were awarded on 3 April 2023 and vested immediately at a share price of £1.97.
5. Stephen Harrison stepped down as CEO on 25 April 2023, he continued to be an employee of the company until 24 May 2023. Stephen continued to receive his salary and contractual benefits up to 24 May 2023 which are included in the above table.

REMUNERATION COMMITTEE REPORT

ANNUAL REPORT ON REMUNERATION CONTINUED

2023 Strategic objectives

Participants	Objectives	Assessment of achievement	% Bonus payable
Neil Ash	Objectives linked to: Delivery of long term strategy including the ramp up and optimisation of the new Desford brick factory and delivery of a clear innovation roadmap; continuing to progress the pipeline or organic growth projects and in the shorter term, responding to both uncertain market conditions and the commissioning of Desford to ensure production output is adjusted to reflect market demand and improving factory performance through delivery of manufacturing excellence.	The new Desford brick factory has been commissioned and although this process was more challenging than initially expected, good progress has been made in the second half. A much sharper and prolonged downturn in market conditions relative to that anticipated a year ago has developed and management have taken decisive action to address the fixed cost base although inventory levels still rose substantially. A strategic review was undertaken, reconfirming the existing strategy and refreshing the Group's strategic narrative including the vision, mission and purpose and values. This process included a validation and review of the pipeline of organic investment projects and an assessment of innovation progress and priorities. Current market conditions and the elevated levels of debt that they have driven, determined that only limited progress was possible in progressing the pipeline of potential projects to commitment stage.	50%
Stephen Harrison	Objectives linked to: The commissioning and ramp up of the new Desford brick factory and the induction and handover to Neil Ash prior to departure.	A successful event to mark the opening of the new Desford brick factory took place shortly before Stephen's departure although the ramp up in production was more challenging than had been anticipated. A comprehensive and thorough handover was provided to Neil Ash.	50%
Ben Guyatt	Objectives linked to: Delivery of long-term strategy including the ramp up and optimisation of the new Desford brick factory and responding accordingly to uncertain market conditions ensuring production output is adjusted to reflect market demand and that inventory levels remain appropriate; delivery of a new IT system to the Bison flooring business ensuring the level of embedded controls are raised to the same level as the brick and block business; optimisation of key back office processes including payroll and delivery of further elements of the Group's internal control framework ensuring the Group is well prepared for the proposed reforms associated with the 'Restoring Trust in Audit and Corporate Governance' consultation.	The new Desford brick factory has been commissioned and although this process was more challenging than initially expected good progress has been made in the second half. A much sharper and prolonged downturn in market conditions relative to that anticipated a year ago has developed and management have taken decisive action to address the fixed cost base although inventory levels still rose substantially. The IT system was successfully implemented within the Bison flooring business and demonstrable enhancements have been made to the operation of back office functions including the payroll. Continued progress was made on the development of the control framework although many of the proposed reforms have not yet been progressed, although the Group remains well placed to respond to the changes in the UK Corporate Governance Code that have recently been announced.	50%

A full breakdown of the bonus and payments and share award deferral is set out below:

	Bonus total	Paid in cash	Paid in shares
Neil Ash	£44,789	£44,789	Nil
Stephen Harrison	£25,097	£25,097	Nil
Ben Guyatt	£42,747	£42,747	Nil

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With the first 10% of salary payable in cash and up to half of the remaining bonus under normal circumstances being deferred into shares under the DABP, in light of the modest bonus achievement in the year and in recognition of the disproportionate administrative burden of deferring small amounts into shares, the Committee has elected not to defer any of the 2023 bonus into shares.

Long term incentives (audited)

2020 Performance Share Plan

The 2020 PSP awards vested on 17 September 2023. This award is measured on total shareholder return (TSR) only and is included in this year's single figure table.

	2020 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	TSR	100%	53.9%	17-Sep-23	17-Sep-23	£1.69	167,375	£283,199
	Dividend equivalent on TSR						24,051	£40,694
	Total		**53.9%**				**191,426**	**£322,893**
Ben Guyatt	TSR	100%	53.9%	17-Sep-23	17-Sep-23	£1.69	109,927	£185,996
	Dividend equivalent on TSR						15,796	£26,727
	Total		**53.9%**				**125,723**	**£212,723**

Performance condition	% of award subject to condition	Growth	% of PSP award which will vest
Company's total TSR against Index TSR	100%	<Index TSR At Index TSR Index TSR plus 25 percentage points	0% 25% 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 Nicholson Holdings, Grafton Group, Grainger, Howdon Joinery Group, Ibstock, Kingspan Group, Marshalls, Michelmersh Brick Holdings, Persimmon, Polypipe Group, Redrow, SIG, St. Modwen Properties, Taylor Wimpey, Travis Perkins and Vistry Group.

2021 Performance Share Plan

PSP awards granted in 2021 are subject to following the performance conditions:

Performance condition	% of award subject to condition	Growth	% 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).

The 2021 PSP awards have a vesting date of 30 April 2024. The EPS and TSR conditions of the 2021 PSP are calculated over the three year reporting period to 31 December 2023 therefore are known at the year end date, and the performance conditions have not been achieved and accordingly none of the awards shall vest.

REMUNERATION COMMITTEE REPORT

ANNUAL REPORT ON REMUNERATION CONTINUED

Performance Share Plan awards made during the year

On 3 April 2023 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
Neil Ash	Nominal (1p) cost option	150% of salary of £477,750	£1.97	490,673	£966,626	25%	Three years to 3 April 2026
Ben Guyatt	Nominal (1p) cost option	125% of salary of £341,975	£1.97	216,989	£427,468	25%	Three years to 3 April 2026

1. The number of options granted was calculated using the salary in place for each Executive Director at the date of grant on 3 April 2023. The number of options granted to Neil Ash includes an additional 126,904 shares in place of the cash value of his 2022 bonus foregone from his previous employer. These additional options are granted as part of the 2023 PSP and are subject to the same performance conditions.

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 was determined using a share price of £1.97 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 April 2023 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	Period	Fees	Total
Justin Atkinson	Non-Executive Chairman	**2023**	**£161,469**	**£161,469**
		2022	£153,780	£153,780
Divya Seshamani	Independent Non-Executive Director	**2023**	**£66,052**	**£66,052**
		2022	£63,240	£63,240
Martin Sutherland	Independent Non-Executive Director	**2023**	**£59,052**	**£59,052**
		2022	£56,240	£56,240
Katherine Innes Ker	Senior Independent Non-Executive Director	**2023**	**£76,052**	**£76,052**
		2022	£73,240	£73,240
Vince Niblett	Independent Non-Executive Director	**2023**	**£66,052**	**£66,052**
		2022	£63,240	£63,240
Gina Jardine	Independent Non-Executive Director	**2023**	**£44,289**	**£44,289**
		2022	n/a	n/a

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 2023 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)	Vested PSP (nominal cost options not subject to performance conditions) not yet exercised	Unvested DABP (nominal cost options not subject to performance conditions)[5]	Outstanding Sharesave awards[6]	Shareholding requirement met
Executive Directors										
Neil Ash	200%	53%	143,554	–	490,673	–	–	–	14,053	No
Stephen Harrison	200%	176%[7]	481,300	–	273,858	–	–	–	–	No
Ben Guyatt	200%	53%[8]	35,217	461	524,584	–	125,723	124,257	26,133	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
Gina Jardine	n/a	–	7,000	–	–	–	–	–	–	n/a

1. As at 31 December 2023. This is based on a closing share price of £1.766 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 and 2023 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 a vesting date of 1 December 2023. These options were not exercised by the year end. During 2023 grants were made under the 2023 Sharesave Scheme with an exercise price of £1.32, resulting in a 20% discount at grant date and a vesting date of 1 December 2026.
7. Shareholding percentage calculated at date of departure.
8. Current shareholding includes beneficially owned (35,217) plus the net of tax vested PSP (66,633).

REMUNERATION COMMITTEE REPORT

ANNUAL REPORT ON REMUNERATION CONTINUED

Summary of share option awards

	Type of award	Date granted	At 1 January 2023	Awarded during the year	Vested during the year	Vested during the year but not exercised by the year end	Lapsed/ cancelled during the year	At 31 December 2023
Neil Ash	PSP	Apr-23	–	490,673	–	–	–	**490,673**
	SAYE	Oct-23	–	14,053	–	–	–	**14,053**
Total								**504,726**
Ben Guyatt	SAYE	Oct 23	–	14,053	–	–	–	**14,053**
	PSP	Apr-23	–	216,989	–	–	–	**216,989**
	DABP	Mar-23	–	64,542	–	–	–	**64,542**
	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	–	(125,723)	125,723	(78,224)	**125,723**
	SAYE	Oct-20	12,080	–	(12,080)	12,080	–	**12,080**
Total								**800,697**

PSP awards granted in 2022 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 2024	50%	<11% Equal to 11% 26% or above	0% 25% 100%
Company's total TSR against Index TSR – measured at 31 December 2024	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)

Stephen Harrison stepped down as Chief Executive Officer in April 2023, no compensation for loss of office was payable. Stephen continued as an employee of the Company until 24 May 2023 for which Stephen continued to receive his salary and contractual benefits. Loss of office details can be found in the Remuneration Committee Chairman's letter on pages 129 and 130.

Implementation of the Remuneration Policy for the year ending 31 December 2024

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 December 2024 is set out below.

Base salary

The 2024 review of Executive Directors' and all employees' salaries took place in January 2024 and a 2.0% increase has been applied in line with the general increase awarded to all salaried staff. The increases took effect from 1 January 2024.

	2024	2023	% Increase
Neil Ash	**£487,305**	£477,750	2%
Ben Guyatt	**£348,814**	£341,975	2%

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 2024.

Annual bonus

The maximum annual bonus for the year ending 31 December 2024 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 2024. 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 2024 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 2024 awards under the PSP in April 2024. In addition to traditional performance metrics, these awards will continue to 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 recent contraction in the Group's key markets which is proving to be deeper and longer-lasting than previously anticipated. Accordingly, the growth targets are expected to be lower than those set in the prior year.

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 56 and 57). 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 performance targets to be applied to the 2024 PSP awards have yet to be finalised by the Committee. Once finalised the targets will be communicated by way of an RNS announcement.

	Type of award	Expected basis of award granted[1]	Vesting determined by performance over
Neil Ash	Nominal (1p) cost option	150% of salary of £487,305	Three years to December 2026
Ben Guyatt	Nominal (1p) cost option	125% of salary of £348,814	Three years to December 2026

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.

	2024	2023	% Increase
Non-Executive Chairman	**£164,698**	£161,469	2%
Non-Executive Director base fee	**£60,233**	£59,052	2%
Additional fees:			
Senior Independent Director	**£10,000**	£10,000	–
Audit and Risk Committee Chairman	**£7,000**	£7,000	–
Remuneration Committee Chairman	**£7,000**	£7,000	–
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 2023, 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.

	2023	2022	2021	2020	2019	2018	2017	2016
Single total figure	**£1,428,665**	£930,206	£939,074	£748,689	£1,052,599	£893,054	£762,476	£985,806[1]
Annual bonus (% of maximum)	**12.5%**	89.5%	97.8%	–	–	60.5%	72.0%	50.3%
PSP vesting (% of maximum)	**53.9%[2]**	–[3]	–	45.0%[4]	72.0%[5]	36.9%[6]	–	–

1. Includes one-off bonus agreed prior to IPO of £400,000.
2. 2020 PSP award subject to the TSR measure with the period ending 17 September 2023, vested at 53.9%. 2021 PSP award both EPS and TSR measure at 31 December 2023, vested at nil.
3. 2019 PSP award subject to the TSR measure with the period ending 29 March 2022, vested at nil.
4. 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.
5. 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.
6. Relates to element of 2016 PSP award subject to an EPS growth performance measure with a measurement period ending 31 December 2018.

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 2022 to 2023			Changes 2021 to 2022			Changes 2020 to 2021		
	Base salary change	Benefits change	Annual bonus	Base salary change[1]	Benefits change	Annual bonus	Base salary change[2]	Benefits change	Annual bonus[3]
Neil Ash (CEO)[4]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Stephen Harrison (CEO)[5]	(57.7)%	(56.6)%	(93.9)%	3.5%	(5.8)%	(5.8)%	6.8%	(9.7)%	100.0%
Ben Guyatt (CFO)	5.0%	(22.5)%	(85.6)%	3.5%	1.0%	(3.4)%	6.8%	0.1%	100.0%
Martin Sutherland (NED)	5.0%	–	–	3.5%	–	–	6.8%	–	–
Katherine Innes Ker (NED)	5.0%	–	–	3.5%	–	–	6.8%	–	–
Justin Atkinson (NED)	5.0%	–	–	3.5%	–	–	6.8%	–	–
Vince Niblett (NED)	5.0%	–	–	3.5%	–	–	6.8%	–	–
Divya Seshamani (NED)	5.0%	–	–	3.5%	–	–	6.8%	–	–
Gina Jardine (NED)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average for all other employees[6]	5.0%	(1.5)%	(79.7)%	5.4%	23.5%	(11.4)%	1.5%	4.8%	215.9%

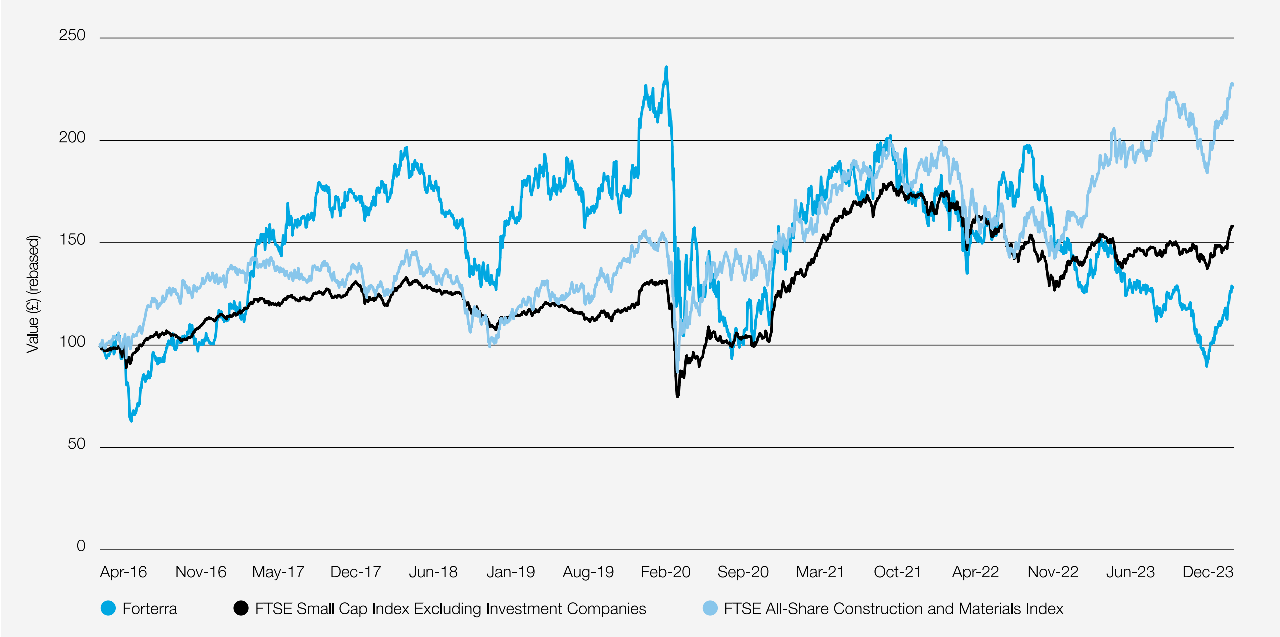
1. The Executive and Non-Executive Directors received a 3.0% increase in 2022 but when full year earnings are compared to 2021 where an increase was awarded mid year, the year on year increase was 3.5%.
2. The percentage presented is calculated using base salary considering the three month voluntary deduction in salary of 20% taken by the Executive and Non-Executive Directors during 2020 due to the Covid-19 pandemic.
3. No bonus was payable to Ben Guyatt or Stephen Harrison in 2020. The bonus for 2021 is therefore presented as a 100% increase.
4. Neil Ash joined in April 2023 therefore there is no percentage change to prior years.
5. Stephen Harrison left the Company in May 2023.
6. 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.

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 2023, of £100 invested in Forterra plc on 20 April 2016, compared with the value of £100 invested in the FTSE Small Cap (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 2023 was 29.6 times. This is measured as the ratio of the CEO single total figure of 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.

	2023	2022
Ratio of CEO single total figure remuneration to average employee remuneration	**30:1**	22:1

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 2023, 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)
2023	**Option B**	**33:1**	**28:1**	**26:1**
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 2023 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	£552,296	£39,015	£46,818	£49,539
Total pay and benefits	£1,428,664	£42,917	£51,500	£54,493

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 2023 (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 2023 are as follows:

2023 Mandatory Metrics

Metric[1,2]	2023	2022	2021	2020[3]
Mean gender pay gap in hourly pay (%)	**16.7%**	15.1%	11.4%	7.8%
Median gender pay gap in hourly pay (%)	**25.4%**	25.1%	21.6%	7.6%
Mean gender bonus gap (%)	**(18.3)%**	7.3%	66.2%	46.7%
Median gender bonus gap (%)	**(24.8)%**	6.4%	70.0%	59.2%

1. The mean and median gender pay gap has been calculated using April 2023 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.

The mean hourly rate pay gap has increased by 1.6% in 2023 compared to 2022. This is due to the majority of the females in the workforce being in non-operational roles and therefore do not attract shift allowance. However there has been a significant increase in the mean gender bonus gap due to there being more females in senior roles and bonus stretch targets being met in 2022 resulting in higher bonus payments made in March 2023.

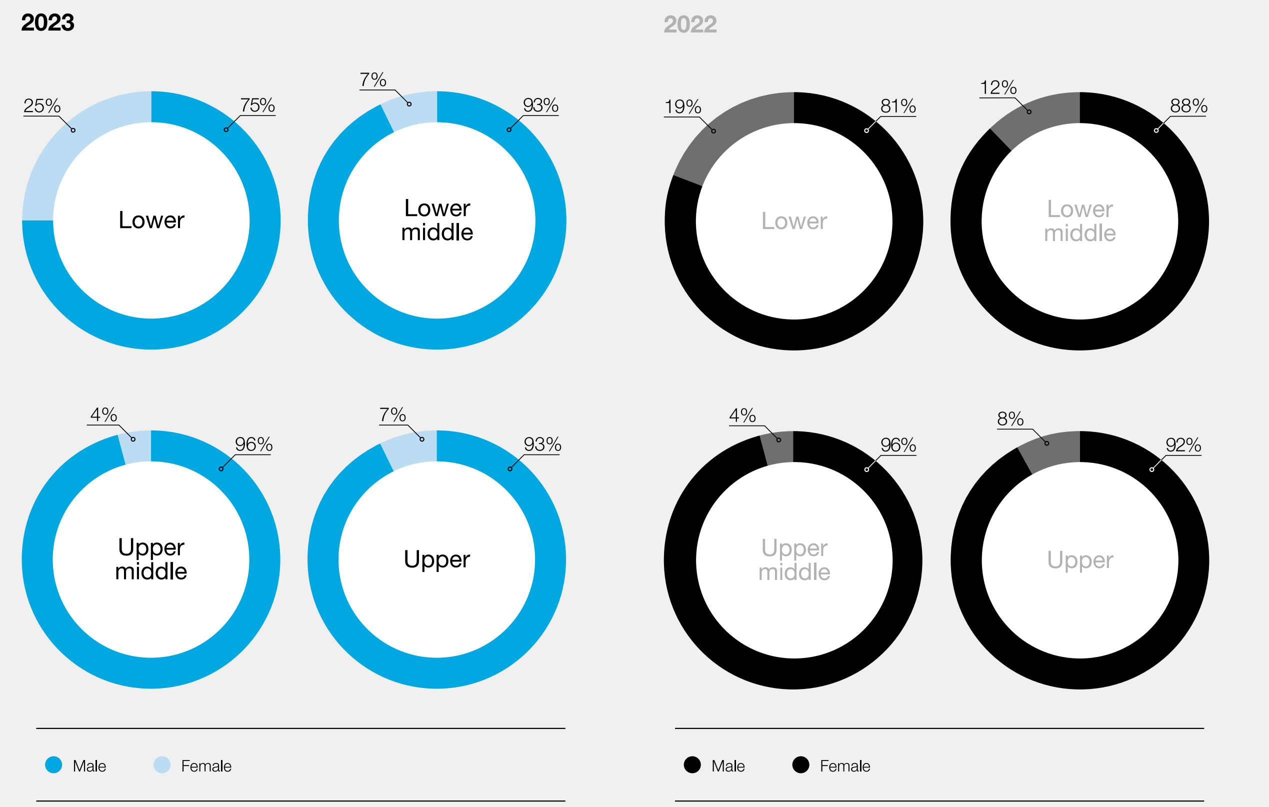
The percentage of females receiving bonus has risen from 83.1% in 2022 to 96.6% in 2023.

Metric[1]	2023	2022	2021	2020
Male employees receiving bonus (%)	**96.7%**	66.2%	48.6%	70.7%
Female employees receiving bonus (%)	**98.0%**	83.1%	32.2%	81.8%

1. The mean and median gender pay gap has been calculated using April 2022 to March 2023 bonuses, share exercises, recognition awards and other relevant metrics.

We continue our commitment to increase gender diversity and, in particular, within operational roles.

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 2023.

Metric	Disbursements from profit 2023 £m	2022 £m
Total spend on pay, including Directors	**106.2**	113.6
Distributions to shareholders by way of dividend	**25.7**[1]	24.2[2]

1. Final 2022 dividend of £0.101 per share paid in July 2023 and interim dividend of £0.024 per share paid in October 2023.
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 (WTW). WTW 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 WTW in relation to executive remuneration matters during the year was objective and independent. WTW 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 WTW during the year totalled £33,768.

Statement of shareholder voting

A high level of shareholder support was received for our Remuneration Report at our 2023 AGM, as summarised below:

Level	Votes for	Votes against	Votes withheld
An advisory vote on the approval of the 2023 Annual Report on Remuneration	143,216,609 97.83%	3,183,645 2.17%	9,914

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
25 March 2024

FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
2023

GOVERNANCE

DIRECTORS' REPORT

The Directors present their report for the financial year ended 31 December 2023. 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.

Dividends

An interim dividend was paid on 13 October 2023 to shareholders on the register at 22 September 2023. Subject to securing shareholder approval at the 2024 AGM, the Directors are proposing a final dividend for the financial year ended 31 December 2023 of 2.0p per Ordinary Share, this brings the total dividend for the year to 4.4p. If approved at the AGM, payment of the final dividend will be made to shareholders registered at the close of business on 14 June 2024 and will be paid on 5 July 2024.

Directors

The Directors of the Company who served during the year and to the date of this report are listed on page 98. Details of the Directors' interests in the share capital of the Company are set out on page 149 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.

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 26 of the Consolidated Financial Statements on page 204.

As at 31 December 2023 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 2023 the Trust held a total of 392,825 shares in the Company, with a nominal value of 3,928p 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. As at 31 December 2023 the EBT held a total of 5,512,425 shares in the Company, with a nominal value of 55,124p and at a weighted average purchase consideration of 249p per share.

DIRECTORS' REPORT
CONTINUED

Substantial shareholdings

At 31 December 2023 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 2023			25 March 2024	
	Nature of holding	**Number of shares disclosed**	**% interest in voting rights**	Number of shares disclosed	% interest in voting rights
Vulcan Value Partners	Indirect	**28,744,777**	**13.51**	26,475,173	12.44
Lansdowne Partners	Indirect	**22,802,737**	**10.72**	22,802,737	10.72
Jupiter Asset Management	Indirect	**11,231,572**	**5.27**	11,231,572	5.27
FitzWalter Capital Partners	Indirect	**11,189,441**	**5.26**	11,189,441	5.26
MFS Investment Management	Indirect	**10,550,158**	**4.96**	10,550,158	4.96
Mondrian Investment Partners	Indirect	**10,499,315**	**4.93**	10,499,315	4.93

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 195 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

The Group's debt facility comprises a committed revolving credit facility (RCF) of £170m extending to January 2027 with an option for an extension to June 2028 subject to lender consent. At the balance sheet date, the cash balance stood at £16.0m and after allowing for £9.5m of the facility which is currently carved out to be used for the provision of letters of credit, an undrawn balance of £50.5m was available against the Group's facility, with reported net debt before leases of £93.2m (2022: £5.9m) (net debt is presented inclusive of capitalised arrangement fees).

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 facility is normally subject to covenant restrictions of leverage (net debt / EBITDA) (as measured before leases) of less than three times and interest cover of greater than four times. The Group also benefits from an uncommitted overdraft facility of £10m.

The Group has traded comfortably within these covenants throughout 2023 and whilst it anticipates remaining within these covenants during 2024, given the combination of the Group's reduced EBITDA and increased net debt, driven by inventory build, capital outflows and higher interest rates, amended covenants have been agreed with the Group's lenders to provide additional headroom in the short-term. Accordingly, the Group's leverage covenant has increased to four times at June 2024 and 3.75 times at December 2024 with interest cover decreasing to three times at December 2024. In addition, quarterly covenant testing has been introduced for the period of the covenant relaxation. As such, for September 2024, leverage is set at four times and interest cover three times and in March 2025 leverage is set at 3.75 times and interest cover at 3 times. The covenants return to normal levels from June 2025 with testing reverting to half yearly.

Management has modelled three financial scenarios for the period to 30 June 2025, comprising a base case and two plausible downside scenarios, reflecting both macroeconomic and industry-specific projections. In addition to this, a reverse stress test has also been modelled.

Assumptions underpinning these scenarios are outlined as follows:

- the base case scenario is aligned to our current demand expectations with short-term market conditions remaining challenging and demand in 2024 being broadly consistent with that seen in 2023;
- 2023 was characterised by a large growth in inventory and the management actions taken in 2023 will address this such that in 2024 production will be more closely aligned to sales;
- capex outflows on the Group's three strategic investments will be almost complete during 2024, with capital spend significantly reduced thereafter until a recovery in market conditions facilitates a reduction in the Group's net debt; and
- the Group's plausible downside scenarios take into account the current levels of market demand which are already approximately 30% below the levels last seen in 2022, meaning current industry demand is presently in line with levels last seen in the global financial crisis. As such, it is not considered plausible that demand could fall further than within the assumptions within the scenarios laid out below.

Scenario	**Sales volume assumptions**	**Management mitigations**
Base	Volumes reducing by 24-36% in 2024 relative to 2022, recovering in 2025 but remaining 20-27% below 2022	None necessary
Plausible downside	Volumes reducing by 29-40% in 2024 relative to 2022, recovering in 2025 but remaining 25-37% below 2022	None necessary
Plausible downside with management mitigations	Volumes reducing by 29-43% in 2024 relative to 2022, recovering in 2025 but remaining 24-37% below 2022	A number of controllable management mitigations assumed

Under each of the above scenarios, there is no breach in covenants throughout 2024 and in the period up to June 2025. In addition to this, the Group has prepared a reverse stress test to determine the level of market decline that could potentially breach covenants, before further mitigating actions are taken. The reverse stress test indicated, that should volumes fall by between 36% and 46% (product line dependent) versus those seen in 2022, the Group would be at risk of breaching its covenants. This is viewed by the Board to be a highly unlikely scenario, taking into consideration encouraging recent trading updates from housebuilding customers which report greater levels of customer activity in recent months, with a downward trend in mortgage interest rates throughout 2024 expected to increase affordability of new homes. Alongside this, the continuing under-supply of housing in the UK continues to worsen, and the Board are confident in the Group's ability to benefit significantly as markets recover and strategic investments generate returns. Additionally, in the event of the volumes falling in line with those modelled in the reverse stress test, the Group would seek to enact further mitigating actions including additional cost savings, production reductions, curtailment in the quantum of dividend distribution and the sale of land and buildings.

Taking this into consideration, alongside trading performance for the first two months of 2024 which has seen subdued levels in line with 2023 volumes, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period to 30 June 2025. 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 2024 AGM will be held on 21 May 2024. 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:

Frances Tock
Company Secretary
25 March 2024

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 98 to 101 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:

Neil Ash
Chief Executive Officer
25 March 2024

Ben Guyatt
Chief Financial Officer

FINANCIAL STATEMENTS

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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 parent company's (the Company) affairs as at 31 December 2023 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 2023 which comprise:

Group	Company
Consolidated Balance Sheet as at 31 December 2023	Company Balance sheet as at 31 December 2023
Consolidated Statement of Total Comprehensive Income for the year ended 31 December 2023	Company Statement of Changes in Equity for the year ended 31 December 2023
Consolidated Statement of Changes in Equity for the year ended 31 December 2023	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 ended 31 December 2023	
Related notes 1 to 30 to the Consolidated Financial Statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the group 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 are independent of the Group and the 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the 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 the 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, including the revised covenant agreement 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 30 June 2025. The Group has modelled base case and severe but plausible scenarios in their cash forecasts and covenant calculations in order to incorporate unforeseen fluctuations in the performance and liquidity of the group.
- 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 historical accuracy of management's forecast by performing the comparison of prior year actual results with the forecasts.
- We have obtained and performed an analysis on post year end results and compared this against management's budget.
- We had discussion with the commercial team to understand future trading and in particular the April order book for bricks.
- We have tested the main assumptions that included trading volumes and underlying EBITDA in each modelled scenario by comparing them with Group's historical performance, economic and industry forecasts including the potential impact of climate change on the Group's business. Management subsequently incorporated further downside in the severe but plausible scenario.
- 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 engaged with the EY internal specialist to assess the group's ability to obtain a further covenants relaxation should that be necessary.
- We reviewed the Group and the 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.

Key observations

- The Directors' assessment forecasts that the Group will maintain sufficient liquidity and covenant compliance through the going concern period to 30 June 2025. We observed that in management base case and both severe but plausible scenarios there is liquidity and covenant compliance.
- Management's assessment was further supported by a reverse stress scenario with a more severe decline across the non brick products. Management considers such a scenario remote, however, in such an unlikely scenario, management considers that the impact can be mitigated by implementing further mitigations in their control.

Going concern has also been determined to be a key audit matter.

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 the period up to 30 June 2025.

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.

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 Directors' statement in the Consolidated Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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. • Impairment of tangible and intangible assets. • Going concern.
Materiality	• Overall Group materiality of £1.6m 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 (2022: three components) covering entities, 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 (2022: two components) which were selected based on their size or risk characteristics. 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% (2022: 100%) of the Group's profit before tax and exceptional items, 100% (2022: 100%) of the Group's revenue and 100% (2022: 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 Group. The Group has determined that the most significant future impacts from climate change on its operations will be from both the transitional risks associated with adapting its 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. These are explained on pages 81 to 85 in the required Task Force on Climate Related Financial Disclosures and on pages 86 to 95 in the principal risks and uncertainties. They have also explained their climate commitments on pages 56 and 57. 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 they have reflected the impact of climate change in their 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. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

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 judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether 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 £346.4m, 2022: £455.5m) Refer to the Audit Committee Report page 121; Accounting policies page 176; and note 2 of the Consolidated Financial Statements page 174. 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 journal entries posted to revenue throughout the year, applying a number of parameters designed to identify and test entries that were not in accordance with our expectations. We verified the selected 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA PLC
CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of tangible and intangible assets At 31 December 2023 property, plant and equipment totalled £249.7m (2022: £233.7m) and intangible assets were £19.2m (2022: £23.6m). Refer to the Audit Committee Report page 121; and note 13 and 14 of the Consolidated Financial Statements pages 191 and 192. Tangible and intangibles assets are maintained between 15 identified cash generating units (CGUs). The CGUs which are allocated intangible assets with indefinite useful lives are subject to annual impairment tests and remaining CGUs are assessed for indicators of impairment annually. Management has recognised an impairment charge of £5.0m during the year. The Group has been impacted in the year by the disruption from the economic turbulence that has suppressed demand for new housing resulting in a marked reduction in demand for their products. Revenue decreased significantly during this period. Given the uncertainty that the current macroeconomic environment presents to forecasting on which the impairment assessment relies, this risk has increased in the year. As such, there is a risk that the identified CGUs may not achieve the anticipated business performance to support their carrying value and therefore the value of these assets could be overstated.	We assessed whether management's identification of cash generating units was in accordance with IAS 36 – Impairment of Assets. We understood the methodology applied by management in performing its impairment test for each of the relevant CGUs and walked through the key controls over the process. We obtained management's assessment for each CGU determining whether there are any indicators of impairment on any CGUs such as underperformance against budget and long payback periods (total assets divided by actual EBITDA). We have challenged the identified indicators of impairment using market data and our own knowledge of the business to confirm the completeness of the identified indicators of impairment. We tested the clerical accuracy of the VIUs models for the CGU's which have been identified as having indicators of impairment or have indefinite useful live intangible assets. We have assessed whether management's basis for allocation of overheads to each CGU is appropriate and in accordance with IAS 36. We obtained management's value in use calculation for the CGU's which have been identified as having indicators of impairment or having indefinite useful live intangible assets and challenged management's assumptions by obtaining market data and other available evidence to determine whether the assumptions for the estimated cash flows and the future growth rates are reasonable. We engaged EY specialists to assess the appropriateness of the WACC used and calculated an appropriate range based on their independent assessment to compare to management's calculation. We engaged EY specialists to assess the appropriateness of the valuation reports prepared by management's external specialist to determine the fair value less costs to sell model (FVLCTS) of the identified CGUs. We performed sensitivity analysis on the estimated cash flows, future growth rates and WACC to ascertain the extent of change in those assumptions that either individually or collectively would result in an impairment. We reviewed the disclosures in the Financial Statements for compliance with IAS 36 requirements. We performed full scope audit procedures over this risk area, which covered 100% of the risk amount.	Based on our procedures, we conclude that • we have identified no evidence of management bias in the Group's impairment assessment; • for the assets where management's impairment assessment did not result in an impairment charge, the assessment was accurate; and • key assumptions are appropriately disclosed. Based on the findings from our audit procedures we are satisfied that no additional impairment charges are required in accordance with the requirements of IAS 36.

The key audit matters set out in the table above are consistent with those reported in 2022, with the exception of the addition of 'Impairment of tangible and intangible assets'. During the current year, risk of impairment of tangible and intangible assets has been increased due to challenging market conditions driven by increasing interest rates adversely impacting affordability and therefore demand for new homes. Based on the change in risk profile, we consider this to be a key audit matter.

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 £1.6m (2022: £3.5m), which is 5% (2022: 5%) of profit before tax and exceptional items. We believe that profit before tax and exceptional items provides us 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 £1.0m (2022: £1.6m), which is 0.5% (2022: 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% (2022: 75%) of our planning materiality, namely £1.2m (2022: £2.6m). 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 £1.0m to £1.2m (2022: £1.1m to £2.6m).

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 £0.8m (2022: £0.17m), 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 212, including the Strategic report, set out on pages 1 to 95, Governance, set out on pages 96 to 160 and additional information set out on page 214, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA PLC
CONTINUED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- 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.

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 158;
- 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 95;
- 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 159;
- Directors' statement on fair, balanced and understandable set out on page 123;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 127;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 122 and 123; and
- The section describing the work of the Audit Committee set out on page 119.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 160, 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 Parent company or to cease operations, or have no realistic alternative but to do so.

FORTERRA PLC
ANNUAL REPORT AND ACCOUNTS
2023

FINANCIAL STATEMENTS

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are 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 group's 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 23 May 2023. The engagement letter was signed on 18 July 2023 to audit the Financial Statements for the year ending 31 December 2023 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is eight years, covering the years ending 31 December 2016 to 31 December 2023.

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
25 March 2024

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £m	2022 £m
Revenue	4	**346.4**	455.5
Cost of sales		**(245.7)**	(292.9)
Gross profit		**100.7**	162.6
Distribution costs		**(48.6)**	(57.7)
Administrative expenses		**(28.5)**	(33.6)
Other operating income	6	**0.5**	3.7
Operating profit	5	**24.1**	75.0
EBITDA before exceptional items		**58.1**	89.2
Exceptional items	8	**(14.0)**	2.3
EBITDA		**44.1**	91.5
Depreciation and amortisation	13, 14, 24	**(20.0)**	(16.5)
Operating profit		**24.1**	75.0
Finance expense	9	**(7.0)**	(2.1)
Profit before tax		**17.1**	72.9
Income tax expense	10	**(4.3)**	(14.1)
Profit for the financial period attributable to equity shareholders		**12.8**	58.8
Other comprehensive (loss)/income			
Effective portion of changes of cash flow hedges (net of tax impact)		**(0.7)**	0.8
Total comprehensive income for the period attributable to equity shareholders		**12.1**	59.6
Earnings per share		**Pence**	Pence
Basic earnings	12	**6.2**	27.2
Diluted earnings	12	**6.2**	26.8

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	2023 £m	2022 £m
Non-current assets			
Intangible assets	13	**19.2**	23.6
Property, plant and equipment	14	**249.7**	233.7
Right-of-use assets	24	**24.1**	18.1
Derivative financial assets	22	**5.0**	–
		298.0	275.4
Current assets			
Inventories	15	**95.8**	43.0
Trade and other receivables	16	**31.0**	44.3
Income tax asset		**2.3**	–
Cash and cash equivalents	17	**16.0**	34.3
Derivative financial assets	22	**1.6**	0.6
		146.7	122.2
Total assets		**444.7**	397.6
Current liabilities			
Trade and other payables	18	**(66.3)**	(89.6)
Loans and borrowings	19	**(0.4)**	(0.2)
Lease liabilities	24	**(5.7)**	(4.7)
Provisions for other liabilities and charges	23	**(15.7)**	(14.3)
Derivative financial liabilities	22	**(5.8)**	–
		(93.9)	(108.8)
Non-current liabilities			
Loans and borrowings	19	**(108.8)**	(40.0)
Lease liabilities	24	**(18.5)**	(13.3)
Provisions for other liabilities and charges	23	**(9.4)**	(10.0)
Deferred tax liabilities	25	**(6.3)**	(5.0)
		(143.0)	(68.3)
Total liabilities		**(236.9)**	(177.1)
Net assets		**207.8**	220.5
Capital and reserves attributable to equity shareholders			
Ordinary shares	26	**2.1**	2.1
Retained earnings		**219.8**	233.4
Cash flow hedge reserve		**(0.1)**	0.6
Reserve for own shares	26	**(14.2)**	(15.8)
Capital redemption reserve		**0.2**	0.2
Total equity		**207.8**	220.5

The notes on pages 174 to 207 are an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors on 25 March 2024 and signed on their behalf by:

Neil Ash
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	**2023 £m**	2022 £m
Cash (used in)/generated from operations	20	**(11.2)**	89.0
Interest paid		**(6.1)**	(2.4)
Tax paid		**(2.7)**	(11.0)
Net cash (outflow)/inflow from operating activities		**(20.0)**	75.6
Cash flows from investing activities			
Purchase of property, plant and equipment		**(33.0)**	(42.1)
Purchase of intangible assets		**(1.1)**	(2.0)
Proceeds from sale of property, plant and equipment		**0.3**	0.4
Exceptional proceeds from sale of property, plant and equipment		**–**	2.5
Net cash used in investing activities		**(33.8)**	(41.2)
Cash flows from financing activities			
Repayment of lease liabilities	24	**(5.9)**	(5.3)
Dividends paid	11	**(25.7)**	(24.2)
Drawdown of borrowings		**137.0**	40.0
Repayment of borrowings		**(67.0)**	–
Purchase of shares by Employee Benefit Trust		**(2.1)**	(12.2)
Proceeds from sales of shares by Employee Benefit Trust		**1.1**	0.4
Payments made to acquire own shares		**–**	(40.3)
Financing fees		**(1.9)**	–
Net cash generated from/(used in) financing activities		**35.5**	(41.6)
Net decrease in cash and cash equivalents		**(18.3)**	(7.2)
Cash and cash equivalents at the beginning of the period		**34.3**	41.5
Cash and cash equivalents at the end of the period	17	**16.0**	34.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	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 at 1 January 2022		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	26	–	–	–	–	(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	25	–	–	–	–	–	(1.0)	(1.0)
Balance at 31 December 2022		2.1	0.2	(15.8)	0.6	–	233.4	220.5
Profit for the year		**–**	**–**	**–**	**–**	**–**	**12.8**	**12.8**
Other comprehensive loss		**–**	**–**	**–**	**(0.7)**	**–**	**–**	**(0.7)**
Total comprehensive (loss)/income for the year		**–**	**–**	**–**	**(0.7)**	**–**	**12.8**	**12.1**
Dividend paid	11	**–**	**–**	**–**	**–**	**–**	**(25.7)**	**(25.7)**
Purchase of shares by Employee Benefit Trust		**–**	**–**	**(2.1)**	**–**	**–**	**–**	**(2.1)**
Proceeds from sale of shares by Employee Benefit Trust		**–**	**–**	**1.1**	**–**	**–**	**–**	**1.1**
Share-based payments charge		**–**	**–**	**–**	**–**	**–**	**1.7**	**1.7**
Share-based payments exercised		**–**	**–**	**2.6**	**–**	**–**	**(2.6)**	**–**
Tax on share-based payments	25	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Balance at 31 December 2023		**2.1**	**0.2**	**(14.2)**	**(0.1)**	**–**	**219.8**	**207.8**

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 2023 were approved for issue by the Board of Directors on 25 March 2024.

2. Summary of material 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 2023. 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 78 to 85 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 79 to 85 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 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's debt facility comprises a committed revolving credit facility (RCF) of £170m extending to January 2027 with an option for an extension to June 2028 subject to lender consent. At the balance sheet date, the cash balance stood at £16.0m and after allowing for £9.5m of the facility which is currently carved out to be used for the provision of letters of credit, an undrawn balance of £50.5m was available against the Group's facility, with reported net debt before leases of £93.2m (2022: £5.9m) (net debt is presented inclusive of capitalised arrangement fees).

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 facility is normally subject to covenant restrictions of leverage (net debt / EBITDA) (as measured before leases) of less than three times and interest cover of greater than four times. The Group also benefits from an uncommitted overdraft facility of £10m.

2. Summary of material accounting policies continued

The Group has traded comfortably within these covenants throughout 2023 and whilst it anticipates remaining within these covenants during 2024, given the combination of the Group's reduced EBITDA and increased net debt, driven by inventory build, capital outflows and higher interest rates, amended covenants have been agreed with the Group's lenders to provide additional headroom in the short-term. Accordingly, the Group's leverage covenant has increased to four times at June 2024 and 3.75 times at December 2024 with interest cover decreasing to three times at December 2024. In addition, quarterly covenant testing has been introduced for the period of the covenant relaxation. As such, for September 2024, leverage is set at four times and interest cover three times and in March 2025 leverage is set at 3.75 times and interest cover at 3 times. The covenants return to normal levels from June 2025 with testing reverting to half yearly.

Management has modelled three financial scenarios for the period to 30 June 2025, comprising a base case and two plausible downside scenarios, reflecting both macroeconomic and industry-specific projections. In addition to this, a reverse stress test has also been modelled.

Assumptions underpinning these scenarios are outlined as follows:

- the base case scenario is aligned to our current demand expectations with short-term market conditions remaining challenging and demand in 2024 being broadly consistent with that seen in 2023;
- 2023 was characterised by a large growth in inventory and the management actions taken in 2023 will address this such that in 2024 production will be more closely aligned to sales;
- capex outflows on the Group's three strategic investments will be almost complete during 2024, with capital spend significantly reduced thereafter until a recovery in market conditions facilitates a reduction in the Group's net debt; and
- the Group's plausible downside scenarios take into account the current levels of market demand which are already approximately 30% below the levels last seen in 2022, meaning current industry demand is presently in line with levels last seen in the global financial crisis. As such, it is not considered plausible that demand could fall further than within the assumptions within the scenarios laid out below.

Scenario	Sales volume assumptions	Management mitigations
Base	Volumes reducing by 24-36% in 2024 relative to 2022, recovering in 2025 but remaining 20-27% below 2022	None necessary
Plausible downside	Volumes reducing by 29-40% in 2024 relative to 2022, recovering in 2025 but remaining 25-37% below 2022	None necessary
Plausible downside with management mitigations	Volumes reducing by 29-43% in 2024 relative to 2022, recovering in 2025 but remaining 24-37% below 2022	A number of controllable management mitigations assumed

Under each of the above scenarios, there is no breach in covenants throughout 2024 and in the period up to June 2025. In addition to this, the Group has prepared a reverse stress test to determine the level of market decline that could potentially breach covenants, before further mitigating actions are taken. The reverse stress test indicated, that should volumes fall by between 36% and 46% (product line dependent) versus those seen in 2022, the Group would be at risk of breaching its covenants. This is viewed by the Board to be a highly unlikely scenario, taking into consideration encouraging recent trading updates from housebuilding customers which report greater levels of customer activity in recent months, with a downward trend in mortgage interest rates throughout 2024 expected to increase affordability of new homes. Alongside this, the continuing under-supply of housing in the UK continues to worsen, and the Board are confident in the Group's ability to benefit significantly as markets recover and strategic investments generate returns. Additionally, in the event of the volumes falling in line with those modelled in the reverse stress test, the Group would seek to enact further mitigating actions including additional cost savings, production reductions, curtailment in the quantum of dividend distribution and the sale of land and buildings.

Taking the above into consideration, alongside trading performance for the first two months of 2024 which has seen subdued levels in line with 2023 volumes, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period to 30 June 2025. The Group therefore adopts the going concern basis in preparing these Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies continued

(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 2022, except for the adoption of new standards effective as at 1 January 2023.

The following new standards and amendments apply for the first time in 2023, none of which had a material impact on the Consolidated Financial Statements:

- IFRS 17, Insurance Contracts; amendments to IAS 8, Definition of Accounting Estimates; amendments to IAS 1, Presentation of Financial Statements and IFRS 2 Practice Statement; Amendments to IAS 12, Taxation.

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 2024. 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 £16.3m (2022: £21.9m) 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.

(H) 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.

2. Summary of material accounting policies continued

Assets under construction are not depreciated until they are ready for use. For the other categories of property, plant and equipment, depreciation is charged to either cost of sales, distribution or 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 it's 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.

(I) 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 relating to brands are not amortised as all held by the Group 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 consist of clay rights, acquired merchant relationships and 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.

(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.

(J) Leases

The Group leases various premises, land, fleet vehicles, cars and plant and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease terms are typically made for the following fixed periods:

- Land and property: up to 60 years
- Fleet vehicles, cars and plant and machinery: 2 to 7 years

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies continued

(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 life 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.

(K) Financial instruments

The Group determines the classification of financial assets and financial liabilities at initial recognition.

The principal financial assets and liabilities of the Group are as follows:

(I) Trade and other receivables (excluding prepayments)

Trade and other receivables are initially stated at fair value and subsequently measured at amortised cost.

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 and other 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 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. Short-term deposits are those deposits with a maturity of three months or less, held for the purpose of meeting short-term cash commitments, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

(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 cancellation of liabilities are recognised respectively in finance income and finance expense.

(V) Derivative financial instruments (excluding those designated as cash flow hedges)

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.

The energy costs of the Group are closely managed to ensure the impact of fluctuating energy costs is minimised. As such, forward contractual commitments are in place for both gas and electricity.

2. Summary of material accounting policies continued

Under normal circumstances, the Group takes delivery of all energy purchased under each contract, meeting the requirements under IFRS 9 Financial Instruments of the own use exemption. These are then accounted for as executory contracts through the Consolidated Statement of Total Comprehensive Income in line with consumption.

If, due to unforeseen circumstances, the Directors do not at the balance sheet date expect to take delivery of all volumes committed for future periods, thus necessitating excess volumes to be sold back to the market, any open contracts for which this applies are valued at their fair value with any gain or loss recognised in the income statement for the period then ended.

(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 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.

(L) 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.

(M) 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 within accrued liabilities and other payables.

Provisions are not made for future operating losses.

Provisions for restructuring cots, 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.

(N) 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.

(O) 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.

(P) 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 material accounting policies continued

(Q) 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.

(R) 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.

(S) 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.

(T) 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 purchase and settlement of carbon credits are included in cash flows from operating activities within the Consolidated Statement of Cash Flows.

(U) Alternative performance measures

In order to provide the most transparent understanding of the Group's performance, the Group uses alternative performance measures (APMs) which are not defined or specified under IFRS and may not be comparable with similarly titled measures used by other companies. The Group believes that its APMs provide additional helpful information on how the trading performance of the business is reported and internally assessed by management and the Board.

(I) Profit related APMs

Management and the Board use several profit related APMs in assessing Group performance and profitability. Those being adjusted EBITDA, adjusted EBITDA margin, adjusted operating profit (EBIT), adjusted profit before tax, adjusted earnings per share and adjusted operating cash flow. These are considered before the impact of exceptional and adjusting items as outlined below.

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.

In the current year, management considers restructuring costs incurred as a result of market decline to meet this definition. Exceptional items are further detailed in note 8.

Adjusting items

Adjusting items are disclosed separately in the Annual Report and Accounts where management believes it is necessary to show an alternative measure of performance in presenting the financial results of the Group. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. In the current year, management has presented the below as adjusting items:

- the realised loss recognised within the Statement of Total Comprehensive Income for the sale of excess energy volumes in 2023, where committed volume exceeded actual consumption by the Group £(0.8)m; and
- the fair value of forward energy contracts held where committed future volume is expected by management, as at 31 December 2023, to exceed total consumption by the Group. For these future contracts, the Group can no longer apply the own use exemption under IFRS 9 and instead recognise these as derivatives held at fair value on the balance sheet at 31 December 2023. The fair value gain of £0.8m, recognised in the Statement of Total Comprehensive Income, has been presented as an adjusting item for the year ended 31 December 2023. Further details around future forward energy contracts classified as derivative financial instruments can be found in note 22.

For reporting purposes, 'adjusted results' are those presented before both adjusting and exceptional items. A full reconciliation through to statutory results is shown as follows.

Although both EBITDA and adjusted EBITDA are APMs, EBITDA presented as below under the statutory heading is calculated with reference to statutory results without adjustment.

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2. Summary of material accounting policies continued

Group: Revenue, EBITDA, EBITDA margin, operating profit, profit before tax

2023	Adjusted £m	Exceptional items £m Restructuring and impairment costs	Adjusting items £m Realised loss on sale of surplus energy	Adjusting items £m Fair value of energy contract derivatives	Statutory £m
Revenue	**346.4**	**–**	**–**	**–**	**346.4**
EBITDA	**58.1**	**(14.0)**	**(0.8)**	**0.8**	**44.1**
EBITDA margin %	**16.8 %**	**–**	**–**	**–**	**12.7 %**
Operating profit (EBIT)	**38.1**	**(14.0)**	**(0.8)**	**0.8**	**24.1**
Profit before tax	**31.1**	**(14.0)**	**(0.8)**	**0.8**	**17.1**

2022	Adjusted £m	Exceptional items £m Sale of disused land	Statutory £m
Revenue	455.5	–	455.5
EBITDA	89.2	2.3	91.5
EBITDA margin %	19.6 %	–	20.1 %
Operating profit (EBIT)	72.7	2.3	75.0
Profit before tax	70.6	2.3	72.9

Segmental: Revenue, EBITDA, EBITDA margin

Bricks and Blocks

2023	Adjusted £m	Exceptional items £m Restructuring and impairment costs	Adjusting items £m Realised loss on sale of surplus energy	Adjusting items £m Fair value of energy contract derivatives	Statutory £m
Revenue	**277.4**	**–**	**–**	**–**	**277.4**
EBITDA	**52.1**	**(13.7)**	**(0.8)**	**0.8**	**38.4**
EBITDA margin %	**18.8 %**	**–**	**–**	**–**	**13.8 %**

	Restated[1]		
2022	Adjusted £m	Exceptional items £m Sale of disused land	Statutory £m
Revenue	376.1	–	376.1
EBITDA	85.6	2.3	87.9
EBITDA margin %	22.8 %	–	23.4 %

1. Restated to report Red Bank results within the Bricks and Blocks segment as a result of internal restructure. Further details on page 40.

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies continued

Bespoke Products

2023	Adjusted £m	Exceptional items £m Restructuring and impairment costs	Adjusting items £m Realised loss on sale of surplus energy	Adjusting Items £m Fair value of energy contract derivatives	Statutory £m
Revenue	**72.7**	–	–	–	**72.7**
EBITDA	**6.0**	**(0.3)**	–	–	**5.7**
EBITDA margin %	**8.3%**	–	–	–	**7.8%**

The Bespoke Products segment did not contain exceptional or adjusting items in 2022.

Reconciliation of adjusted operating cash flow to statutory operating cash flow:

	Adjusted £m	Adjusting items £m	Before exceptional items £m	Exceptional items £m	Statutory £m
EBITDA	**58.1**	–	**58.1**	**(14.0)**	**44.1**
Impairment of property, plant and equipment	–	–	–	**5.0**	**5.0**
Purchase and settlement of carbon credits	**3.1**	–	**3.1**	–	**3.1**
Other cash flow items[1]	**(4.1)**	**(0.8)**	**(4.9)**	**3.9**	**(1.0)**
Changes in working capital:					
– Inventories	**(52.8)**	–	**(52.8)**	–	**(52.8)**
– Trade and other receivables	**13.3**	–	**13.3**	–	**13.3**
– Trade and other payables	**(22.9)**	–	**(22.9)**	–	**(22.9)**
Operating cash flow	**(5.3)**	**(0.8)**	**(6.1)**	**(5.1)**	**(11.2)**

1. For reconciliation purposes, 'Other cash flow items' is reported as the sum of: loss/(profit) on disposal of property, plant and equipment and leases, movement on provisions, share-based payments and other cash items as are detailed within note 20.

(II) Other APMs

Net debt before leases: Net debt before leases is presented as the total of cash and cash equivalents and borrowings, inclusive of capitalised financing costs and excluding lease liabilities reported at the balance sheet date. This calculation is included as a KPI in the Group's Annual Report and Accounts.

Operating cash conversion: Operating cash conversion is calculated as operating cash flow before exceptional items, less capital expenditure (excluding spend on strategic projects), divided by adjusted operating profit. This calculation is included as a KPI in the Group's Annual Report and Accounts.

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.

(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 (2022: c.£1.2m). 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.£2.2m (2022: c.£2.5m).

(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 provisions for slow moving inventory. This requires a degree of commercial judgement when determining saleability and price of certain finished goods.

(II) Exceptional and adjusting items

As referenced in note 2, the Group has disclosed certain exceptional and adjusting items within the Annual Report and Accounts. In determining whether something is classified as exceptional or adjusting, management make reference to nature, size and expected infrequency, with the decision to include or exclude being a matter of judgement.

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.

Segmental revenue and results

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.

In 2023 the Red Bank business was reclassified from the Bespoke Products segment to the Brick and Block segment after an internal restructure that combined the Cradley Special Brick and Red Bank operations. The segmental revenue and results, assets and other information that follows have been restated to reflect this change comparatively across periods.

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 products are complemented by the Group's full design and nationwide installation services.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Segmental reporting continued

Segmental revenue and results

	Note	2023 Bricks and Blocks £m	2023 Bespoke Products £m	2023 Total £m	Restated[1] 2022 Bricks and Blocks £m	Restated[1] 2022 Bespoke Products £m	Restated[1] 2022 Total £m
Segment revenue		**277.4**	**72.7**	**350.1**	376.1	84.2	460.3
Inter-segment eliminations				**(3.7)**			(4.8)
Revenue				**346.4**			455.5
EBITDA before exceptional items		**52.1**	**6.0**	**58.1**	85.6	3.6	89.2
Depreciation and amortisation	13, 14, 24	**(18.6)**	**(1.4)**	**(20.0)**	(15.1)	(1.4)	(16.5)
Operating profit before exceptional items		**33.5**	**4.6**	**38.1**	70.5	2.2	72.7
Exceptional items	8	**(13.7)**	**(0.3)**	**(14.0)**	2.3	–	2.3
Operating profit		**19.8**	**4.3**	**24.1**	72.8	2.2	75.0
Finance expense	9			**(7.0)**			(2.1)
Profit before tax				**17.1**			72.9

1. Restated to report Red Bank results within the Bricks and Blocks segment as a result of internal restructure. Further details on page 40.

Segmental assets

	Note	2023 Bricks and Blocks £m	2023 Bespoke Products £m	2023 Total £m	Restated[1] 2022 Bricks and Blocks £m	Restated[1] 2022 Bespoke Products £m	Restated[1] 2022 Total £m
Intangible assets	13	**16.8**	**2.4**	**19.2**	21.7	1.9	23.6
Property, plant and equipment	14	**240.8**	**8.9**	**249.7**	224.7	9.0	233.7
Right-of-use assets	24	**22.9**	**1.2**	**24.1**	17.6	0.5	18.1
Inventories	15	**92.1**	**3.7**	**95.8**	37.6	5.4	43.0
Segment assets		**372.6**	**16.2**	**388.8**	301.6	16.8	318.4
Unallocated assets				**55.9**			79.2
Total assets				**444.7**			397.6

1. Restated to report Red Bank results within the Bricks and Blocks segment as a result of internal restructure. Further details on page 40.

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.

4. Segmental reporting continued

Other segment information

	Note	2023 Bricks and Blocks £m	2023 Bespoke Products £m	2023 Total £m	Restated[1] 2022 Bricks and Blocks £m	Restated[1] 2022 Bespoke Products £m	Restated[1] 2022 Total £m
Intangible asset additions	13	**5.3**	**0.8**	**6.1**	11.4	1.1	12.5
Property, plant and equipment additions	14	**32.6**	**0.9**	**33.5**	40.3	1.1	41.4
Right-of-use asset additions	24	**11.2**	**1.1**	**12.3**	6.6	0.2	6.8

1. Restated to report Red Bank results within the Bricks and Blocks segment as a result of internal restructure. Further details on page 40.

Customers representing 10% or greater of revenues

	2023 Bricks and Blocks £m	2023 Bespoke Products £m	2023 Total £m	Restated[1] 2022 Bricks and Blocks £m	Restated[1] 2022 Bespoke Products £m	Restated[1] 2022 Total £m
Customer A	**40.1**	**0.2**	**40.3**	50.0	1.5	51.5
Customer B	**–**	**–**	**–**	43.8	1.0	44.8

1. Restated to report Red Bank results within the Bricks and Blocks segment as a result of internal restructure. Further details on page 40.

5. Operating profit

Profit from operations is stated after charging

	Note	2023 £m	2022 £m
Depreciation and amortisation	13, 14, 24	**20.0**	16.5
Lease expense	24	**3.7**	3.6
Impairment of property, plant and equipment	14	**5.0**	–
Share-based payments	27	**0.9**	3.4

Depreciation and amortisation in the current year includes depreciation on right-of-use assets recognised through 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 24.

Auditor's remuneration

	2023 £m	2022 £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	**0.4**	0.3
	0.5	0.4

Non-audit services in the year totalled £0.1m (2022: £0.1m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Other operating income

	Note	2023 £m	2022 £m
(Loss)/profit on sale of property, plant and equipment		**(0.2)**	0.4
Exceptional profit on sale of disused land	8	**–**	2.3
Other income		**0.7**	1.0
		0.5	3.7

The other income balance contains amounts relating to rental income, revenue from waste contracts and foreign exchange gains/losses incurred on operating expenses.

7. Employee costs

Employment costs for the Group during the year

	Note	2023 £m	2022 £m
Wages and salaries		**89.4**	94.3
Pension costs		**7.0**	6.9
Social security costs		**8.9**	9.0
Share-based payments	27	**0.9**	3.4
		106.2	113.6

The total share-based payment charge in the year includes a release of national insurance accruals of £0.3m (2022: charge of £0.4m).

Average number of employees

	2023 Number	2022 Number
Administration	**190**	202
Production and distribution	**1,597**	1,667
	1,787	1,869

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.

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8. Exceptional items

	Note	2023 £m	2022 £m
Sale of disused land		**–**	2.3
Restructuring costs		**(9.0)**	–
Impairment of plant and equipment	14	**(5.0)**	–
		(14.0)	2.3

2023 exceptional items

Exceptional items in 2023 relate to costs associated with the restructuring of our operations. Restructuring activities were undertaken to reduce output in response to the decline in demand for our products. Cash restructuring costs totalled £9.0m, of which £8.8m related to redundancies and terminations made across the Group. In addition to this, non-cash impairment losses of £5.0m have been recognised in respect of the carrying value of plant and equipment at the Howley Park and Claughton brick factories which were mothballed in the year. Further details of these impairments can be read in note 14.

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 associated costs of sale, profit on disposal totalled £2.3m.

Presentation of exceptional items

	Note	Cost of sales £m	Distribution costs £m	Administrative expenses £m	Other operating income £m	Total £m
2023						
Restructuring costs		**(7.0)**	**(1.6)**	**(0.4)**	**–**	**(9.0)**
Impairment of plant and equipment	14	**(5.0)**	**–**	**–**	**–**	**(5.0)**
		(12.0)	**(1.6)**	**(0.4)**	**–**	**(14.0)**
2022						
Sale of disused land		–	–	–	2.3	2.3

Tax on exceptional items

The restructuring costs incurred in the year including redundancies, legal costs and onerous leases were tax deductible. The asset impairment of plant and machinery is not deductible against corporation tax however it reduces the deferred tax liability on qualifying plant and machinery.

9. Finance expense

	2023 £m	2022 £m
Interest payable on loans and borrowings	**5.7**	1.6
Interest payable on lease liabilities	**0.7**	0.4
Other finance expense	**–**	0.1
Amortisation of capitalised financing costs	**0.6**	–
	7.0	2.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. Taxation

	Note	2023 £m	2022 £m
Current tax			
UK corporation tax on profit for the year		**3.5**	12.3
Prior year adjustment on UK corporation tax		**(0.7)**	0.5
Total current tax		**2.8**	12.8
Deferred tax			
Origination and reversal of temporary differences	25	**0.9**	1.3
Effect of change in tax rates	25	**0.1**	0.3
Effect of prior period adjustments	25	**0.5**	(0.3)
Total deferred tax		**1.5**	1.3
Income tax expense		**4.3**	14.1

	2023 £m	2022 £m
Current tax		
Profit before taxation	**17.1**	72.9
Expected tax charge	**4.0**	13.9
Expenses not deductible for tax purposes	**0.4**	(0.3)
Effect of prior period adjustments	**(0.1)**	0.2
Effect of change on deferred tax rate	**–**	0.3
Income tax expense	**4.3**	14.1

The expected tax charge is calculated using the statutory tax rate of 23.5% (2022: 19%) for current tax. Deferred tax is calculated at the rate at which the provision is expected to reverse. The UK main rate of corporation tax increased to 25% on 1 April 2023. There has been no change in the Finance Bill 2023.

11. Dividends

	2023 £m	2022 £m
Amounts recognised as distributions to equity holders in the year		
Interim dividend of 2.4p per share (2022: 4.6p)	**4.9**	9.6
Final dividend of 10.1p per share in respect of prior year (2022: 6.7p)	**20.8**	14.6
	25.7	24.2

The Directors are proposing a final dividend for 2023 of 2.0p per share, making a total payment for the year of 4.4p (2022: 14.7p). This is subject to approval by the shareholders at the AGM and has not been included as a liability in the Consolidated Financial Statements.

12. Earnings per share

The calculation of earnings per Ordinary Share is based on profit or loss after tax and the weighted average number of Ordinary Shares in issue during the year. Adjusted earnings per share is presented as an alternative performance measure to provide an additional year-on-year comparison. A reconciliation between adjusted and statutory results is presented within note 2.

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: those share options granted to employees under the Sharesave scheme; 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. If, for any of the above schemes, the average share price for the year is greater than the option price, these shares become anti-dilutive and are excluded from the calculation.

		Adjusted		Statutory	
	Note	2023 £m	2022 £m	2023 £m	2022 £m
Operating profit for the year		**38.1**	72.7	**24.1**	75.0
Finance expense	9	**(7.0)**	(2.1)	**(7.0)**	(2.1)
Profit before taxation		**31.1**	70.6	**17.1**	72.9
Income tax expense	10	**(7.6)**	(13.6)	**(4.3)**	(14.1)
		23.5	57.0	**12.8**	58.8
Weighted average number of shares (millions)		**206.6**	216.2	**206.6**	216.2
Effect of share incentive awards and options (millions)		**1.4**	3.2	**1.4**	3.2
Diluted weighted average number of shares (millions)		**208.0**	219.4	**208.0**	219.4
Earnings per share		**Pence**	Pence	**Pence**	Pence
Basic earnings		**11.4**	26.4	**6.2**	27.2
Diluted earnings		**11.3**	26.0	**6.2**	26.8

Adjusted earnings per share is presented as an APM and is calculated by excluding both exceptional and adjusting items as detailed within note 2 to these Consolidated Financial Statements. The associated adjusted tax charge is calculated using the rate excluding these exceptional and adjusting items of 24.5% (2022: 19.3%).

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13. Intangible assets

	Goodwill £m	Brand £m	Carbon credits £m	Other intangibles £m	Total £m
Cost					
At 1 January 2023	**405.7**	**11.1**	**12.0**	**24.2**	**453.0**
Additions	**–**	**–**	**5.2**	**0.9**	**6.1**
Disposals	**–**	**–**	**(8.3)**	**(0.5)**	**(8.8)**
At 31 December 2023	**405.7**	**11.1**	**8.9**	**24.6**	**450.3**
Accumulated amortisation and impairment					
At 1 January 2023	**(405.7)**	**(4.7)**	**–**	**(19.0)**	**(429.4)**
Charge for the year	**–**	**–**	**–**	**(2.0)**	**(2.0)**
Disposals	**–**	**–**	**–**	**0.3**	**0.3**
At 31 December 2023	**(405.7)**	**(4.7)**	**–**	**(20.7)**	**(431.1)**
Net book value					
At 1 January 2023	**–**	**6.4**	**12.0**	**5.2**	**23.6**
At 31 December 2023	**–**	**6.4**	**8.9**	**3.9**	**19.2**

	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 and impairment					
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 1 January 2022	–	6.4	6.4	4.9	17.7
At 31 December 2022	–	6.4	12.0	5.2	23.6

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 purchases of clay rights, merchant relationships, order book, patent and software development costs. These are attributable to both reportable segments. Additions in the period relate to the upgrading of 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 12 months; a proportion of the year-end balance is expected to be surrendered within 2024. 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 £0.1m (2022: £0.5m) 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 CGUs 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 revenue, EBITDA margin, capital expenditure and the discount rate. 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 12.9% in 2023 (2022:12.8%) has been derived from a weighted average cost of capital (WACC) calculation and benchmarked against similar organisations operating within the sector and used to discount cash flows. EBITDA growth rates over the next five years vary by CGU between 0.2% and 8.1% and are based on management's past experience and expectations of future market performance. These compare to growth rates at 31 December 2022 of between (7.1)% and 6.7%.

Terminal growth rate of 2.0% for 2023 (2022: 2.0%) is 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 2023 (2022: £nil).

The Group has considered the assumptions used within the scenario analysis exercise undertaken to better understand the possible range of risks and opportunities our business could face under different future climate forecasts made in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosure. In doing so, the Group has concluded that there is no material impact necessary for inclusion within modelling scenarios for impairment purposes. Given the profitability and short payback period of the CGUs of the Group, no issues were identified that would impact the carrying values of either tangible or intangible assets.

Should the costs associated with carbon emissions increase over time, this would be experienced across the industry and the Group would therefore expect to be able to recover this through it's pricing strategy where possible. Primary mitigation however, remains the focus on reducing our emissions and delivering on the plan and targets outlined within the Sustainability Report within this Annual Report and Accounts.

Whilst recognising the risks associated with the longer-term demand for our products, our commitment to innovation and developing to meet the evolving needs of our customer base, paired with the acknowledged climate related opportunities that the thermal properties of our products offer, leads the Group to the believe that the useful lives of it's brands are not currently impacted by climate related risk.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2023	**184.1**	**277.1**	**461.2**
Additions	**7.1**	**26.4**	**33.5**
Asset reclass[1]	**(10.7)**	**10.7**	**–**
Disposals	**–**	**(3.9)**	**(3.9)**
Change in the value of decommissioning assets	**(0.4)**	**–**	**(0.4)**
At 31 December 2023	**180.1**	**310.3**	**490.4**
Accumulated depreciation and impairment			
At 1 January 2023	**(56.4)**	**(171.1)**	**(227.5)**
Charge for the year	**(2.8)**	**(9.2)**	**(12.0)**
Asset impairment	**–**	**(5.0)**	**(5.0)**
Disposals	**–**	**3.7**	**3.7**
Change in the value of decommissioning assets	**0.1**	**–**	**0.1**
At 31 December 2023	**(59.1)**	**(181.6)**	**(240.7)**
Net book value			
At 1 January 2023	**127.7**	**106.0**	**233.7**
At 31 December 2023	**121.0**	**128.7**	**249.7**

1. Asset reclasses in the period relate to reallocations of assets previously under construction across land and buildings and plant and machinery, following the commissioning of the New Desford brick factory.

	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 and impairment			
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 1 January 2022	118.3	83.1	201.4
At 31 December 2022	127.7	106.0	233.7

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.

14. Property, plant and equipment continued

At 31 December 2023, capital commitments not yet incurred totalled £20.6m (2022: £34.3m).

Included within property, plant and equipment are assets under the course of construction of £36.3m (2022: £95.5m), comprising of £5.5m (2022: £47.3m) for land and buildings and £30.8m (2022: £48.2m) for plant and machinery.

	Land and Buildings		Plant and machinery	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Strategic:				
New Desford brick factory	**0.4**	45.0	**10.8**	40.0
Wilnecote brick factory redevelopment	**4.7**	1.8	**13.9**	5.2
Accrington brick slip development	**–**	–	**3.2**	–
Maintenance:				
Other assets	**0.4**	0.5	**2.9**	3.0
	5.5	47.3	**30.8**	48.2

Impairment of tangible assets

Any impairment of tangible assets is determined in line with Group accounting policies. In the current year, following restructuring actions taken by the Group and the mothballing of both sites, plant and machinery associated with the Howley Park brick factory CGU and the Claughton brick factory CGU, which both sit within the Bricks and Blocks reportable segment, has been impaired. The plant and machinery at both sites has been fully written down as it is not expected to generate cash flows in the medium-term or have a material and readily realisable market value. In total £0.9m was impaired at Howley Park and £4.1m at Claughton. Following the decision to mothball the factories, the associated land and buildings are not being utilised in generating cash flows and management have estimated, supported by management experts and through undertaking 'Red Book' assessments, fair value less costs to sell for both sites. The fair value less costs to sell are estimated to be above the carrying values held at 31 December 2023 and the Group has therefore not recognised any impairment of land and buildings in the year. At 31 December 2023 the property, plant and equipment of these mothballed factories held carrying values of £4.5m in relation to Howley Park and £0.5m in relation to Claughton.

The Group has considered the assumptions used within the scenario analysis exercise undertaken to better understand the possible range of risks and opportunities our business could face under different future climate forecasts made in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosure. In doing so, the Group has concluded that there is no material impact necessary for inclusion within modelling scenarios for impairment purposes. Given the profitability and short payback period of the CGUs of the Group, no issues were identified that would impact the carrying values of either tangible or intangible assets.

15. Inventories

	2023 £m	2022 £m
Raw materials	**11.2**	12.4
Work in progress	**2.4**	2.0
Finished goods	**79.7**	25.4
Other inventory	**2.5**	3.2
	95.8	43.0

Costs relating to raw materials and consumables included within cost of sales during the year were £70.3m (2022: £98.4m). Employment expenses within cost of sales totalled £57.4m (2022: £73.4m).

The balance in other inventory mainly comprises packaging and consumables.

Write-downs of inventories recognised as an expense in the year were £1.4m (2022: £1.8m). Reversals of previous inventory write-downs in the period were £1.5m (2022: £1.9m). Reversals of inventory write-downs are primarily due to changes in provision estimates and judgements for obsolete or slow moving inventory. There is no significant difference between the replacement cost of inventories and their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	**25.2**	40.2
Other receivables	**1.4**	0.8
Prepayments	**4.4**	3.3
	31.0	44.3

The ageing profile of trade receivables is:

	2023 £m	2022 £m
Trade receivables not yet due	**19.7**	29.7
1 to 30 days past due	**4.0**	8.1
31 to 60 days past due	**0.8**	1.3
61 to 90 days past due	**0.3**	0.4
Over 90 days past due	**0.4**	0.7
	25.2	40.2

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 as further detailed in note 22. An analysis of the provision movement in the current year is as follows:

	2023 £m	2022 £m
At 1 January 2023	**1.0**	1.0
Statement of Total Comprehensive Income charge	**(0.2)**	–
Written off	**(0.1)**	–
At 31 December 2023	**0.7**	1.0

17. Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and in hand	**16.0**	34.3

Cash at bank and in hand is held in Pounds Sterling and Euros. As at 31 December 2023, £1.3m was held in Euros (2022: £1.8m).

18. Trade and other payables

	2023 £m	2022 £m
Trade payables	**37.5**	44.0
Payroll tax and other statutory liabilities	**4.5**	10.2
Accrued liabilities and other payables	**24.3**	35.4
	66.3	89.6

19. Loans and borrowings

	2023 £m	2022 £m
Current loans and borrowings:		
Interest	**0.4**	0.2
Non-current loans and borrowings:		
Capitalised financing costs	**(1.2)**	–
Revolving credit facility	**110.0**	40.0
	109.2	40.2

In the prior period and until January 2023, the Group operated under a £170m revolving credit facility which was committed until 1 July 2025. The interest rate under this facility was calculated based on SONIA plus a margin with a credit spread adjustment.

In January 2023 the Group completed a refinancing of these 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, with the margin grid ranging from 1.65% at a leverage of less than 0.5 times to 3.5% where leverage is between 3.5 times and 4 times (in line with the covenant relaxations outlined below).

The facility is normally 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 Group also benefits from an uncommitted overdraft facility of £10m. The business has traded comfortably within these covenants throughout 2023 and whilst the Group expects to remain within these covenants during 2024, amended covenants have been agreed with the Group's lenders to provide additional headroom given the combination of the Group's reduced EBITDA, increased net debt driven by inventory build, capital outflows and higher interest rates. Accordingly, the Group's leverage covenant has increased to 4 times in June 2024 and 3.75 times in December 2024 with interest cover decreasing to 3 times in December 2024. In addition, quarterly covenant testing has been introduced for the period of the covenant relaxation. As such, in September 2024, leverage is set at four times and interest cover three times and in March 2025 leverage is set at 3.75 times and interest cover at three times. The covenants return to normal levels from June 2025 with testing reverting to half yearly. The existing restriction prohibiting the declaration or payment of dividends should leverage exceed 3 times EBITDA has been amended to 4 times EBITDA in 2024 before returning to 3 times in 2025.

In addition to the above, the loan facility is 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).

Debt issue costs incurred in relation to the refinancing, being £1.8m in total, were capitalised at the date of refinancing and are being amortised over the period of the facility.

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. Notes to the Consolidated Statement of Cash Flows

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Profit before tax		**17.1**	72.9
Finance expense	9	**7.0**	2.1
Exceptional items	8	**14.0**	(2.3)
Operating profit before exceptional items		**38.1**	72.7
Adjustments for:			
Depreciation and amortisation	13, 14, 24	**20.0**	16.5
Loss/(profit) on disposal of property, plant and equipment and leases		**0.2**	(0.4)
Movement in provisions		**(3.7)**	4.1
Purchase of carbon credits	13	**(5.2)**	(10.3)
Settlement of carbon credits	13	**8.3**	4.7
Share-based payments	27	**0.9**	3.4
Other non-cash items		**(2.3)**	(0.8)
Changes in working capital:			
Inventories		**(52.8)**	(10.2)
Trade and other receivables		**13.3**	(5.2)
Trade and other payables		**(22.9)**	14.5
Cash (used in)/generated from operations before exceptional items		**(6.1)**	89.0
Cash flows relating to operating exceptional items	23	**(5.1)**	–
Cash (used in)/generated from operations		**(11.2)**	89.0

21. Net debt

	Note	2023 £m	2022 £m
Cash and cash equivalents	17	**16.0**	34.3
Loans and borrowings	19	**(109.2)**	(40.2)
Lease liabilities	24	**(24.2)**	(18.0)
Net debt		**(117.4)**	(23.9)

Reconciliation of net cash flow to net debt

	Note	2023 £m	2022 £m
Cash flow (used in) / generated from operations before exceptional items		**(6.1)**	89.0
Payments made in respect of exceptional items		**(5.1)**	–
Cash flow (used in) / generated from operations after exceptional items		**(11.2)**	89.0
Interest paid		**(6.1)**	(2.4)
Tax paid		**(2.7)**	(11.0)
Net cash outflow from investing activities		**(33.8)**	(41.2)
Dividends paid	11	**(25.7)**	(24.2)
Purchase of shares by Employee Benefit Trust		**(2.1)**	(12.2)
Proceeds from sale of shares by Employee Benefit Trust		**1.1**	0.4
New lease liabilities	24	**(12.3)**	(6.8)
Payments made to acquire own shares		**–**	(40.3)
Other financing movement		**(0.7)**	0.4
Increase in net debt		**(93.5)**	(48.3)
Net debt at the start of the period		**(23.9)**	24.4
Net debt at the end of the period		**(117.4)**	(23.9)

22. Financial instruments

	Note	2023 £m	2022 £m
Financial assets			
Cash and cash equivalents	17	**16.0**	34.3
Trade and other receivables (excluding prepayments)	16	**26.6**	41.0
Derivative financial assets		**6.6**	0.6
		49.2	75.9

	Note	2023 £m	2022 £m
Financial liabilities			
Trade and other payables (excluding non-financial liabilities)	18	**61.8**	79.4
Loans and borrowings	19	**109.2**	40.2
Lease liabilities	24	**24.2**	18.0
Derivative financial liabilities		**5.8**	–
		201.0	137.6

Cash and cash equivalents, trade and other receivables, trade and other payables and derivative financial instruments as referenced above are derived directly from operations. Loans and borrowings and lease liabilities are arranged periodically to finance operating and investing activities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. Financial instruments continued

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 2022 and 31 December 2023.

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.

Principal rate of exchange: euro/sterling

	2023 £m	2022 £m
Period end	**1.15**	1.16
Average	**1.15**	1.18

Cash flow hedges

The Group enters into forward currency contracts which are designated as cash flow hedges. These are entered into to mitigate the Group's exposure to fluctuations in foreign currency exchange rates in relation to committed spend on property, plant and equipment. The Group has established a 1:1 hedge ratio for these hedging relationships, as the underlying risk of the forward currency contract is identical to the risk for the plant and equipment hedged.

The Group has entered into 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 2023, a total of €10.8m remained undrawn under forward contracts. The contracts have staggered maturity dates over the next two months. There has been no change in the expected value or timing of future purchases of plant and equipment such that the Group has recognised any hedge as ineffective in the year.

Similarly, the Group has also entered into a foreign forward contracts over purchases of equipment for its Accrington facility, the payments for which are denominated in euro. At 31 December 2023, a total of €6.7m remained undrawn under these forward contracts. The contracts have staggered maturity dates over the next six months. There has been no change in the expected value or timing of future purchases of plant and equipment such that the Group has recognised any hedge as ineffective in the year.

The Group classifies its forward foreign 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 2023 is a liability of less than £0.1m (2022: asset of £0.6m), which is adjusted against the cash flow hedge reserve. During the year, a loss of £0.7m (2022: income of £0.8m) has been recognised in Other Comprehensive Income.

22. Financial instruments continued

Interest risk

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 2023, a 1.0% increase or decrease in interest rates, with all other variables held constant, will increase or decrease profit before taxation by £0.8m (2022: £0.2m) for the year ended 31 December 2023.

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.

With respect to trade and other receivables, 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. Impairments of trade receivables in the period were less than £0.1m (2022: less than £0.1m).

Commodity price risk

Forward purchased energy contracts

The substantial energy requirements of the Group are closely managed to ensure that the impact of fluctuating energy costs can be removed as far as possible; allowing management to have some certainty over likely energy costs and providing a reasonable basis to budget. Contracts with energy suppliers are entered into which fix prices, by month, for volumes the Group expects to use. Under normal circumstances, the Group takes delivery of and consumes all the gas and electricity under each contract, and in doing so satisfies the requirements under IFRS 9 to follow the own use exemption in accounting for these. As such, the costs associated with the purchase of gas and electricity are accounted for in the Statement of Total Comprehensive Income at the point of consumption, and contracts are not held at fair value on the balance sheet.

Due to the decline in market conditions during 2023, and resulting reductions made to production across the Group, there are open contracts where the purchased volume of gas will exceed budgeted total consumption for the Group. In these instances, the quantities which have been 'over purchased' will be sold back to the market, crystallising a realised gain or loss at this point. Any open contracts where this is expected to be the case at 31 December 2023 fail the own use exemption, and in accordance with IFRS 9, are accounted for as derivative assets and liabilities at the balance sheet date. As at 31 December 2023, the Group recognised a current liability of £5.8m, a current asset of £1.6m and a non-current asset of £5.0m in relation to these contracts. These values are calculated with reference to total forward purchased contracts, and reflect not only the portion of such contracts expected to be sold make to the market, but also the fair value of the remaining quantity, which is expected to be consumed by the Group in the normal course of business. As such, the fair value of these derivatives have been presented by the Group as adjusting items. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

The Group has no plans to intentionally purchase gas or electricity to sell and these current circumstances are solely the direct result of market conditions.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. Financial instruments continued

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:

2023	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)	61.8	–	–	–	–	–	61.8
Loans and borrowings	8.7	57.4	61.9	1.0	–	–	129.0
Lease liabilities	6.6	5.8	5.6	4.9	2.3	1.3	26.5
Derivative liabilities	5.8	–	–	–	–	–	5.8
	82.9	63.2	67.5	5.9	2.3	1.3	223.1

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

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:

2023	Note	At 1 January 2023 £m	Cash flow £m	Interest charge £m	New leases £m	At 31 December 2023 £m
Loans and borrowings	19	40.2	62.7	6.3	–	109.2
Lease liabilities	24	18.0	(6.8)	0.7	12.3	24.2

2022	Note	At 1 January 2022 £m	Cash flow £m	Interest charge £m	New leases £m	At 31 December 2022 £m
Loans and borrowings	19	0.6	38.0	1.6	–	40.2
Lease liabilities	24	16.5	(5.7)	0.4	6.8	18.0

23. Provisions for other liabilities and charges

	Restoration and decommissioning £m	Other provisions £m	Carbon credits £m	Restructuring costs £m	Total £m
At 1 January 2023	12.0	1.7	10.6	–	24.3
Charged/(credited) to the Consolidated Statement of Total Comprehensive Income:					
– Additional provision	0.8	0.4	7.0	9.0	17.2
– Release of provision	(1.3)	(0.2)	–	–	(1.5)
– Utilised amounts	(0.1)	(0.4)	(9.4)	(5.1)	(15.0)
– Unwind of discount	0.1	–	–	–	0.1
At 31 December 2023	11.5	1.5	8.2	3.9	25.1

Analysed as:

	2023 £m	2022 £m
Current	15.7	14.3
Non-current	9.4	10.0
	25.1	24.3

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 3.3% (2022: 2.8%).

The unwind of discount in the period is shown as a finance expense. Restructuring costs have been presented as exceptional items as detailed within note 8.

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 51 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	2.1	2.2	7.0	0.2	11.5

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Leases

The Group leases various premises, land, fleet vehicles, cars and plant and equipment. 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 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 1 January 2023	**1.8**	**16.3**	**18.1**
Additions	**0.8**	**11.5**	**12.3**
Disposals	**–**	**(0.3)**	**(0.3)**
Depreciation expense	**(0.5)**	**(5.5)**	**(6.0)**
At 31 December 2023	**2.1**	**22.0**	**24.1**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023 £m	2022 £m
At 1 January 2023	**(18.0)**	(16.5)
New leases	**(12.3)**	(6.8)
Interest	**(0.7)**	(0.4)
Payments	**6.6**	5.7
Disposal of leases	**0.2**	–
At 31 December 2023	**(24.2)**	(18.0)

Payments above of £6.6m (2022: £5.7m) include £5.9m (2022: £5.3m) of capital repayment and £0.7m (2022: £0.4m) of interest paid.

	2023 £m	2022 £m
Current	**(5.7)**	(4.7)
Non-current	**(18.5)**	(13.3)
	(24.2)	(18.0)

24. Leases continued

The following are the amounts recognised in the Statement of Total Comprehensive Income:

	2023 £m	2022 £m
Depreciation of right-of-use-assets	**6.0**	5.1
Interest payable on lease liabilities	**0.7**	0.4
Expenses relating to short-term leases	**3.7**	3.6
	10.4	9.1

Leases of low financial value for the year ended 31 December 2023 were less than £0.1m (2022: less than £0.1m). During the years ended 31 December 2023 and 31 December 2022, 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 2023, 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 2023, lease commitments that were contracted but had not yet commenced totalled £nil (2022: £1.0m).

25. Deferred tax

The analysis of deferred tax liabilities is as follows:

	2023 £m	2022 £m
Deferred tax liabilities to be incurred after more than 12 months	**6.3**	5.0

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 2022	(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 changes 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)**
(Charged)/credited to Consolidated Statement of Total Comprehensive Income	**(0.9)**	**–**	**–**	**(0.1)**	**0.1**	**(0.9)**
Effect of changes in tax rates	**(0.1)**	**–**	**–**	**–**	**–**	**(0.1)**
Effect of prior period adjustments	**(0.4)**	**–**	**–**	**(0.1)**	**–**	**(0.5)**
Tax on items taken directly to equity	**–**	**–**	**–**	**0.2**	**–**	**0.2**
At 31 December 2023	**(9.8)**	**3.4**	**(1.0)**	**1.1**	**–**	**(6.3)**

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. Share capital and other reserves

Share capital

Called up issued and fully paid Ordinary Shares.

	2023 Number	2023 £m	2022 Number	2022 £m
Allotted, called up and fully paid 1p Ordinary Shares				
At 1 January 2023	**212,803,389**	**2.1**	228,647,196	2.3
Shares cancelled through share buyback	**–**	**–**	(15,843,807)	(0.2)
At 31 December 2023	**212,803,389**	**2.1**	212,803,389	2.1

In the prior year 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. In 2022, a remaining balance of £23.9m (2021: £17.6m) became distributable and was presented within retained earnings, leaving a total other reserve balance of £nil, there has been no change since this date.

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 2023, two trusts were in place and consolidated within the Consolidated Financial Statements.

The first trust holds 392,825 Ordinary Shares (2022: 450,684), 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 2023 was 165p per share (2022: 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 2023 was £0.7m (2022: £0.8m).

The second trust holds 5,512,425 (2022: 5,853,928) shares at an average cost of 249p per share (2022: 259p), reflected within the reserve for own shares within the Consolidated Statement of Changes in Equity. The market value of these shares at 31 December 2023 was £9.7m (2022: £10.9m).

27. Share-based payments

Total cost of share schemes:

	2023 £m	2022 £m
Share Incentive Plan (SIP)	**0.3**	0.2
Performance Share Plan (PSP)	**(0.4)**	1.7
Sharesave Plan (SAYE)	**0.6**	1.4
Deferred Annual Bonus Plan (DABP)	**–**	0.1
Share-based Incentive	**0.4**	–
	0.9	**3.4**

The total cost of share schemes in the year includes a credit to national insurance contributions of £0.3m (2022: cost of £0.4m). The total national insurance liability held within the Consolidated Balance Sheet as at 31 December 2023 was £0.1m (2022: £0.4m).

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 26.

Share options

Share-based incentive

An award of 207,784 Ordinary Share options was granted to Neil Ash (CEO) on 3 April 2023 as compensation for amounts foregone in respect of long-term incentives in his previous employment. The award was structured as nominal cost options with immediate vesting at an exercise price of £0.01 per Ordinary Share. These options were exercised on 3 April 2023. Due to their immediate vesting, the fair value of these awards was taken as their market value on the date of grant, being 197p per share.

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. The most recent PSP, being that granted in 2023, is structured with 40% of the award subject to an EPS performance condition, 40% of the award subject to a TSR performance condition and 20% of the award subject to sustainability targets. 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 2023, £0.3m (2022: £0.4m) has been removed from accruals and recognised directly within equity to reflect grants made under the scheme in relation to 2022 bonuses. At 31 December 2023, no annual bonus is expected to be deferred into shares under the DABP (2022: £0.3m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. 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 where 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
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)
At 31 December 2022	**2,820,170**	**144,402**	**7,669,346**
Awards granted	**1,416,394**	**153,528**	**5,580,402**
Awards exercised	**(217,639)**	**(173,673)**	**(757,937)**
Awards lapsed/forfeited	**(1,053,183)**	**–**	**(2,908,689)**
At 31 December 2023	**2,965,742**	**124,257**	**9,583,122**

Options were exercised on a regular basis throughout the year. The average share price during the year was 171p (2022: 244p).

Share options either outstanding or not yet exercised at the end of the year have the following vesting dates:

	2023 Number of options	2022 Number of options
PSP		
24 April 2020	**3,874**	3,874
17 September 2023	**296,592**	1,053,124
30 April 2024	**615,409**	747,439
17 March 2025	**776,119**	1,015,733
3 April 2026	**1,273,748**	–
DABP		
17 March 2024	**59,715**	144,402
17 March 2025	**64,542**	–
SAYE		
1 December 2022	**810**	517,145
1 December 2023	**3,281,930**	5,106,608
2 December 2024	**374,770**	748,912
1 December 2025	**595,759**	1,296,681
1 December 2026	**5,329,853**	–
	12,673,121	10,633,918

The weighted average remaining contractual life of share options outstanding at 31 December 2023 was 2 years (2022: 1.5 years).

The average exercise price for share options outstanding ranged from 1p to 238p (2022: 216p).

27. Share-based payments continued

The fair value per option granted in the year has been calculated using the following assumptions:

	2023		2022	
	PSP (Performance and service condition)	SAYE (Service condition)	PSP (Performance and service condition)	SAYE (Service condition)
Date of grant	**3/4/2023**	**19/10/2023**	17/3/2022	4/10/2022
Option pricing model	**Monte Carlo**	**Black-Scholes**	Monte Carlo	Black Scholes
Share price on grant date (pence)	**199.20**	**133.60**	239.50	247.00
Exercise price (pence)	**1.00**	**132.00**	1.00	210.00
Expected volatility (%)	**46.7%**	**34.3%**	46.8%	48.5%
Vesting period (years)	**3.00**	**3.15**	3.00	3.15
Expected option life to exercise (years)	**3.00**	**3.40**	3.00	3.40
Expected dividend yield (%)	**–**	**5.2%**	–	2.2%
Risk-free interest rate (%)	**3.4%**	**46.1%**	1.4%	4.1%
Fair value per option (pence)	**165.10**	**27.60**	195.90	96.00

Fair value per option under the PSP is calculated as the average for the TSR and non-market 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.

28. Contingent liabilities

HSBC Bank plc has issued, on behalf of Forterra plc, the following irrevocable letter of credit relating to the Group's investment in Accrington brick slip development:

Beneficiary	Amount £m	Period	Purpose
Capaccioli Innovating Industries	**9.5**	**28th Feb 2023 to 31 May 2024**	**Accrington brick slips development**

Of the £9.5m carved out of the facility, the balance outstanding on the letter of credit at the year end was approximately £6.5m. The obligations subject to the letter of credit relate are expected to be discharged through 2024 allowing the element of the facility required for letters of credit to be reduced if necessary.

29. 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.

	2023 £m	2022 £m
Emoluments including taxable benefits	**2.8**	3.4
Share-based payments	**0.4**	1.4
Pension and other post-employment benefits	**0.2**	0.2
	3.4	5.0

Information relating to Directors' emoluments, pension entitlements, share options and long-term incentive plans appear in the Annual Report on Remuneration within pages 128 to 156.

30. Post balance sheet events

With the exception of the covenant relaxations outlined within note 19, there are no events which have occurred since the balance sheet date that would merit separate disclosure.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	2023 £m	2022 £m
Non-current assets			
Investment in subsidiary	6	**312.7**	311.8
Deferred tax asset	7	**0.3**	0.3
		313.0	312.1
Current assets			
Debtors	8	**0.1**	–
Total assets		**313.1**	312.1
Current liabilities			
Creditors – amounts falling due within one year	9	**(0.4)**	(0.3)
Amounts owed to Group undertakings	9	**(23.4)**	(48.1)
Total liabilities		**(23.8)**	(48.4)
Net assets		**289.3**	263.7
Capital and reserves			
Ordinary shares	10	**2.1**	2.1
Own share reserve		**(14.2)**	(15.8)
Capital redemption reserve		**0.2**	0.2
Retained earnings		**301.2**	277.2
Total equity		**289.3**	263.7

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 2023 was £50.5m (2022: £0.2m).

The notes on pages 210 to 212 are an integral part of these Financial Statements.

Approved by the Board of Directors on 25 March 2024 and signed on their behalf by:

Neil Ash
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Ordinary shares £m	Own share reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2022	2.3	(4.6)	23.9	–	315.2	336.8
Total comprehensive income 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
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	–	–	–	–	(0.4)	(0.4)
Balance at 31 December 2022	2.1	(15.8)	–	0.2	277.2	263.7
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**50.5**	**50.5**
Dividends paid	**–**	**–**	**–**	**–**	**(25.7)**	**(25.7)**
Purchase of shares by Employee Benefit Trust	**–**	**(2.1)**	**–**	**–**	**–**	**(2.1)**
Proceeds from sale of shares by Employee Benefit Trust	**–**	**1.1**	**–**	**–**	**–**	**1.1**
Share-based payments charge	**–**	**–**	**–**	**–**	**1.7**	**1.7**
Share-based payments exercised	**–**	**2.6**	**–**	**–**	**(2.6)**	**–**
Tax on share-based payments	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Balance at 31 December 2023	**2.1**	**(14.2)**	**–**	**0.2**	**301.2**	**289.3**

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

(A) 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 2023 was £50.5m (2022: £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.

(B) 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.

(C) 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.

(D) 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.

2. Accounting policies continued

(E) 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 27 to the Consolidated Financial Statements.

(F) 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.

(G) 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.

(H) 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 2023.

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 128 to 156 and includes the amounts received or receivable by each Director in the period. The long-term incentives as detailed on page 145 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 £0.1m (2022: £0.8m) in relation to share-based payments for the period.

5. Dividends

	2023 £m	2022 £m
Amounts recognised as distributions to equity holders in the year		
Interim dividend of 2.4p per share (2022: 4.6p)	**4.9**	9.6
Final dividend of 10.1p per share in respect of prior year (2022: 6.7p)	**20.8**	14.6
	25.7	24.2

The Directors are proposing a final dividend for 2023 of 2.0p per share, making a total payment for the year of 4.4p (2022: 14.7p). This is subject to approval by the shareholders at the AGM and has not been included as a liability in the Financial Statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

6. Investment in subsidiary

	2023 £m	2022 £m
Balance as at 1 January 2023	**311.8**	309.4
Capital contribution relating to share-based payments	**0.9**	2.4
Balance as at 31 December 2023	**312.7**	311.8

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

	2023 £m	2022 £m
Deferred tax assets to be recovered after more than 12 months	**0.3**	0.3

8. Current assets

	2023 £m	2022 £m
Debtors	**0.1**	–

9. Current liabilities

	2023 £m	2022 £m
Creditors - amounts falling due within one year	**(0.4)**	(0.3)
Amounts owed to Group undertakings	**(23.4)**	(48.1)

Amounts owed to Group undertakings are non-interest bearing, unsecured and repayable on demand.

10. Capital and reserves

	2023		2022	
	Number	£m	Number	£m
Ordinary Shares of £0.01	**212,803,389**	**2.1**	212,803,389	2.1

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 26 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 29 to the Consolidated Financial Statements. Remuneration to key management personnel has been disclosed within note 29 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

With the exception of the covenant relaxations outlined within note 19 to the Consolidated Financial Statements, there are no events which have occurred since the balance sheet date that would merit separate disclosure.

GROUP FIVE-YEAR SUMMARY

Five-year summary	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	**346.4**	455.5	370.4	291.9	380.0
Adjusted EBITDA	**58.1**	89.2	70.4	37.9	82.7
Operating profit (before exceptional items)	**38.1**	72.7	54.0	20.8	65.0
Profit before tax (before exceptional items)	**31.1**	70.6	50.7	17.4	62.5
Profit/(loss) before tax (statutory)	**17.1**	72.9	56.8	(5.4)	58.2
Operating cash flow (before exceptional items)	**(6.1)**	89.0	81.2	53.9	64.9
Net (debt)/cash (before leases)	**(93.2)**	(5.9)	40.9	16.0	(43.2)
Adjusted earnings per share (pence)	**11.4**	26.4	17.5	6.6	25.5
Dividends per share (pence)	**4.4**	14.7	9.9	2.8	4.0

ADDITIONAL INFORMATION
FINANCIAL CALENDAR AND OTHER SHAREHOLDER INFORMATION

Calendar
The following dates have been announced:

2024 Annual General Meeting	21 May 2024
Payment of final 2023 dividend	5 July 2024
2024 Interim results announcement	30 July 2024

Registrars
Link Asset Services

Statutory auditor
Ernst & Young LLP

Brokers
Deutsche Numis
Investec Bank plc

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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